

CHAPTER-I

INTRODUCTION

“The division of workers into formal and informal sectors creates an artificial duality. Through the creation of this artificial duality, the working class was segmented into the organized and unorganized, the formal and informal and was fragmented into urban and rural, male and female agricultural and industrial, and other clear cut black and white categories”

Prof. John Bremen

‘Down and Out – Labouring under Global Capitalism’

The above lines sum up the anguish of Prof. Bremen, a social activist of more than four decades standing; they also sum up our/attitude and approach in erecting a wall which is supposed to divide urban and rural, formal and informal and so on. Growth of the informal economy has reached unprecedented and unmanageable proportions adversely affecting quality of employment and working and living conditions.

1.1 Introduction

Labour markets in developing countries are characterized by a formidable reservoir of workers employed in the urban informal sector who on account of their disadvantageous position are unable to derive the benefits of development and contribute to the process of development to the full extent of their potential. In India more than 93% of the total work force of 380 million is engaged in informal

sector. In the urban areas this figure is close to 65% to 70% [National Sample Survey Organisation (NSSO), 1999-2000]. The available evidence suggests that a sizeable proportion of the workers engaged in the urban informal sector are rural migrants. With their poor educational training and skill background, they land up in low paying, semiskilled or unskilled jobs, and lend themselves to a high degree of exploitation. The working environment is often poor; working hours are very long; most prerequisites of a decent employment are nearly conspicuous by their absence.

In India as in most other developing economies, macro economic policy biases against the informal sector, persisted for a long time. Again it is commonly believed that stringent labor laws, rigidities in the labor markets and growing international competition have encouraged the use of capital-intensive technology which has the growth of employment in the informal sector, forcing the informal sector to absorb most of the additional job aspirants.

As the urban informal sector expands, there is bound to be a proliferation of workshops and worksites or intensification in the use of 'informal economic locations'. This would breed and exacerbate environmental problems, such as traffic and health hazards, generally associated with the operation of informal economic activities. Therefore there is an increased demand for suitable sites for such activities with requisite infrastructure and services. Unless the urban development planning proceeds with the appropriate policy and programmes, the prospects for their growth and development cannot be initiated.

In Siliguri Municipal Corporation Area (SMCA) there are areas of visible agglomerations of such activities, particularly along the major transport arteries and streets and in road reservations in the city. They are also concentrated in the other areas, such as, public markets, commercial complexes and bus stations, where crowd congregate throughout day and night. These are people who have no

permanent structure or place for their economic activity. Though many of them tend to occupy the same area in the street for a period of time, they are nevertheless mobile. Some of them are those who push their cycle or cart around the street and have no fixed location. But even then most of them seem to have a defined area of trade.

Our survey of the economic activities undertaken in the informal sector of SMCA reveals that there is a huge diversity in the activities that are undertaken in respect of their type and nature. Activities undertaken range from legal to illegal, temporary and seasonal to permanent, low earning to high earning, dependent to independent and so on. However in spite of their large variety in types and nature they have certain common characteristics, such as, ease of entry, Low levels of fixed investment and labour capital mix, Labour relations based on verbal contract dominated by casual employment and social relations as opposed to formal contracts, skill acquired outside the formal sector, unregulated and competitive market, and tiny size etc. A close observation of the economic activities in the informal sector gives the impression that the size of this sector is growing very rapidly in SMCA. Although the ever increasing number of people engaged in this sector creates pollution, noise and congestion which hampers the qualitative life in Siliguri town, the hard reality is that this sector also provides refuge and employment for a huge number of illiterate/semi-illiterate, unskilled/semiskilled people not only of this bordering districts but also of other bordering districts of the neighbouring states as well as countries at large. The existence and ever expanding size of the urban informal sector is overwhelming in SMCA. This backdrop of SMCA has actuated to identify the characteristics and growth of informal sector of SMCA and its socioeconomic consequences.

It may be noted that SMCA has witnessed a remarkable increase of informal economic activities. The NSSO (55th round 1999-2000) informal sector data reveals that 92.7 % workers are engaged in

informal sector activities compared to 91.2% in 1993-94 in SMCA. 7.3% workers are engaged in formal sector activities compared to 8.8% in 1993-94 in SMCA. The city has specific geopolitical importance. Three foreign countries, viz., Nepal, Bhutan, and Bangladesh envelop this corporation town. In-migration to this area from neighboring countries as well as from other parts of India is one of many factors that expedite the informalisation process. Lack of industrialization, gradual closing down of tea gardens and above all shrinkage of formal sector jobs compel the unemployed people to migrate to this city and engage in informal economic activities.

However due to its enormity it is not possible for me to make an in depth survey of all types of activities in the informal sector. We therefore think it convenient to be selective in our approach so that we can keep our samples within manageable limit. A survey regarding the dominant type of activities in SMCA revealed that rickshaw pulling and work at different civil construction sites of the city are the two activities where a large chunk of informal sector workers are engaged everyday. More than one lakh people from different states and adjoining places come over to Siliguri everyday for different purposes. In 1991- 2006, population growth rate was 118% and population density was 14,159 per sq.km. (Siliguri Municipal Corporation, 2006). As far as rickshaw pulling is concerned, it is mainly an own account job, where obviously, the puller himself maybe the owner of the vehicle or may on hire. However most of the cases the pullers are found to hire rickshaw in lieu of a fixed rental from rickshaw owners. In the job of rickshaw pulling earnings are fairly good when compared with the unskilled and mainly illiterate position of the puller. This is the reason why Rickshaw Pullers (RPs) immigrate to Siliguri city from various parts of the adjacent regions. Occasionally, there are proposals on the part the corporation authority to ban plying of rickshaw through the main streets of the city or to stop the plying of rickshaws altogether

from the roads and streets to reduce the level of traffic congestion. But considering the immense humanitarian and political crisis that would follow as an aftermath of partial and total elimination of cycle rickshaws, the authority changes its position habitually. As far as civil construction works are concerned it is seen that with rapid growth of SMCA scores of such works are going on in and around the city. As a consequence, growing numbers of workers both male and female are crowding into the city. But due to different reasons, their working conditions do not conform to the standard of decent work prescribed by International Labour Organisation [ILO] recently. Since the RPs and the Construction Workers (CWs) form two dominant groups in the informal sector of SMCA, we have drawn samples from these two groups of workers for our research study.

In general, it can be said that labour standards in the informal sector are not in conformity with those that apply in the formal sector. Informal sector workers lack social security, economic support and legal protection. There are some needs that are differentiated among various groups of informal sector workers. They include:

(i) Social needs - Job security, health care facilities and the promotion of occupational health and safety, protective clothing, protection against income losses during sickness, minimum wage, general infrastructure and environmental sanitation; and

(ii) Economic needs - Training and education for skills development, basic tools, business premises, financial credit.

While labour legislation and practice widely provide for the interests of all workers, they however reveal some limitations with regard to informal sector workers. Labor legislation does not adequately cater for casual labor with respect to written contracts, worker's compensation, labour inspection, annual and maternity leave. With regard to

regulatory institutions, the ineffective functioning, where they existed at-all, of Public Employment Centers, Labor Inspectorate and Minimum Wage-Fixing and Monitoring Machinery have been noted. Similarly, the marked disuse of the wide discretionary powers of the public authorities for labor protection has been cited (Adu-Amankwah, 1997).

The basic justification to undertake this study is that, almost no study based on primary data has been done on urban informal service sector in SMCA. So we have felt it pertinent at this point of time to carry out an in-depth and meaningful study on the characteristics, growth and socioeconomic consequences of informal sector economic activities, with special reference to rickshaw pulling and construction work, on the household economy of the selected study area.

The present informal sector study has achieved the following goals:

- 1) Characteristics, types, nature and growth of informal service sector at SMCA.
- 2) Socioeconomic profile of RPs and CWs at SMCA.
- 3) Contribution of rickshaw pulling and construction work towards income generation.
- 4) Socioeconomic impact of these two sectors on the people who derive their livelihood from it.
- 5) Nature of migration persists in rickshaw pulling and construction work sector.
- 6) What the state could do to assist this sector.

An exhaustive study on the informal sector on SMCA with special reference to rickshaws and CWs is expected to facilitate the policy makers and planners of the city to adopt appropriate policies to draw

pragmatic plans not only for these two groups, but also for other groups of informal service sector workers in SMCA.

It is generally recognized that a fundamental characteristic of the informal sector is that it is “unorganized”. One of the main reasons why this has been the case is that the sector is very heterogeneous. As the ILO report observed, “the artisans, street vendors, transport operators, small shop owners and wage earners of the informal sector, all have very diverse interest and priorities. Moreover competition within these groups for very small markets may often be an obstacle to group solidarity”. Nevertheless evidences from developing countries suggest that organizations within specific activity or occupational groups or within specific location do emerge and do exist. Further, these organizations, how-ever small they may be, have often successfully defended their interests. They do not only serve as a vehicle to express their view and concern against specific policies and regulations that may be imposed on them without any prior consultation either by the local, regional or national authorities. They also play an important role in overcoming market imperfections especially in the context of subcontracting.

RPs are among the least protected workers in the unorganized sector. Conditions are not regulated nor are their social security issues addressed. The vulnerability of the RPs is further accentuated by the fact that the majority of those who pull rickshaws do not own the rickshaws by themselves. In a city like Siliguri illegal ownership and unlicensed plying add to the complexity of the conditions in the sector. Unorganized CWs can truly be described as sweat labor, and violation of laws on minimum wages, equal wages, child labor, contract labor, inter-state migrant workers, etc. is rampant in construction as in agriculture and home-based occupations. Unionization is not allowed or encouraged, and CWs like many others in the unorganized sector remain invisible and vulnerable, voiceless and un-unionized.

1.2 Review of Literature

There has been a significant outpouring of national and international literature on informal sector in recent years. This has been due to recognition that informal sector play an important role in the economies of developing countries.

Amin (1987) made a sample survey in seven areas of the city of Dhaka. The findings of the survey based on four main headings; 1) informal sector activities and employment status, 2) labor force characteristics, 3) earnings and mobility and 4) the role of informal sector in industrial transition. He found that the informal sector is neither a secondary labor market nor merely a sponge to absorb to city's residual labor and it can play an important role in industrial relations.

AMDA and CMDA (1995) study reveals that low productivity, uncertainty and irregularity of employment are the major problem associated in informal sector The study also reveals that employment is often limited to much smaller number of days than that for which the work is sought. The strong competitions among hawkers, waste pickers, RPs, etc., bring down their earnings, often below the statutory minimum wages.

Anderson (1998) conducted the first major study of the informal sector in Mongolia. The World Bank, made the study, which was based on a variety of sources of information, including key informant interviews, NSSO data, and an original survey of 770 informals in Ulaanbaatar. Anderson surveyed 308 taxicabs, 245 kiosks, and 217 outdoor market vendors and street informals (e.g. shoe shine, boot repair, outdoor billiards). His study found that while there are benefits

to being informal (non-wage costs of labor are lower, the system of registrations is simpler, access to facilities is easier), there remain clear disadvantages. Many take up work in the informal sector as a result of economic crisis and joblessness. They enter into business without subsidized credit, instead relying on self-financing or borrowing from family or friends. They enter into lines of work that are highly competitive and unregulated. They furthermore often have no permanent place of doing business, and income can be earned only through hard work - illness or disability can mean bankruptcy in the absence of insurance. However, for all the difficulties the informal sector faces, Anderson finds that Ulaanbaatar's informals have been remarkably successful.

Banerjee (1983) assumed in his basic hypothesis of probabilistic migration models that informal sector employment is a temporary staging post for new migrants on their way to formal sector employment. The empirical base of his study is a survey conducted from Oct 1975 to April 1976 of migrant's households in Delhi. Empirical evidence indicated that actual and potential mobility from the informal to formal sector was low, education and urban experience were rewarded at the same rate in both sectors and education was one of the important determinants of mobility between sectors. Again low earnings in the informal sector can be eliminated through human capital formation.

Banerjee, N (1985) in her work provided a comprehensive analysis of the working conditions of women in the unorganized sector of Kolkata. The objective of the study was three fold: first to get information on a wide range of features of Calcutta's informal sector. Second to examine the nature of women's employment with emphasis on unprivileged women workers. Third, to look at women's experience in

employment and to measure its impact on their status at home and in the society at large. The study conducted in 1976-77, draws a sample of 411 women workers, including some case studies. The main findings revealed that: 1) women's employment in the informal sector embraced a significant number of children and old people; 2) domestic work was no longer the main activity of women workers who were also involved in what were once predominantly male activities and even in new occupations; 3) self employment was not common among the respondents.

Breman (1980) regarding developing countries, the low rate of industrialization and productivity, and the presence of surplus labor are listed as principal reasons why a dualistic system arose in the cities of the third world. In addition, it is accepted that due to the old economic mechanism (low technology and intensive use of cheap unskilled and semi-skilled labor) that these countries have, informal activities emerge and grow quite rapidly. This is basically one of the reasons why the informal sector in less developed countries is considered to be a sector for survival.

Bromley (1978) studied the ice-cream vendors in Cali (Columbia) who are compelled to rent carts from specific ice cream companies, which obliges them to only, sell the products of that company. Since the price of the ice cream is standardized, the end result is that a fixed percentage of the total sales go to the company, leaving the vendor with a fixed "commission". In these situations it is easier for the vendor to use initiative in sales technique and territory to increase their gross sales and thus their level of income. Where the price of the product is not standardized, additional income may be made by improving the "presentation" of the product and thus increasing the retail price and the effective "commission". In either case, an

opportunity for returns to initiative exists that, albeit limited on the supply side, may allow "successful entrepreneurial" vendors to expand or move up the retail chain. Whether these workers are considered employees or independent contractors, the fact remains that their low overheads allow for a much broader distribution system for such products, and multi-nationals in these nations have deliberately aimed their distribution strategies to favor such small retailers.

De Soto (1989), in his work showed a radically different perspective on the informal sector, which was popularized, in the late 1980s in his account of the economic organization of housing, trade, and transport in Lima. For him, the informal economy is not a precisely defined sector, but comprises all extralegal economic activities, including market production and trade as well as direct subsistence production. The origins of the phenomenon are to be found not in the dynamics of the labor market, but rather in the excessive regulation of the state. The "mercantilist" Latin American state survives on the basis of granting the privilege of legal participation in the formal economy to small elite. Informality is the popular response that successfully breaks down this legal barrier.

Gindling, and Terrell (2002) in their study investigates the effects of legal minimum wages on the wages and employment of unskilled workers in two sectors – the informal and formal sectors – of a developing country with a complex minimum wage policy that varies both across and within industries over time. They use both individual and panel of data from the annual Costa Rican Household Surveys over the period 1980-1996 to provide estimates of the effects of changes in the lowest legal minimum wage in each industry in a given year on employment, hours worked and wages of unskilled workers. They examine the effect of workers in the informal/formal sector,

using two definitions: a) salaried/self-employed and b) salaried workers in firms with five or more employees vs. salaried workers in firms with less than five employees and self-employed. The results from the regression indicate that the elasticity of the wage to the minimum wage is a positive and significant in the formal sector (both definitions) and negative and significant in the informal sector (both definitions). That is, increases in the minimum wage are negatively impacting wages in the informal (uncovered) sector. With respect to an employment effect, they find evidence in the informal sector, that minimum wage increases have a small positive impact on employment. They also find evidence that the increase in employment in the informal sector occurred because of an increase in the number of part-time workers (while the number of full-time workers did not change significantly).

Grice, (1989) made a study in Singapore and Hong Kong. It has been shown that people ventured into hawking by their own choice and not because of lack of opportunities for employment. Obtaining higher income, gaining personal autonomy and achieving greater social and economic mobility were among the reasons given for choosing hawking as an occupation.

House, (1984) has focused on the complexity and heterogeneity of informal sector. Analysis show that Nairobi's informal sector is very diversified, both in terms of productivity and income levels generated. He further categorized the informal sector into two sub sectors: an intermediate sector, which appears as a reservoir of dynamic entrepreneurs, and the community of the poor, which contains a large body of residuals and underemployed labor. In Nairobi, the intermediate part of the sector succeeded in expanding and accumulating capital assets, despite the negative attitude pursued by

the public authorities. Linkages to the formal sector by way of subcontracts also appear as benign rather than exploitive.

Jhabwala and Jumani (1988) have focused on the various categories of self employed workers in the informal sector. The authors delineate the informal sector in terms of three categories of self-employed workers; a) small scale vendors, petty traders and hawkers; b) home based producers such as weavers, potters, bidi makers and c) laborers selling their services. This category of workers comprises nearly 45 to 52 percent of the urban workforce in most of the metropolitan cities. Besides it is mostly the women who belong to this category.

Keith Hart (1973) has coined for the first time the term “Informal Sector” that is used to describe those activities in Ghana that are not registered with any government authorities and in which workers do not have any protection, includes both self-employment and wage employment. He identified a number of income and employment generating activities in the unremunerated sectors of urban area. The study assimilated that the workers engaged in the unorganized sector are self-employed as against the wage laborers in the organized sector. The new entrants in the urban labor market are particularly the migrants from rural origin were forced to work in the informal sector due to lack of experience and skills required for the formal sector employment.

Lam, (1981) conducted a study in Kuala Lumpur and Malacca, Malaysia, and found that the majority of the street hawkers had at least completed primary education. This study produced different findings. As shown, almost half of the hawkers had completed junior secondary school while about 27% have had primary school education.

As expected this shows that younger hawkers were more likely to be better educated than the older group. Generally, although night market hawkers came from lower educational backgrounds, they are by no means the worst educated groups. He pointed out the importance of family and household information in relation to the hawkers' involvement in the profession. Although on average, the night market hawkers have a typical household size; it is worth noting that the majority of them have more than 5 dependents to support. He also found that hawkers in three Malaysian cities of Kuala Lumpur, Malacca and Petaling Jaya had mostly engaged in hawking for positive reasons.

Lomnitz, (1977), has made a study about the so called "disguised workers" (informal workers) within the garment industry as well as other industries where the workers are provided material and sometimes equipment within their own home and are then paid a piece rate by the same people, who therefore operate both as their supplier and only "client". It is not difficult to see that these individuals are entirely dependent upon the broker or factory that provides their work, and the only difference between them and in-factory workers is that they are excluded from the legal protection and norms that are supposed to be enforced in factory labor and thus typically receive low salaries and no benefits of formal employment, as well as being unable to organize with their fellow workers because they are excluded from a central work place. As a result, such workers have little opportunity to manipulate the conditions of their work and pay through individual initiative except by working harder and including the labor of other dependents of the household. Furthermore, since the single "supplier/client" can manipulate all the economic conditions within which they work, the piece rate itself can be used to force such extra labor, thus increasing the level of primitive exploitation of the workers.

A study on street vendors in seven cities conducted by the **National Alliance of Street Vendors of India** (NASVI) showed that the lower income groups spend a higher proportion of their income in making purchases from street vendors mainly because their goods are cheap and thus affordable. Had there been no street vendors in the cities the plight of the urban poor would be worse than what it is at present. In this way one section of the urban poor, namely, street vendors, helps another section to survive. Hence though street vendors are viewed as a problem for urban governance, they are in fact the solution to some of the problems of the urban poor. By providing cheaper commodities street vendors are in effect providing subsidy to the urban poor, something that the government should have done.

McGee (1977), studied on street vending in Hong Kong. He notes that industrialists appealed to the colonial administration to repress street vending because of a labor shortage in the growing industrial sector at the time, attacking vendors for their "laziness" in choosing street vending over factory work. The fact is, McGee points out, that street vendors simply felt they could earn more on the streets than in the wage sector. In my own research vendors have many times claimed that street vending is also a life style choice, allowing them greater personal freedom and flexibility

McGee, and Yeung (1977), have made a study on perceive hawkers as part timers who hold one permanent occupation during the day and trade at night to earn an extra income. They are assumed to be part of "reasonably rich" group of people who are reaping a substantial amount of income through profits from their trading activities. They, in describing various attitudes towards hawkers, pointed out that at the extreme, hawkers are portrayed as shrewd entrepreneurs who have more financial resources than they appear to have.

Mitra (1990), analyzed the emergence of slums in the context of rural to urban migration and predominance of urban informal, sector in total employment. Sluggish employment prospects in the high productivity sector leads to a residual absorption of labor in the low productivity sectors and generates a low level of income for workers. Inadequate income in the face of rising land prices virtually rules out their access to land, thereby creating slums in the urban informal sector.

Norman.V. Loayza in his work presents the view that the informal economy arises when excessive taxes and regulations are imposed by governments that lack the capability to enforce compliance. The determinants and effects of the informal sector are studied in an endogenous growth model whose production technology depends essentially on congestible public services. The model concludes that changes, both in policy parameters and the quality of government institutions that promote an increase in the relative size of the informal economy will also generate a reduction in the rate of economic growth. The paper then uses data from Latin American countries in the early 1990's to test some of the implications of the model and to provide estimates for the size of the informal sector throughout these countries. The size of the informal sector is found to depend positively on proxies for tax burden and labor-market restrictions.

Papola, (1981) has discussed in general the various features of an urban informal sector in a developing economy and has considered the urban informal sector of the city of Ahmedabad as a case study. It also attempts to portray the structure of informal sector in terms of its various segments. The study aimed to estimate the income and employment generating capacity of the informal sector vis-à-vis the

formal sector. The chief hypothesis, which was tested here, pertains to the relative advantage of the informal sector in providing higher employment per unit of capital and output. This study accepts that the small establishments of the informal sector can contribute to the generation of income and employment. The capital intensity gap between sectors is fast declining. The degree of exploitation of workers is higher in the informal sector than the formal sector.

Prosad and Yogi (1991) made an attempt to examine the absorptions and mobility of migrant workers in the urban informal sector of Vijayawada city. In this study informal activities have been identified in terms of its employment size and on the heterogeneity of work criterion. All the workers have been into four categories: self-employed, casual worker, domestic worker and informal establishments. They have concluded that the city of Vijayawada has become a prominent center of immigration. It is also found that the number of migrant workers drawn into the informal sector has increased tremendously. The study revealed that the majority of the migrants work in the casual and domestic servant sector.

Romalet (1983) reviewed the concept of the informal sector and discusses the relevance and validity of the concept as applied to Calcutta's economy and suggested ways how it can be improved. The analytical framework is re-enforced by a survey of informal sector units – constituted predominantly engineering industries – in a Calcutta slum, pilkhana, Howra. The findings of the survey cover the following aspects: the employment characteristics of the participants; capital invested, turnover and value-added; working of the unit and attitudes and opinions of the entrepreneurs.



Sethuraman, (1981) the book contains the findings on informal case studies in Freetown, Lagos, Kano, and Kumasi. He discussed not only the conceptual and measurement problems but also the significance of the urban informal sector to development policy. It also discusses the relationship between the urban informal sector and the urban environment with particular reference to employment. He has shown a close relationship between a rural to urban migration and informalisation.

Tansel (2000) in his article considers covered and uncovered wage earners and the self-employed. The analysis is carried out for men and women workers separately in Turkey. The 1994 Turkish Household Expenditure Survey is used to examine how individuals are selected into the covered and uncovered wage earner and the self-employed categories. For the covered wage earners, men's expected wages are about twice the women's wages. For uncovered wage earners, men's wages are near parity with those of women. These results suggest segmentation for men along the formal and informal lines and substantial discrimination against women in the covered private sector.

Teilhet-Waldrof and Waldrof (1983) focusing on the informal sector in a neighborhood of Bangkok, offered an analysis of the work behavior of urban self employed categorized in three occupational groups: vendors, brick workers and shopkeepers. The study found that the average earnings of the informants were significantly higher than those of unskilled workers in the formal sector; about a third of the informants had moved from jobs in the formal sector; recent migrants among the self-employed tended to earn less than those born in the city but more after a period of assimilation.

Thomas (1988) in his paper illustrated that the informal sector serves as an incubator for a country's ongoing economic development. It acts as a dynamic training ground for the establishment of more formal businesses, and a major vehicle for reducing unemployment. Further, it serves as a vital component of the free market system by performing a number of functions, such as reducing the bargaining power of unions, preventing monopolies, and keeping inflationary pressures, caused by rising costs of rentals, rigid regulations, and high overheads in check.

Turnham (1993) has estimated the proportion of informal employment for groups of countries at different levels of development and found that the share of informal employment declines as the level of development rises. His definition of informal sector employment included the waged workers in small enterprises and the self-employed excepting professionals and technicians.

Venkat Ratnam, (1997) has pointed out that a number of informal manufacturing units owe their existence to subcontracting of jobs by informal industries, usually on a piecemeal basis. He again found that there are links between the formal and informal sectors. A considerable percentage of workers belong to both the formal and the informal sector. Moreover, households are often part of both sectors, with one member — usually a male — working in the formal sector, and another member — generally a female — working in an informal sector job or running an informal sector business. Formal enterprises rely on informal workers to a very large extent to supply services, and the lower- and middle-income groups of the formal sector buy goods and services in the informal sector. The producers and traders in the informal sector have to buy most of their materials and merchandise in the formal sector; often they work as suppliers or subcontractors

for formal enterprises. This establishes a mutual dependence, though an asymmetrical one, since informal work can easily be substituted.

1.3 Research Hypotheses

Our Study Has Examined The Following Research Hypotheses:

- 1) That Urban informal sector is rapidly growing in SMCA
- 2) That there are no major differences in the Characteristics of urban informal sector between SMCA to other Indian states.
- 3) That UIS plays a significant role in the household economy and the economy of SMCA.
- 4) That lack of rural employment opportunities as well as poverty is the most important causes behind rural urban migration to informal sector of the SMCA.

1.4 Conceptual Framework

There is no consensus over what constitutes the informal sector. The informal sector is known by many different names according to different contexts and point of view. Various referred to as the informal economy or unregulated economy or unorganized sector or unobserved employment sector, to cite but a few of its titles, all of them typically refers to both economic units and workers involved in a variety of commercial activities and occupations that operate beyond the realm of formal employment. In the urban context, informal sector refers to small enterprise operators selling food and goods or offering services and as such they become part of the cash economy and are involved on market transactions. This urban informal sector is largely more diverse than the rural one and includes a vast and heterogeneous variety of economic activities through which a substantial portion of urban families earn their livelihoods. Such

activities are generally found in street vending, hawking, domestic works, unlawful trade activities like smuggling etc.

The terms “formal” and “informal” activities have been acknowledged in anthropological studies since 1960s, with meanings closely analogous to their current usage in development theories and employment policies. Yet, they were not widely adapted in the development studies literature until the early 1970s (Bromley, 1979:1035). While most scholars generally recognized that Keith Hart (1971) was the first to use the term “informal sector”, the credit should also be given to Reynolds (1969) who coined the term earlier, as well as to the International Labour Organization (ILO), which launched and popularized the concept into development policies and programmes in its momentous country mission to Kenya in 1972 (Bromley, 1979; Moser, 1979; Charms, 1990).

The term “informal sector”, coined by an ILO mission to Africa in the early 1970s, is invoked to refer to street vendors in Bogotá; shoeshine boys and RPs in Calcutta; garbage collectors in Cairo; home-based garment workers in Manila, Montreal, Madeira, or Mexico City; and home-based electronic workers in the Leeds, Istanbul, and Kuala Lumpur. Some observers feel the sector is simply too varied or heterogeneous to be meaningful as a concept (Peattie 1987). However, in the early 1970s and again in the late 1990s, several independent schools of thought converged on the fact that the informal sector as a whole accounts for a significant share of employment and output and cannot, therefore, be dismissed or disregarded. As we enter the 21st. century, it is clear that the informal sector needs to be better understood for its rapid appearance in the economy. In addition, given its large size and diversity, as well as the increasing ties and overlaps with the formal sector, many have expressed the opinion that instead of describing it as a “sector” it would be more appropriate to use the term “informal economy”. Here of the most backward linkages – such

as production, collection and processing – are still carried out informally. Many industrial home workers face insecure jobs and poor working conditions including cramped quarters, poor lighting, long hours, and low wages. Many self-employed producers face increased competition. Very often their access to markets is seen curtailed. It may be true that if the home workers to benefit from new work opportunities are to be endowed with increased bargaining power and more secure contracts. And for home-based producers if they are to get benefit from emerging markets, they need to have increased bargaining power and greater market access.

Informal Workers: who are they?

Those who work on the streets or in the open-air are the more visible occupational groups in the informal economy. The streets of cities, towns, and villages in most developing countries – and in many developed countries - are lined by barbers, cobblers, garbage collectors, waste recyclers, and vendors of vegetables, fruit, meat, fish, snack-foods, and a myriad of non-perishable items ranging from locks and keys to soaps and detergents, to clothing. In many countries, head-loaders, cart pullers, bicycle peddlers, RPs, and camel, bullock, or horse cart drivers jostle to make their way down narrow village lanes or through the maze of cars, trucks, vans, and buses on city streets. But the informal economy also includes activities and workers that are less visible and, even, invisible. Less visible informal workers work in small shops and workshops. On the street corners of most cities, towns, or villages, even in residential areas, are countless small kiosks or stalls that sell goods of every conceivable kind. On the crowded lanes of most cities, towns, or villages are small workshops that repair bicycles and motorcycles; recycle scrap metal; make furniture and metal parts; tan leather and stitch shoes; weave, dye, and print cloth; polish diamonds and other gems; make and embroider

garments; sort and sell cloth, paper, and metal waste; and a many more.

The least visible informal workers, the majority of them women, sell or produce goods from their homes: garment makers; embroiderers; incense-stick rollers; bidi-binders; cigarette-rollers; paper bag makers; kite makers; hair band makers; food processors; beauticians and others. These least visible workers are not confined to developing countries. Only home-based workers are to be found around the world, including: garment workers in Toronto; embroiderers on the island of Madeira; shoemakers in Madrid; and assemblers of electronic parts in Leeds. Some of these home-based workers work on their own account, while others work on a piece-rate basis for a contractor or a firm. Other categories of informal work are common in both developed and developing countries: casual workers in restaurants and hotels; sub-contracted janitors and security guards; casual or day laborers in construction and agriculture; piece-rate workers in sweatshops; and temporary office helpers or off-site data processors. Most workers in all of these categories of work are informally employed, without secure contracts, worker benefits, or social protection.

Conditions of work and the level of earnings differ markedly among those who scavenge on the streets for rags and paper, those who produce garments on a sub-contract from their homes, those who sell goods on the streets, and those who work as temporary data processors. Even within countries, the informal economy is highly segmented by location of work, sector of the economy, and status of employment and, across these segments, by social group and gender. But most workers in the informal economy share one thing in common: the lack of formal labour and social protection.

Despite the heterogeneity of the informal economy, those who work in the informal sector can be grouped into several basic employment categories:

Employer:

- ◆ Owners of informal enterprises
- ◆ Owner operators of informal enterprises

Self-Employed:

- ◆ Own-account workers
- ◆ Heads of family businesses
- ◆ Unpaid family workers

Wage Workers:

- ◆ Employees of informal enterprises
- ◆ Casual workers without a fixed employer
- ◆ Home workers (also called industrial outworkers)
- ◆ Domestic workers
- ◆ Temporary and part-time workers
- ◆ Unregistered workers

Of course, some persons belong to more than one of these basic categories: those who change jobs or activities across any given unit of time (day, month, and year) and those who hold more than one job or have engaged themselves in more than one economic activity at any given time.

Over the past 30 years different concepts of informal sector have emerged under different context and point of view, which are as follows: -

Anthropological Concept

Reynolds (1969:91) generated a model containing two urban sectors: one of them was the trade service sector, which emerged in the cities

of Less Developed Countries (LDCs). He described it as 'The multitude of people whom one sees thronging the city streets, sidewalks and back alleys in the LDCs: the petty traders, street vendors, coolies and porters, small artisans, messengers, barbers, shoe-shine boys and personal servants.' Reynolds' idea of the "other sector" in the urban economy, however, was not noticed for some time, until Hart's presentation at a conference on Urban Unemployment in Africa held at the Institute of Development Studies, University of Sussex in September 1971, which attracted a great deal of interest (Thomas, 1992). His article on Informal Income Opportunities and Urban Employment in Ghana was based on his work in the low-income neighborhood of Lima, Accra in Africa, and was then published in 1973. In that article, Hart (1973) provided a list of activities, which could be divided into formal income opportunities (wage-earning formal sector) and informal income opportunities (self-employed informal sector), either legitimate or illegitimate. Though his definition did not give a clear demarcation between informal and criminal activities - hence received quite a lot of criticism - his definition served as a springboard for the informal sector concept.

The I.L.O Concept

I.L.O. approach of defining informal sector excluded the illegal activities from the informal sector and concentrated in the productive characteristics, economic efficiency and profit making characteristics of informal activities. They characterized informal sector as: 1) ease of entry; 2) reliance on indigenous resources; 3) family ownership; 4) small scale production; 5) labor intensive adaptive technology; 6) unregulated and competitive market etc.

Sethuraman Concept

Sethuraman's definition of informal sector was considered an interpretation of ILO's characterization. Sethuraman concentrated his attention in certain operational aspects regarding enterprises rather than the activities of informal sector. He defined the informal sector as "small scale units engaged in the production and distribution of goods and services with the primary objective of generating employment and income" He identified nine employment characteristics of the enterprise which are likely to be found in manufacturing, construction, transport, trade and service sectors: (1) It employs 10 persons or less (including part-time and casual workers), (2) It operates on an illegal basis, contrary to the government regulations, (3) It employs family members or relatives, (4) It does not observe fixed working hours or days of operation, (5) It operates in a semi-permanent or temporary structure or in a shifting location, (6) It does not use electricity in the manufacturing process, (7) It does not depend on formal financial institutions for its credit needs, (8) It produces and distributes outputs, which are normally intended to reach the final consumer in a direct basis, and (9) it employs workers who mostly only have fewer than six years of formal schooling.

PREALC concept

This concept focuses on the labor market. It described informal sector as alternative to open unemployment. Informality according to this concept is the combined result of high urbanization rates and incapacity of the modern sector to absorb them. Rural to urban migration, slow expansion of formal employment are some of the characteristics under this view. It mentioned some criterion for informal sector as:

- 1) Servants, casual workers, own account workers, less than five workers in an enterprises and
- 2) Income below some minimum level.

Petty commodity product concept

This is the Marxist view of defining informal sector concept. This concept was developed by Garry, Bromley and Birkbeck. They mentioned exploitive and unequal interdependence between the formal and informal economy, specially, focusing its attention in exploring the capacity of some informal activities to provide several basic inputs that the capitalist firms are unable to produce profitably. Garry and Bromley developed the category of casual work employment. This new category was used to show continuum stretching from stable wage work to true self-employment. They characterized informal sector as:

- 1) Activities outside the capitalist production.
- 2) Coexistence with modern economy.
- 3) Opportunities for additional earnings.

Institutional concept

Another perspective of the informal sector vastly popularized since the late 1980s has been that proposed by De Soto and his team of researchers of the Institute of Liberty and Democracy. He never associated informality with a precise sector but relates the informality to “economic activities that contravene official regulations but that do not involve murder, theft, violence or other obvious criminal acts. Informality under this view is a rebellion from below against the regularity constraints derived from the negative and erroneous role of the state.

Structuralist concept

The informal economy under this view does not constitute a set of marginal activities excluded from the benefits of the formal sector. Instead it represents an integral part of modern economy, which is present even in developed economy. Informality cannot be associated with poverty nor activities performed by destitute people on the margin of society, rather a procyclical mechanism of firms to withstand the crisis and international competition through decentralization of production and avoidance of taxation.

For the purposes of the present study of informal sector workers of SMCA with special reference to RPs and CWs we shall follow the concept given by Sethuraman. He has identified nine employment characteristics of an informal sector enterprise of which some of the characteristics are common in the case of the two activities selected by us.

Linkages with the Formal Economy

There are three well-known schools of thought regarding the links between the informal and the formal economies: the proponents of these schools are referred to as, respectively, the dualists, the structuralists, and the legalists. The stylized views of each of these schools can be summarized as follows.

The dualists view the informal economy as a separate marginal sector – not directly linked to the formal sector - that provides income or a safety net for the poor (ILO 1972). They argue that the informal economy exists or persists because economic growth or industrial development has failed, as yet, to absorb those who work in the informal economy.

The structuralists view the informal economy as being subordinated to the formal economy (Castells and Portes 1989). They argue that privileged capitalists in the formal economy seek to erode employment

relations and subordinate those who work in the informal economy in order to reduce their labour costs and increase their competitiveness. The legalists view informal work arrangements – or, more specifically, unregistered businesses – as a rational response to over-regulation by government bureaucracies (De Soto 1990). They argue that those who run informal businesses do so to reduce their own costs and increase their own wealth.

In brief, what distinguishes each of these schools is their underlying model of power or power relationships. The dualists subscribe to the notion that there are few (if any) power relationships between those who work in the informal and the formal economies. The structuralists subscribe to the notion that the formal economy exerts a dominant power relationship over the informal economy in its own interests. The legalists subscribe to the notion that informal entrepreneurs exercise their own power – or choice – to operate informally as a response to unreasonable bureaucratic controls.

Factors Responsible for Informalisation

Over the past two decades, despite predictions to the contrary, employment in the informal economy has risen rapidly in all regions of the developing world and various forms of non-standard employment have emerged in most regions of the developed world. In the developing world, it was only the once-rapidly-growing economies of East and Southeast Asia that experienced substantial growth of modern sector employment. However, in the wake of the financial crisis, most of these countries experienced a substantial decline in formal wage employment and a concomitant rise in informal employment. How many retrenched workers have been reinstated in formal jobs as these economies have begun to recover from the crisis is not yet known. Even before the Asian crisis, official statistics indicated that the share of the informal economy in the non-agricultural workforce ranged from

over 55 percent in Latin America to 45-85 percent in different parts of Asia to nearly 80 percent in Africa (Charmes 1998a).

Why has the informal economy continued to expand and grow? There is no simple answer to this question as different causal factors are at work in different contexts. However, some mix of the following sets of factors would explain the persistence or expansion of the informal economy in most countries, regions, or industries. The first set of factors relates to the pattern of economic growth. Some countries have experienced little or no economic growth, while others have pursued capital-intensive growth or what some observers call "jobless growth". In both such contexts, not enough jobs are created for all those seeking work. Many frustrated formal job seekers find employment or create their own work in the informal economy. Another pattern of economic growth - "high tech" growth - tends to create more high-skill service sector jobs than lower-skill manufacturing jobs. In such contexts, those without the skills to compete for high-tech formal jobs find work or continue to work in the informal economy. There is another, more optimistic, scenario: namely, "growth from below". In some regions, countries, or industries, the small business and micro-business sectors are more dynamic and create more jobs than the formal sector.

The second set of factors has to do with economic restructuring and economic crisis. Available evidence suggests that during periods of economic adjustment, whether due to economic reforms or economic crises, the informal economy tends to expand. This is because, retrenched workers move into the informal economy when public enterprises are closed or the public sector is downsized. This is also because households need to supplement formal sector incomes with informal earnings in response to inflation or cutbacks in public services.

The third set of factors relates to the globalization of the world economy. Global trade and investment patterns tend to privilege capital, especially companies that can move quickly and easily across borders, and to disadvantage labor, especially lower-skilled workers that cannot migrate easily or at all (Rodrik 1997). To increase their global competitiveness, more and more investors are moving to countries that have low labor costs or shifting to informal employment arrangements. Furthermore, there has been a radical restructuring of production and distribution in many key industries characterized by outsourcing or subcontracting through global commodity chains. The net result is that more and more workers are being paid very low wages and many of them have to absorb the non-wage costs of production. Globalization also tends to privilege large companies who can capture new markets quickly and easily to the disadvantage of small and micro entrepreneurs who face difficulties gaining knowledge of - much less access to - emerging markets. In sum, globalization puts pressure on low-skilled workers and petty producers by weakening their bargaining power and subjecting them to increasing competition.

Available evidence suggests that globalization of the economy tends to reinforce the links between poverty, informality, and gender. This is because global competition tends to encourage formal firms to shift formal wage workers to informal employment arrangements without minimum wages, assured work, or benefits and to encourage informal units to shift workers from semi-permanent contracts without minimum wages or benefits to piece-rate or casual work arrangements without assured work, minimum wages, or benefits. This is also because globalization often leads to shifts from secure self-employment to more precarious self-employment, as producers and traders lose their market niche. With these shifts, and as more and more men enter the informal economy, women tend to be pushed to the lowest

income end of the informal economy: for example, as petty traders or as industrial outworkers.

But globalization can also lead to new opportunities for those who work in the informal economy in the form of new jobs for waged workers or new markets for the self-employed. However, a collaborative effort on the part of grassroots organizations of those who work in the informal economy with sympathetic representatives of non-governmental, research, government, private sector, and international development organizations is needed to enable the most vulnerable segments of society to seize these opportunities.

As the pace of globalization and economic liberalization pick up in the coming years, and the formal sector jobs require more education, training and skill, it is the informal sector that can emerge as a saviour of the unskilled and semiskilled jobs aspirants whose number is increasing.

Until recently government policy has given little attention to the informal sector. However it was considered that with economic growth, the formal sector would witness a sizeable expansion and that most of the surplus labor would be absorbed by it. In India in spite of a reasonably strong growth of around 5% to 6%; this has not happened. On the contrary, the informal sector has continued to grow, along with worsening employment and living conditions.

For this to happen, there needs to be a much more detailed picture of those who crowd in the informal economy and their nature of work, at the same time a more detailed analysis of how globalization, particularly trade and investment policies, are affecting the employment arrangements and income sources of those who work in the informal economy.

1.5 Chapterisation

Our Study Constitutes the Following Chapters:

Chapter-1: Introduction

Chapter-2: Characteristics and Growth of Urban Informal Sector in India and West Bengal.

Chapter-3: Nature, Magnitude and Causes of Growth of Urban Informal Sector in Siliguri Municipal Corporation Area

Chapter-4: Income, Employment and Living Conditions of Rickshaw Pullers and Construction Workers.

Chapter-5: Characteristics of Migrant Rickshaw Pullers and Construction Workers.

Chapter-6: Consequences of Migration of Rickshaw Pullers and Construction Workers on Their House Hold Economy and the Economy of Siliguri Corporation Area.

Chapter-7: Need for Social Security in These Two Sectors in SMCA.

Chapter-8: Summary ~~and~~ Conclusions and Suggestions.

1.6 Research Methodology

The area of study is SMCA in the district of Darjeeling of the state of west Bengal. The people who are engaged in construction work and rickshaw pulling in Siliguri corporation area is our universe of study. Three types of sampling have been followed, viz., the stratified, random and purposive sampling. For collecting primary data on RPs we purposively had chosen 12 rickshaw stands at busy road crossings from different locations of the city. Again for collecting primary data from CWs, we purposively had chosen select 12 civil construction sites from different parts of the city. Selected RPs and CWs of all age groups were interviewed using a more detailed structured questionnaire and were compensated for the time. The unit of observation is an individual RP and an individual CW. The total size of

the sample is 410 workers comprising of 205 RPs and 205 CWs. Primary data has been collected through personal interaction with the respondents using structured questionnaires designed to elicit quantitative and qualitative data. In total 2 sets of questionnaires have been used each for the workers of RPs and CWs. Secondary data has been collected from sources like NSSO, different Census reports, books, journals, bulletins, official documents and reports, unpublished PhD thesis and other relevant sources.

1.7 Data Collection

Data on the magnitude and growth of the informal sector in India, west Bengal and Siliguri municipal corporation area has been collected from secondary sources as noted above from various offices of the central and state government and from the office of the SMCA. Primary data have been collected on the nature, characteristics and magnitude of the informal service sector in Siliguri city. Data from selected respondents have been collected on their income, consumption, employment, migration and other facets of their life having relevance with the stated objectives of our study.

1.8 Data Processing

Manual calculation as well as computer programming is used for data processing. Some descriptive and inferential statistics have been used. Different frequency distributions along with their percentage, relative frequencies have been presented. For those frequency tables, Pearsonian chi-square tests of significance for (a) Goodness of Fit, (b) Homogeneity, and (c) Independence have been done.

For the variables like individual income, household income, individual savings, household savings, individual consumption, household consumption etc, measures of central tendencies like arithmetic mean (along with standard error), dispersions like standard deviation,

coefficient of variations, (along with minimum and maximum values) have been calculated to compare the averages and variabilities. Test of significance for equality of means have been done by t-test and F-test. Bivariate and Multivariate regression analysis along with their test of significance have been done. In this case t-test and F-test have been done. Multiple co-relation co-efficient have been shown with regression analysis.

Pie chart and column bar charts have been done for graphical presentations. * and ** have been shown to indicate significance labels ($p < .05$) and ($p < .01$) respectively. Statistical Package for Social Science (SPSS) and Microsoft (MS)-Excel and other softwares have used for the above purpose.