

Informal Sector Dynamics and its Role in the Capital Accumulation Process: The Contrasting Cases of India and South Africa.

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This paper evaluates the conceptualisation of the informal sector and examines its nature and role in the context of the capitalist growth process, through an examination of two contrasting cases, those of India and South Africa. The first section critically evaluates the conceptualisations that are largely prevalent in the existing analysis. It identifies different informalisation tendencies, some rudimentary and others more dynamic and places the informal sector's dynamics in the existing trajectory of capitalist accumulation and globalisation. In the second and third sections, it analyses the contrasting cases of India and South Africa, one, where the informalisation tendencies are hugely prevalent and the other where such tendencies are relatively insignificant and attempts to place them in the above context of trajectories of capital accumulation. In the final section, it evaluates certain prevailing notions about the constraints facing the informal sector and the optimism inherent in its desired role and puts forward an alternative evaluation that has bearing on specific policy directions.

Section 1: Conceptualising the Nature and Role of the Informal Sector.

1.1. Dualism or Continuity?

The concept “informal economy” first arose in the work of the anthropologist Keith Hart in his famous paper on informal income opportunities and urban unemployment in Ghana¹. This was immediately incorporated by the IDS – ILO joint research framework and the ILO report on employment and poverty in Kenya (based on the ILO/UNDP Employment Mission to Kenya) was the starting point of the formal use of the term “informal sector”². Though from the very beginning there was divergence of opinion regarding the concrete meaning and utility of this concept, an increasing number of studies, particularly relating to policy, started to use this concept.

The concept was used both in theory and the policy framework of development economics. The post war developing economies were often experiencing rapid population growth and significant rural to urban migration leading to a problem of urban unemployment and in general the growth of potential labour force being much higher than growth in urban employment in the process of limited economic development that these countries were witnessing. This led to a situation where a significant part of that potential labour force earned their living from a host of marginalized and vulnerable activities or were employed under fragile conditions. Such a description also fitted in with the theoretical framework of economic dualism, which was a common theme in a

¹ Hart (1973)

² ILO (1972)

range of theories in development economies stretching from the Lewis model to the radical structuralist theories of dualism.

Since then the conceptualisation of the informal sector, both in terms of its origin and role in the process of economic development has undergone crucial paradigmatic shifts. From being considered as the sector of last refuge of the marginalized or one where the rural migrants seeking jobs in the urban formal sector find temporary accommodation, it is now often seen as a parallel vibrant sector to the formal economy with substantial dynamism and entrepreneurship capability³. As a consequence the informal sector is now often seen not as a temporary aberration, which will shrink with the growth of the formal economy, but as a sector which is capable of expansion and which may provide the solutions to the problem of chronic poverty and unemployment inherent in the capital intensive growth processes of the urban formal sector.

However in spite of this contrasting positioning both these paradigms have an inherent dualistic conceptualisation of formal-informal-sector relations. Whether dynamic or not, the informal sector is often conceptualised as a parallel sector both in terms of its definition as well as role. Thus what is not formal sector becomes informal. Whereas the entrepreneurial or survivalist capabilities of the informal sector are lauded, its relationship with the capitalist accumulation process is hardly emphasised. Even if it is sometimes recognised that the informal economy does not exist in a vacuum and there are specific demand and supply chains which run between the formal and informal sector, there is a tendency to gloss over this phenomenon and it is often inherently held that it has rather weak relationships or limited links with the formal economy. Or, even if such links are considered formidable, the sectors are treated as distinct and clearly separable.

A substantial volume of critical literature exists which points out the definitional problems, ambiguities and inconsistencies inherent in the concept of “informal sector”. These can generally be branched in two broad categories. Those that find problems in any homogenous definition or identification of this sector and those that find the concept itself ambiguous and problematic.

The search for any homogenous definition of the informal sector has been elusive. In the numerous empirical studies all over developing countries a large variety of definitions have been used⁴. Broadly one set of definitions identify the informal sector in terms of having some of the following characteristics such as ease of entry, low requirement of human and physical capital, small or tiny scale of operation, prevalence of pre-modern and labour-intensive technology, skills acquired outside formal education system, family or household ownership/operation etc⁵. Other definitions deal more with the characteristics of the enterprise and the (lack of) regulatory environment in which they

³ This kind of a position is epitomised by Hernando de Soto in several writings on the informal sector, where the people in the informal sector are seen to be brimming with entrepreneurial and mobilisational capabilities, handicapped by bureaucratic and legal institutions that do not recognise the the norms of informality [Soto (1989) , Soto (2000).] A detailed critique of his work is found in Breman (2002).

⁴ A study of small enterprises by the Georgia Institute of Technology identified more than 50 different definitions in 75 countries. [as quoted in Neck et all (1987)]

⁵ These were most of the identificatory features used in the ILO/UNDP Employment Mission to Kenya.

operate such as employing less than 10 persons, operation in semi-permanent or variable location, not using electric power, no access to institutional credit, no registration with government, not paying tax, full or partial illegal basis of operation, not having any formal wage contract or not following minimum wage legislation etc. It is obvious from the first broad category of definitions that it generally precludes the possibility of the informal sector having any close interaction with the formal sector and visualises informality as a representation of marginalized, segmented and residual workforce. The second set of definitions, which is in terms of enterprise characteristics or regulatory environment or nature of job contract does not necessarily imply that it is a marginalized or residual sector and does not in itself comment on the dynamism of this sector or its nature of interaction with the rest of the economy. Thus apart from mere heterogeneity of the characteristics of the informal sector implicit in the two broad set of definitions, the differences between these two sets lie in fundamentally conceptualising the informal sector in quite different ways. Of course what we often have in practice is various studies using both these or important element from both these sets, which has lead to criticisms of a more fundamental nature such as whether informal sector is merely a descriptive category, contingent upon the assumptions and contexts of a particular study or can we use such a concept as a theoretical category and make any deeper and generalisable observations and relevant policy prescriptions.

This leads us to the set of criticisms that find the concept itself problematic and ambiguous from a theoretical standpoint. One of the major criticisms lies in challenging the dualistic framework in which the informal sector is visualised. Thus the very notion of informality defined as a negative category as something that is not formal is challenged by some critiques.

Sindzingre⁶ for example finds that *“the dualistic framework and the division into two exclusive and complementary categories does not correspond to empirical observation, has little heuristic value, and has both over-simplified and blurred analysis. Economic phenomena that fall under the category of ‘informality’ instead form a continuum with formal ones. This continuity may be observed at the individual cognitive level, within and between activities, and at the level of institutions and contracts. If dichotomies or distinctions are to be established, moreover, they cannot rely on a line drawn between the informal and the formal. Criteria are indeed not rigorously defined, such as written contracts. Criteria are furthermore not discriminatory, and those that are supposed to be more prevalent in one category, such as enforcement capacity, are found in the other”*.

Such a framework of criticism draws heavily from the literature on institutional economics, where specificities of contracts, norms and regulatory institutions, particularly in the developing economies, are seen to be in a continuum or in a fuzzy environment rather than being in a dichotomous state. A crucial contribution of such a discourse is to point out that even what is considered a formal sector in a developing economy often uses a network of ‘informality’ such as oral contracts or non-compliance

⁶ Sindzingre (2004)

with State regulation and law on a systematic and regular basis and it is perhaps a developed country view to regard all these as a property of a dualistic 'informal sector'.

However, merely criticising or jettisoning the concept of the 'informal sector' on such a basis is perhaps not entirely appropriate and in my opinion falls in a different trap of a greater obfuscation. Whereas it is entirely appropriate to point out that such informality lies in a continuum, deriding the very concept of an informal sector or informal workforce is to throw out the baby with the bathwater. This is particularly so because as I argue later [in the section below] that it is not a mere continuum (of formality or otherwise) where activities or enterprises are situated, this informality is being increasingly used in the process of current capitalist globalisation as a tool of accumulation and exploitation.

Thus a refusal to look at this linkage of informality to the capital accumulation process and merely critiquing a lack of definitional clarity or positing a continuum of informality, without consideration of the larger political economy, serves a much deeper phenomenon of systemic obfuscation that contemporary capitalist development is witnessing. It is perhaps ironical that much of these criticisms in the name of vagueness or lack of conceptual clarity inherent in the concept would lend itself to be a tool of this beclouding process.

1.2. Formal – Informal Economy: Linkages and Dynamics

Indeed the distinction between the formal and informal in many cases is rather tenuous and fluid, but rather than seeing them as institutions, norms and practices in continuum, it is crucial to maintain the distinction, though in a non-dualistic formulation, and analyse the critical dynamics between the two sectors in the light of overall capitalist accumulation. A significant part of the informal sector in the contemporary world is essentially an outgrowth of the formal economy in more than one way⁷. The activities in the informal sector are directly linked to and often constitute an essential part of the processes of production, exchange and accumulation in the capitalist economy both at the national and, increasingly, at global levels. Within these, several tendencies can be observed. In certain cases the sector consists of industries that have artisanal origin and have evolved into factory forms with informal production and labour processes. In many countries around the world this sector is an essential part of the global commodity chains that we observe today.

What is at the core in the interaction and dynamics between the two sectors is a range of flexibilities that can be ascribed to the informal sector or processes. This flexibility in turn proves to be a crucial element in depressing costs, both in the short and the long run, and is particularly used by large capital to its advantage. Different forms and arrangements of this can be observed in the current global production and distribution networks. Observing the operation of the global commodity chains, one finds that some of the crucial stages of production and supply are in fact located in the third world in

⁷ Breman (2002)

sectors and processes that are 'informal'. This allows large multinational capital a process of flexible subcontracting and the ability to shift supply networks and production processes from a particular country or sector with ease. The fact that crucial suppliers of products, processes and components are small firms in the informal sector gives a strong leverage to large capital in its bargaining position. But this in itself is not the crucial point about the role of informality since this would then be no different from a story of oligopolistic firms dealing with competitive suppliers spread across countries. The informality that characterises these small enterprises can in turn be utilised in the process of accumulation that will be difficult to carry out in case of small firms in a formal sector context. The lack of regulatory environment, the flexibility or absence of labour contracts, the ability to stretch hours of operation at ease are some of the crucial means by which these informal enterprises themselves operate, survive and chart out their competitive advantage. The major brunt of this flexibility falls on labour employed in these enterprises or on the even smaller organisational forms – the self employed and homeworkers which in turn supply to them. It is this flexibility and managing to keep transaction and labour costs to the minimum, which is at the core of the dynamics of these small enterprises, allows them to survive and provides them the competitive edge. It is this advantage that is ultimately and crucially made use of by large multinational capital in its search of global profits and accumulation. It is however not necessary for the enterprise representing large capital to be a multinational or even to be in global operation. A similar phenomenon of surplus extraction can be observed in the cases of many large domestic firms, whose operations often critically rely upon the flexibilities of the enterprises in the informal sector, who are often their major input or service suppliers or ancillary producers.

A different process of creating informality is also visible in the era of globalisation. This is informalisation that has resulted from 'rationalisation' and restructuring processes in the formal sector. This has two broad manifestations. One, where the formal sector firm itself carries out informal employment and processes and the other where downsizing of labour in a scenario of 'jobless growth' of the formal sector or recessionary tendencies, particularly of domestic industries in certain sectors, associated in various cases of structural adjustment have forced people to the marginalized informal sector for their livelihood and survival⁸.

There are two distinct processes in which informalisation of employment takes place in formal sector firms. One is to employ labour without any permanent wage or employment contract or provide any employment benefit. The other is to contract out operations that were earlier performed by employees of the firm to smaller or 'specialised' enterprises. A particular form of this is to contract out operations to labour contractors or suppliers, where even if particular employees are regularly working in the principal firm, they are not considered the employees of the principal firm and are therefore denied any rights, which they would have otherwise got. The suppliers of such workers are often informal

⁸ In an ILO study of Latin America these have been referred to as 'top down' and 'bottom up' informalisation,[Thomas,J (2002)]

sector enterprises, where no such granting of rights or obligation for the employees they provide is practiced. However, the suppliers of workers in many cases are large service sector firms, even multinationals, where informal employment practices are rampant and neither they nor the principal employer take any responsibility of such workers.

It is normally a practice in empirical studies on informal sector not to include informal/casual workers employed in the formal sector. But given the prevalence of what we discuss above and the increasing critical role it is playing in the labour process in contemporary capitalism, it is necessary to include these workers in a comprehensive measure of informal workforce.

Given the overall discussion in the above section we now need to make certain category distinctions with regard to informal sector/workforce.

First a distinction needs to be made between the purely marginalized or survivalist urban informal sector, and the 'productive' informal sector, irrespective of its vulnerability or otherwise, which is inexorably linked with the process of capitalist accumulation and dynamics⁹. This marginalized segment contains occupations such as street hawking, rickshaw pulling, roadside vending, cobblers and the like. It should be kept in mind that even this marginalized segment generally operates within the domain of the capitalist economy often with definite demand or supply links with it. Thus products of the formal sector are often sold through these vendors; the cobblers use leather produced in the formal sector tanneries as their inputs and the survivalist enterprises here often have to enter illicit contacts with State functionaries (such as petty policemen) to carry on their business. Thus any conceptualisation of dualism in a general sense even with this marginalized segment is problematic. However, still a fundamental distinction can be made between the 'informality' of such occupation/enterprises and those in the 'productive' informal sector from the benchmark of accumulation.

Second, a distinction needs to be made between the productive informal enterprises and the workers employed there. The workers here have double vulnerability, that arising from the possible uncertainty or fragility of the enterprise and that arising from their own vulnerability within the enterprise, which in fact provides a crucial element of competitive strength to the enterprise. This distinction is particularly relevant from a meaningful policy perspective.

Third, recognition needs to be made of the informal workers in the formal sector, in whatever diverse arrangement they may be employed, and even if this is not included within the measure of an informal sector, they should definitely form a part of any measure of informal workforce of an economy.

Such distinctions that are made above are necessary even at the cost of definitional ambiguities and overlap, when we consider them in the light of the capital accumulation process. If we merely look at such distinctions as definitional and empirical categories,

⁹ For want of a better word, the term 'productive' informal sector has been used in terms of its relationship to capital accumulation and growth, i.e. it is productive to capital accumulation. This is not suggesting that the marginalized sector is unproductive in a pejorative sense.

the ambiguities and overlaps will look substantial, but when considered not merely as a logical exercise but as a logico-historical abstraction of the accumulation process then such categorisation does find validity.

Before we move on to the next section we can reiterate some of the central points made in this section. Any general assumption of dualism is problematic in the conceptualisation of the informal sector, including even for the marginalist segment. The distinction between the formal and informal in many cases is rather tenuous and fluid. The concept of the informal sector has had multiple meanings, definitional ambiguities and overlap. However, these definitional shortcomings and ambiguities notwithstanding, jettisoning the idea of the informal sector or conceptualising the informal as in a mere continuum with the formal is perhaps as problematic as its obverse, the idea of strict dualism. In fact the central meaning and relevance of this phenomenon of informality as a sector or workforce become clear only when considered in the light of the capital accumulation process. Informality thus becomes a general manoeuvring instrument in the hand of capital in the age of globalisation for sustenance and aggrandizement of its accumulation process. Losing track of that, in search of definitional clarity, amounts to an obfuscation of the concrete nature of the accumulation process. It is necessary therefore to retain the concept, free it of its dualistic trappings and make analytical distinction between different categories of informalities to have a richer analysis and relevant policy prescriptions.

Section 2: The Indian Case

In this section we analyse some available trends in the non-agricultural informal sector in India. Because our current paper is linked with capitalist accumulation, we limit our analysis to the study of the non-agricultural sector in India¹⁰. We will be mostly using different surveys of the National Sample Survey Organisation (NSSO), i.e. the Employment and Unemployment Surveys and such others, particularly based on the 55th and 61st rounds, the Surveys of the Unorganised Manufacturing Sector conducted every four years and the recent report of the National Commission for Enterprises in the Unorganised Sector.¹¹

2.1: Definitions and Dimensions

The informal sector in India (which is officially called the unorganised sector) has been defined in the following manner: “*The unorganised sector consists of all unincorporated private enterprises owned by individuals or households engaged in the sale and production of goods and services operated on a proprietary or partnership basis and with less than ten total workers*”¹²

¹⁰ Almost the entire agricultural sector except for plantations and corporate farming falls under informal sector in India. In 2004-05 this was estimated to be 97.6 % of the total agricultural sector workforce. Agriculture itself accounts for 56% of the total workforce.

¹¹ NSSO (1998), NSSO (2002), NSSO (2006), NSSO (2007), NCEUS (2007)

¹² NCEUS (2007)

This definition essentially identifies the informal enterprise by the size of the workforce therein. Further this definition arises as a residual one as what is not the 'registered' sector or the 'organised' sector (as it is referred to in India)¹³. Informal workers and their working conditions have not been the focus of this measure, rather it is the nature of the establishment that is at the centre of this approach¹⁴.

However as we have discussed in the last section, a significant number of jobs under the formal sector today have informal characteristics and many workers there are working under similar conditions of no employment benefits and permanency of work. From this standpoint, the informal workforce is underestimated by the use of this definition and a crucial feature of this informalisation escapes scrutiny and analysis. A welcome change has happened in the NCEUS report¹⁵, published very recently, where a separate definition has been introduced to measure the informal workforce¹⁶.

Under this definition: *"Unorganised workers consist of those working in the unorganised enterprises or households, excluding regular workers with social security benefits, and the workers in the formal sector without any employment/ social security benefits provided by the employers"*.

Using the first definition, it is estimated that in 2004-5, there were 142 million workers in the non-agricultural informal sector in India, which is about 71.6% of the total non-agricultural workforce. Using the second definition the total size of the non-agricultural informal workforce in India is estimated to be 166.5 million, which is about 83.9% of the non-agricultural workforce¹⁷. [Table 1]

It is clear from the above that informal employment is huge in both absolute and relative terms in the non-agricultural sector of the Indian economy. Within this broad picture, several trends are clearly discernible.

One, employment in the informal sector is growing much faster than that in the formal sector. Between 1999/2000 and 2004/05, employment grew in the formal sector by 3.02% per annum, while that in the informal sector grew by 5.17% p.a.

¹³ Under the Factories Act enterprises employing ten or more workers are required to register themselves with Government agencies and are therefore required to abide with various regulations. A similar legislation is applicable to trading and service establishments under the Shops and Establishment Act.

¹⁴ In India the term used for formal and informal sectors are 'organised' and 'unorganised' sectors respectively and all data are classified using this terminology. This has nothing to do with the term organised/unorganised labour used in the usual sense as unionised/non-unionised, though the presence of unions among the workers in the 'unorganised' sector is also rather sparse. To avoid confusion, we stick to the more appropriate term 'formal'/'informal' in our paper.

¹⁵ NCEUS (2007)

¹⁶ For the first time in India, at least in any official document, such a distinction is being made between the informal (unorganised) **sector** and informal (unorganised) **workforce**. The basis for this was already established in NSSO 61st round.

¹⁷ The total number of non-agricultural workers in India is estimated to be 198.5 million in 2004/05. The sources for these estimates are the NSS 61st Round 2004 - 2005, Employment-Unemployment Survey. [NSSO (2006)]

Two, the growth of formal sector employment happened entirely due to informal employment within the formal sector. Thus, formal workers in the formal sector declined at -0.32% p.a. whereas informal workers grew by 8.05% . As a result, informal workers in the non-agricultural sector grew by 5.58% , whereas formal workers declined by -0.09% . Overall, the non-agricultural formal sector experienced a growth of 8.3 million informal jobs and a contraction of 0.5 million formal jobs. Thus, it is clear that India is experiencing a contraction in its formal workforce and an expansion of its informal workforce, constituted by both the growth of the informal sector as well as growing informalisation of work in the formal sector, particularly substituting for formal work.

Three, this tendency of informalisation of work of the formal sector has been particularly marked for the manufacturing sector. Of the total net incremental jobs created (both formal and informal work) in the formal sector in this period, about 45% have been informal jobs in manufacturing, followed by 19.5% as informal jobs in construction and 15.5% as informal jobs in education. To put it in perspective, of the 7.8 million net new jobs created in the non-agricultural formal sector, informal work in manufacturing alone accounted for 3.8 million. The burgeoning of informal jobs in the formal manufacturing sector has been paralleled by a sharp contraction of close to 0.9 million formal jobs in this sector.

Four, within the informal sector, manufacturing, with 27% of the total workforce of the informal sector, is also its largest segment. Only the category of wholesale and retail trade (with 23% of the workforce) comes close to it¹⁸. Thus a large segment of the informal sector as well as informal workforce are involved in manufacturing activities.

In light of our discussion in the earlier section this pervasive trend of informalisation thus appears to be not a trend of any growth of residual employment. Rather it appears to be a central trend of the capitalist growth process of India, the informalisation of the formal sector and particularly the formal manufacturing sector and the weight of manufacturing within the informal sector activities being the obvious pointers to that.

We therefore focus on the informal manufacturing sector in our next subsection and analyse the trends available at the level of industry and enterprise categories¹⁹. However, detailed industry and enterprise type trends are available only till 2000/01, which we analyse.

2.2. Informal Manufacturing in India – The Disaggregated Picture

Data on the informal manufacturing sector is organised for three enterprise categories: Own Account Manufacturing Establishments (OAMEs), Non-Directory Manufacturing Establishments (NDMEs) and Directory Manufacturing Establishments (DMEs) in different industries. OAMEs are enterprises that are run without any hired worker employed on a regular basis, NDMEs are those employing less than six workers and

¹⁸ NSSO (2007)

¹⁹ This is also facilitated by more detailed data the likes of which are not available for the service sector.

DMEs those that employ between six and nine workers. The data is further classified according to the location of the enterprise, as in rural or urban.

In 2001, of the total informal manufacturing sector, 70% enterprises were in rural locations and 30% were urban employing 65% and 35% of the workforce respectively²⁰. OAMEs dominated substantially, comprised 86% of the total enterprises and 68% of total employment in the informal manufacturing sector²¹. The large share of the OAMEs is not surprising and is contributed both by their preponderance of small size and their overwhelming dominance in the rural sector²². However, it is the industry composition and the trends of enterprise-types within the informal sector that are interesting and suggest intrinsic links with the capital accumulation process, which form the major focus of this paper. These are summarised below.

First, there was a marked turnaround from the mid-nineties in the growth of the informal sector, compared to the previous decade. [Table 7]

For both the 1984-89 and 1989-94 periods, the overall informal manufacturing sector as a whole, for both rural and urban categories, was declining or stagnating both in number of enterprises and employment. However in 1994-2000 period, this trend was reversed, with significant positive growth overall and in almost all enterprise and employment subcategories (except in number of enterprises in rural NDMEs and DMEs, whose weight in total is minimal). This was contributed to a large extent by a significant growth of both the rural and urban OAMEs (the largest component of the informal sector) in the third period, compared to a declining trend both in number of enterprises and employment for both urban and rural segments in the first two periods²³. The largest category of enterprises, the DMEs, saw continuous growth in the urban segment through all the three periods, both in number of enterprises and employment²⁴.

Second, the dynamism of the informal sector in the third period with the reversal of the declining trend observed in the earlier two periods, though comprehensive, was essentially contributed by two distinct phenomena: the growth (and reversal of the decline) of its largest component, the OAMEs, both in the rural and urban segment and the significant growth in all enterprise categories in the urban segment.

Third, the reversal is also apparent through trends in value added, which saw significant growth in all the three classes of enterprises in both rural and urban segments in comparison to the second period, where growth of value added had stagnated and was

²⁰ All figures that are presented here for rural and urban enterprise types in 2001 are from NSSO (2002).

²¹ The corresponding figures for NDMEs were 10 and 15 percent and the DMEs were 4 and 17 percent respectively.

²² They comprise about 93% of enterprises and 80% of employment in rural category but the share of OAMEs in the urban category is lesser at 80% and 45% respectively. The NDMEs and DMEs have a more significant presence in the urban sector having respectively 21 and 8 percent of enterprise share and 28 and 27 percent of employment share.

²³ Urban OAMEs grew in numbers at 4.91% per annum and rural OAME at 2.51% with the corresponding employment growth therein 3.52% and 1.24% respectively.

²⁴ In the rural segment though their growth was high in the first period (which is contributed also by a growth from a very low base), it subsequently shows a decline in the next two periods.

significantly negative in the rural sector²⁵. [Table 6] Further, the growth in value added for the overall informal manufacturing sector, at 6.92 % per annum matched a 6.94 % growth of value added in the formal manufacturing sector.

Fourth, for the 1994/95-2000/1 period, which is the high growth period, the dynamism shown in three industries, textiles, apparel and food, beverages & tobacco has been a major factor responsible for the dynamism of the informal manufacturing sector. In 2000-01 the industries that had significant weight in the total were food, beverages & tobacco, textiles, apparel and wood & wood products. Between them they comprised 77% of the number of enterprises and 70% of employment in the informal manufacturing sector²⁶. Wood and wood products saw a stagnation or mild decline in the same period. Other industries that saw significant growth, although their weight in the total was not significant, were machinery & equipment and transport equipment followed by chemicals & chemical products. What this indicates is that the high growth industries, both the ones whose weight is high in the total and those that are not, include those such as textiles, apparel and transport equipment that in India's context are linked to global commodity chains where the informal sector's links to the exporting sector are significant through extensive subcontracting, putting out and such decentralised arrangements. This is also true of leather and leather products, which has been one of India's prominent export sectors, although the period concerned saw a decline in its growth and importance. In textiles the growth happens in all classes of enterprises except for the rural DMEs, reflecting a concentration and expansion of textile production in urban centres and in tiny enterprises in rural areas. In apparel the growth is spectacular in both OAMEs and NDMEs, though there is a decline in DMEs, which reflects the putting out and subcontracting of garment production, one of India's leading exports to the smallest enterprises. Further, the high growth industries also include those with significant technology component such as machinery and equipment, transport equipment and chemicals. [Tables 8 to 15]

Fifth, the growth story of the three major industries shows that the growth in the urban segment has been more spectacular and spread out in almost all enterprise categories and employment therein (except for DMEs in apparel). Further, the OAMEs, both in rural and urban segment have registered impressive growth. In the other industries like machinery & equipment and chemicals & chemical products where growth has been comprehensive, the OAMEs both in urban and rural segment have experienced the most significant growth both in number of enterprises and employment, once again asserting the trend that OAMEs are the most growing segment of the informal manufacturing sector.

²⁵ Focussing on OAMEs, growth rates of value added at 6.73 and 6.18 % per annum for the rural and urban segments respectively reinforces the picture of their dynamism.

²⁶ The picture was similar in 1994-95, their combined share being 73%, except that apparel had lesser and wood & wood products higher share. Their employment shares were also very similar, being around 70% in both these periods.

2.3. An evaluation of the informal sector growth story

The growth of the informal sector since the mid-nineties has been celebrated in various academic and policy circles in India as a sign of vibrancy and entrepreneurial capability of the small sector. That this more or less coincided with the era of economic liberalisation of the country is further held as a proof of liberalisation policies working effectively and unleashing a stream of latent entrepreneurial capability that was hindered by the stranglehold of bureaucratic restrictions previously. The fact that OAMEs, the most rudimentary component of the informal sector showed robust growth, even in the rural segment, is further held as an ultimate manifestation of the spread of entrepreneurial spirit to the lowest segments of the Indian society. In the face of such celebratory and optimistic claims, how are we to interpret this phenomenon?

A consideration of the earnings and living standard of the informal workforce may help us in making some qualitative assessment about the validity of the celebratory claims.

The NCEUS report reveals startling facts. About 79% of informal workers (including those in agriculture and in the formal sector) are *poor and vulnerable*²⁷. Within them, 90% of the casual workers, 75% of the self employed and even 67% of the regular workers fall in this category²⁸. Considering that this segment constitutes about 93% of the workforce of the country the commission is justified in commenting that :

“..the conditions of informal workers is also a commentary on the conditions of life of those whom we have chosen to characterise as poor and vulnerable who constitute the common people of the country.²⁹”

Employment in the Indian economy is dominated by what is called the 'self employed'.

The latest figures (2004-05) suggest that this category accounts for the majority of the workforce (56.5 %), followed by casual workers (28.3 %) and regular workers (15.2 %). The share of the self-employed is much higher in the informal sector. They are around 92.1 million as of 2004-05. Share of the self-employed is much higher among women than men in rural areas while in urban areas the share is more or less the same for men and women³⁰.

While noting the condition of the self employed the commission noted that a good proportion of these are disguised wageworkers. Most of them are not entrepreneurs at all in a genuine sense. They work with the help of family labour and are often under putting-out system whereby raw materials are supplied to them by agents or establishments who purchase the processed output. Often the supply chains run from these own account manufacturers or homeworkers through various agents and layers of firms to the biggest corporate or transnational capital. The substitution of regular wage work by rudimentary

²⁷ NCEUS (2007) terms those with a per capita consumption expenditure up to two times the poverty line as the poor and vulnerable segment of the Indian population.

²⁸ NCEUS (2007)

²⁹ NCEUS (2007)

³⁰ NCEUS (2007)

and often precapitalist forms of employment is a process that the current form of capitalist development engages in India in its pursuit of accumulation.

What is significant in the growth of self employment is that this is a mirror image of the decline in wage employment in the country. Regular wage employment has been declining since liberalization but total wage employment was growing because of rise in casual wage jobs. But the current trends show a fall in casual wage employment also and its substitution by self employment.

This story of rise of vulnerable employment is often obfuscated by the story of rise in urban non-agricultural employment, in absolute and relative terms, that we are witnessing for some years. However, this does not appear to be any Lewisian development story. Because the rise in non-agricultural employment is accompanied by a fall in real wages for both regular and casual workers in the non-agricultural urban sector. Further, the average daily wage rates for casual workers are well below the minimum wage rate for both male and female workers, with the female wage rate being significantly lower than the male one. In the manufacturing sector, about 53% of male casual workers and 93% of female casual workers received wages below the national minimum wage rate of Rs.66 per day.

Thus there appears to be little ground for optimism that the dynamism of the informal sector is a reflection of a genuine spread of entrepreneurial capabilities or as a phenomenon that is responsible for spreading the fruits of economic growth to the mass of the Indian population.

Clearly, the obverse, i.e., any notion that such growth of OAMEs is a tendency of residual employment seeking or just a fall back option of the marginalized, shunned by the dynamic capital intensive growth process of the formal sector, is as problematic, still trapped in a dualistic paradigm. The industries in which growth is occurring are unlikely to be the ones where residual employment could be any significant tendency. The trends in value added we examined earlier also confirmed this. Thus any notion of the informal manufacturing sector or even its most rudimentary component the OAMEs as a residual sector is problematic.

On the contrary, the growth of the informal sector is indeed in our opinion a sign of deepening of the capitalist growth process, but not, as the optimists visualise, by making the masses partners in the process of accumulation, but rather extending capital accumulation and exploitation systematically to larger and larger segments of the economy and in all kind of flexible forms. Thus, wage labour is replaced by forms that are akin to the putting out system, global commodity chains run from supply chains starting from home-based production in absolute shanty conditions, contractors or labour suppliers akin to those from the nascent age of capitalism supply employees for both core and non-core operations of the transnational and large corporate sector, which are manifested in our observation of increasing informalisation of formal sector employment. This informalisation of the economy is not a failure, let alone an absence of the capitalistic growth process, it is the very core of the process, which is involved in

creating vulnerability for an overwhelming section of the economy and sizeable gain in income and consumption for the upper segment of the society.

Capitalist expansion does not bypass the poor and vulnerable, they are inextricably drawn in that process but the miracle of the high growth that India is witnessing and its fruits clearly bypass them.

Section 3: The South African Case

3.1 Nature and Dimensions

One of the most important issues that have often being raised about the informal sector in South Africa is about its small size in the face of massive open unemployment that the country has. South Africa has one of the highest unemployment rates in the world ranging from about 26 percent to 42 percent³¹ depending on the narrow or broad definition³². In contrast, its informal sector is one of the smallest, not only with respect to most developing economies but also in comparison to other African economies. The size of the informal sector employment is currently estimated to be around 17 percent³³ of the potential workforce and in spite of significant reasons to believe that the size of the informal sector may be underestimated, this appears to be small enough a size to take note of³⁴. It is pertinently asked why, in the face of such massive open unemployment, the unemployed do not enter the informal sector³⁵. In fact, facilitating this process of the growth of the informal sector is seen to be a potential, even though partial, solution to the unemployment problem. We will return back to this question later but before that let us have a look at the nature of the informal sector in South Africa and contrast that with the Indian situation.

The standard sources of information on the informal sector in South Africa are the Labour force surveys (LFS) available since 2001 and preceding that, the October household surveys (OHS). We have particularly used the recently published LFS 2007 for most of the analysis, given its more extensive coverage and the availability of latest trends³⁶. The informal sector here is defined as “*The informal sector consists of those businesses that are not registered in any way. They are generally small in nature, and are seldom run from business premises. Instead, they are run from homes, street pavements or other informal arrangements.*”

The information in the survey reveals the following.

³¹ LFS (2007), Kingdon and Knight (2005)

³² The narrow (official) definition of unemployment is restricted to the unemployed who are actively seeking work, whereas the broad definition includes unemployed persons who are available to work but who say that they are not actively looking for work. (LFS 2007).

³³ LFS (2007)

³⁴ Muller, C (2003) discusses sources of possible underestimation.

³⁵ Kingdon and Knight (2001)

³⁶ LFS (2007)

The formal sector (excluding agriculture) accounts for the largest share of employment in the South African economy. In March 2007, employment in the formal sector was 8.42 million or 66.6% of total employment, compared to the informal sector (excluding agriculture) with 2.13 million (16.9%) and domestic work with 0.94 million jobs (7.4%).

Not only is employment in the informal sector³⁷ much smaller than that of the formal sector, it also is growing at a much slower rate than latter. The share of the informal sector in total employment declined significantly from 23.1% in 2001 to 16.9% in 2007, even though most of this decline occurred in 2002. Thereafter its share has fluctuated between 15.5 to 17.6 % and notably it shows a decline in absolute number of people employed in 2007 compared to 2006.

This contrasts sharply with the view expressed by certain authors that the informal sector in South Africa is expanding and that too in comparison to the formal sector³⁸. This is probably because these studies are based on trends from the 1990s to 2001 or so and extrapolations based on those³⁹. However, such a tendency is not visible in the current decade. In absolute terms the formal sector has seen an increase in employment every year since 2001, whereas the informal sector has fluctuated with years of absolute increase and absolute decrease in employment. Thus we can safely conclude that yearly fluctuations apart, any larger picture of expansion of the informal sector, let alone in comparison to that of the formal sector, is not currently visible in South Africa.

The composition of the informal sector by industry of origin is presented in Table 17.

In 2007, the largest component is wholesale and retail trade (44.8%) followed by construction (14.5%), manufacturing (12%) and community, social and personal services (11.9 %). Compared to 2001, employment in wholesale and retail trade experienced a significant fall both in relative and absolute terms, whereas that in construction increased both absolutely and relatively. In manufacturing, employment declined in absolute numbers but increased its relative share. [Table 17]

Examining the composition of the formal and informal sector within each industry category one observes that in no industry category did the informal sector have a larger share than the formal sector in 2007. Wholesale and retail trade and construction had the largest shares with about 32% each followed by Transport, storage and communication (24%) and manufacturing (14.5%). Further, the share of informal sector has declined individually in almost all industry categories compared to 2001, with the decline in wholesale and retail trade being most significant. The share of informal sector in wholesale and retail trade fell from 53.6% to 32.2% in this period. [Table 18]

³⁷ Henceforth reference to informal sector in South African case will imply informal sector excluding agriculture and domestic workers.

³⁸ Blaauw (2005)

³⁹ For example an increase in informal sector employment of 5.9 per cent per year up to 2007 was estimated at the by Barker (2003)

3.2 Outlining the Contrast

The overall picture of the informal sector in South Africa thus forms a sharp contrast to that of India. Not only is this valid about the overall size of the informal sector, where both in absolute and relative terms, the situations are almost polar opposites, even the industrial compositions reveal one crucial difference. This crucial difference appears in the weight of the manufacturing sector. While in India manufacturing constitutes almost 27% of the employment in the informal sector, in South Africa its share is just 12%. Within the manufacturing sector, the share of informal sector employment in India is 85%⁴⁰, whereas in South Africa it is just 14.5%. In the South African manufacturing sector about 84% of the enterprises are registered and about 82% of employees have written contracts⁴¹.

We have observed in the earlier section the dynamic role of the informal manufacturing sector in India and its link with the capital accumulation process. In South Africa data does not reveal the presence of such a phenomenon to any significant extent. It is clear that the South African informal sector is not as a whole contributing to the value addition process in the economy as in India. Though we do not have access to sub-manufacture category data on the South African informal sector, the general contrast is stark enough to arrive at such a conclusion. In fact, the very definition of the informal sector in the LFS mentioned earlier, that "... they are run from homes, street pavements or other informal arrangements", is an indicator of this.

3.3 Evaluating the Contrast: Questioning Some Prevailing notions.

We can now come back to the question of why the unemployed do not enter the informal sector and whether it is desirable for such a tendency to develop.

Logically there appear to be two possibilities; either a substantial part of this unemployment is voluntary, or there exist significant entry barriers for the unemployed to enter the informal sector. A possibility of such a large unemployment being voluntary or being search unemployment seems impractical any way and research on responses of the unemployed, about their state of happiness and well being while being unemployed, also dismisses any such notion⁴². It therefore appears that there exist significant barriers to entry in the South African informal sector.

However, the presumption behind such a view appears to be that the unemployed could, without these barriers, enter an informal sector on their own. This should either imply that they could become self employed or that there are potential entrepreneurs in the informal sector who are facing barriers to entry and are thus prevented from employing the hitherto unemployed. These two are however quite distinct phenomena, the latter dealing with the problems facing small industry and entrepreneurship, quite distinct from self employment or family based production as in the former.

⁴⁰ Sakthivel and Joddar (2006)

⁴¹ Calculated from LFS 2007.

⁴² Kingdon and Knight (2001)

Some of the entry barriers that have been discussed in the literature are in fact aptly put forward by Kingdon and Knight. These are factors such as problems of skill formation, lack of credit and thrift institutions, lack of access to infrastructure and services and the lack of an atmosphere to conduct safe business primarily in the context of the high crime situation of South Africa.

Two problems are particularly highlighted. One is the presence of strong labour laws, their effective implementation and the inimical legal institutional superstructure. Such an institutional structure, in their opinion, impose a burden of high labour costs on small firms and seriously inhibit their entry and growth. The Bargaining Councils and wage boards that set sectoral minimum wages and stipulate working conditions and particularly the provision of 'extention', whereby such wages and stipulations are applied to all firms in the industry and region irrespective of their size, are held responsible for creating a situation inimical to developing small enterprises. Such a view finds echo in several writings and policy advice, where it is pleaded that at least the small sector should be exempted from such tight labour laws⁴³.

The other relates to the problems of the self employed or own account entrepreneurs, where high labour cost is not a factor. This is traced to the legacy of apartheid which repressed informal activities through the Group Areas Act, zoning regulations, licensing controls, attacks on 'illegal spaces' on which informal enterprises could thrive and above all effective detection and prosecution of 'offenders'. Even though most of these restrictions have been abolished their legacies remain. Further, the disempowerment that the masses of South Africans went through would have inhibited the development of entrepreneurial and social skills and networks which are necessary for confidence in entering the self-employed sector and for success in it.

Thus it appears that the main impediments to the development of the informal sector are the strong labour laws, the inimical legal institutional superstructure and the legacy of the apartheid regime.

Whereas it is entirely appropriate that the apartheid system, with years of segregation and high control of social and economic space by the State, created a legal and institutional structure that prevented 'free spaces' where informal enterprise or artisanal industries could develop and also depressed the entrepreneurial and social skills necessary for the development of niches and networks essential for embedding the informal sector in a social space, the stress that loosening labour laws and encouraging skill formation will allow the informal sector to grow and be at least a part solution to the massive problem of unemployment, in our opinion, is very problematic.

Essentially such a view conceptualises informalisation in a dualistic frame, where irrespective of the nature of the larger accumulation process and in fact parallel to it an informal sector is sought to develop and expand, if only the right kind of institutional support can be provided. Questions such whether the dominant accumulation process manifested by the dynamics of the formal sector perceives the need for such a

⁴³ Maree (2007)

development and at what cost is not addressed. Neither are more specific issues, such as what will be the nature of informal sector products and how will they find markets, considered. Further, even if the history of apartheid is stressed upon, the solution is sought in ahistoric supply side reasoning that essentially a problem of social embeddedness, that too as deep as that of social exclusion under apartheid, can be solved through building skills and social infrastructure. Even at the cost of exaggeration one can summarise the essence of such a position that as long as supply side constraints are eased and confidence is built, the poor and unemployed will solve their problems on their own.

In fact the history of apartheid has intrinsic links with the nature of informal sector and its growth in South Africa. In the heart of the apartheid era with regulated economic structure, the informal economy hardly existed. Levels of unemployment were also much lower compared to the present state with regimentation and control of allocation of labour. The informal economy started growing with the loosening of controls in the 1980s and particularly after the abolition of apartheid in the 1990s. The soaring of unemployment and the deep structural change that the society went through gave an impetus to this process, whereby the marginalized sought resort to residual activities in the free spaces that opened up, resulting in the growth of the informal sector, however small its absolute size may have been. However, devoid of a history of productive informalisation and without any intrinsic link to the larger capital accumulation path of the formal sector this process has strict limits, which seems to have been reached now.

More problematic, perhaps, is the opinion on relaxing labour laws. Does relaxing labour laws develop the informal sector parallel to the formal sector? Is such a development desirable? Kingdon and Knight argue that even if the workers in the informal sector are worse off than those in the formal sector they are better off than being unemployed. That is to state the obvious. But, does an institutional arrangement that encourages informalisation remain restricted to being a temporary measure filling the void created by lack of labour absorption by the formal sector, even if such a process were to take place? We have argued generally and in the specific case of India that this is a problematic framework, particularly in the current phase of globalisation. Informalisation, once it is an established tendency, is used in the capital accumulation process and affects the formal sector itself. Neither is such a tendency invisible in South Africa, nor is it desirable in our opinion⁴⁴.

The Indian case is perhaps a rude pointer to this. Informalisation has indeed created employment in India, but it has transformed the quality of employment. It has been the mechanism of transforming regular and secured jobs to casual ones and rudimentary 'self employment'. This process has been an essential part of the post-liberalisation growth of the Indian economy, but it has also ensured that the fruits of that growth bypass the

⁴⁴ In both 1999 and 2000 for example, approximately 30 percent of all workers captured as having 'formal' sector employment were reported not to have a written contract with their employers or to receive pension contributions. [Mueller (2003)]

overwhelming majority of people by depressing their earnings and increasing their vulnerability. Growth of informality is no solution to degraded living conditions, when it becomes a systemic tendency, it merely reinforces such conditions and in fact it develops so that capital can increase its stranglehold and tilt income distribution in its favour, using such flexibility and vulnerability offered by informal work conditions.

Measures to improve the lot of those who are marginalized in society by upgrading their education, skills and access to resources are indeed laudable. So indeed are efforts to reduce red-tapism and vestiges of apartheid institutions to help the growth of small capital. But to confuse this with a desire to facilitate informalisation, particularly by relaxing labour laws, is indeed fraught with danger.

Section 4: Conclusion and Implications for policy.

The dynamics of the informal sector cannot be visualised without considering the specific nature and trajectory of capitalist growth process. A rudimentary informal sector may arise out of exclusion from such a process, but even here it is often a ramification of it. But, the expansion of the informal sector and that of the informalisation tendencies are crucially dependent on the specific path that capital accumulation chooses and the organisational and transactional forms that it establishes therein.

To re-emphasise, there is no natural tendency of underdeveloped or non-western societies to create informality. The dynamics of informal sector is thus not autonomous it is an adjunct to the broader accumulation process. The two contrasting cases of India and South Africa demonstrate this.

However, whatever be the nature of the sector, whether rudimentary or with expansion and dynamism in terms of growth and proliferation, most of the informal workers and most of those who constitute the sector live in fragile and vulnerable conditions.

The dualistic formal-informal distinction that has dominated the literature and policy thinking on the informal sector has meant that often policy recommendations for strengthening the sector have very little to do with specific organisational forms and networks that are seen in the sector. At one end of the spectrum, the conceptualisation of the informal sector as a distress or residual sector primarily focuses on policies to provide social security nets, irrespective of the kind of activity that the people therein are involved in and a host of supply side measures such as providing basic skills or microcredit which at best can be called survivalist measures. At the other end of the spectrum, seeing the informal sector as a dynamic sector has stressed on policies to support enterprises such as provision of credit, technological assistance and training, without any particular consideration of their specific problems or to the conditions of labour employed in this sector. The refusal to see the fluidity of the organisational forms and the specific process of informalisation that is taking place in the process of capital accumulation in both the informal and the formal sector often results in policies which in the name of supporting the small and the vulnerable camouflages a clear bias towards

capital in opposition to the labouring poor and absolves capital of responsibility in ensuring sustainable livelihoods for labour employed in such enterprises. Further, the dualistic framework also seeks across-the-board supply side solutions to problems faced by informal sector enterprises without addressing the issues to do with their linkages with the formal sector, which very often require industry specific macroeconomic interventions.

It is our contention in this paper that this dualism is often a false conceptualisation and that a large part of the informal sector today increasingly originates from the specific trajectory of capital accumulation by large capital including such phenomena as the global commodity chains, the fluid organisational forms and the ongoing drive of restructuring and rationalisation in economies. Thus, unless this reality is reckoned with, effective policies cannot be designed, particularly to address the complex situation of informal labour in the present scenario.

Any effective policy for the vulnerable should essentially strengthen their rights – their rights as citizens, not to be excluded from the larger growth process and their rights as labour vis-vis capital, in whichever flexible form it may appear. Ultimately the solution lies in creation of stable and secure employment, and provision of rights vis-à-vis the State and capital which can be enforced. This clearly is not an easy task but designing measures to justify and strengthen the process of informalisation should not pass as measures to help the vulnerable in the name of helping the unemployed to get insecure low paid jobs or celebrating the entrepreneurial capabilities of the poor and visualising them as capitalists in the making. Further, the pervasive tendency of informalisation that corporate capital is involved in needs to be arrested urgently and often this will need mobilisation and policy design that will have to be international in nature, particularly if TNCs involved in this path are to be tackled.

To put it succinctly, the recognition of the heterogeneity of the sector not merely as a descriptive category but as a process that has organic links (or its absence) with the formal sector and the capital accumulation process is necessary before a set of policies is formulated. In this process it is crucial to understand the specific institutional settings, embeddings and networks that operate, as any policy framing oblivious of such specificities will defeat the very purpose.

Table 1:

**Interface between Formal/Informal Sector and Formal/Informal Worker
In Non-agricultural Sector in India, 2004/05**

Employment in Millions

	Informal sector	Formal sector	Total
Informal worker	141	25.5	166.5
Formal worker	1	31	32
Total	142	56.5	198.5

Source: NCEUS (2007)

Table 2:

Employment Growth Rate by Economic Activity and Sector 1999/2000 – 2004/05

Economic Activity	Informal Sector	Formal sector	Total
Industry	6.13	4.79	5.73
Services	4.48	1.7	3.67
Non-agriculture	5.17	3.02	4.53
Total	2.88	2.94	2.89

Source: NSSO (2001) & (2006)

Table 3:

**Employment Growth Rate of Informal and Formal Workers by Economic Activity
1999/2000 – 2004/05**

Economic Activity	Informal Workers	Formal Workers	Total Workers
Industry	6.66	-0.6	5.73
Services	4.71	0.12	3.67
Non-agriculture	5.58	-0.09	4.53
Total	3.16	-0.1	2.89

Source: NSSO (2001) & (2006)

Table 4:

Employment growth Rate of Formal and Informal Workers in the Formal Sector between 99/00 & 04/05 by industry group

Industry Group	Informal Worker	Formal Worker	Total
Agriculture	2.46	1.89	2.2
Manufacturing	9.98	-2.68	4.11
Electricity	5.53	2.82	3.16
Construction	7.15	2.47	6.58
Trade	1.57	-10.98	-3.68
Hotels	12.96	1.64	8.44
Transport	4.96	-0.22	1.26
Finance	21.75	3.07	5.49
Real Estate	17.5	14.97	15.94
Education	16.66	3.22	6.22
Health	15.66	1.69	4.89
Non-agriculture	8.05	-0.32	3.02
Total	7.33	-0.15	2.94

Source: NSSO (2001) & (2006)

Table 5:

Percentage Distribution of incremental employment in the Formal Sector between 99/00 & 04/05 by industry group

Industry Group	Informal Worker	Formal Worker	Total
Agriculture	4.41	3.02	7.43
Manufacturing	45.12	-10.36	34.74
Electricity	0.46	1.61	2.07
Construction	19.59	0.94	20.53
Trade	1.16	-5.89	-4.37
Hotels	2.95	0.25	3.2
Transport	3.6	-0.39	3.21
Finance	3.3	3.09	6.38
Real Estate	3.55	4.88	8.43
Administration	1.29	-12.17	-10.87
Education	15.53	10.27	25.87
Health	3.84	1.37	5.21
Non-agriculture	98.48	-5.91	92.57
Total	102.89	-2.89	100

Source: NSSO (2001) & (2006)

Table 6:

**Growth Rate of Value Added in Informal Manufacturing Sector in India
1989/90 – 1994/95 and 1994/95 – 2000/01 (according to location and enterprise category)**

Growth rates (annual, compound)

Entr. type	Urban		Rural		Total	
	89/90- 94/95	94/95- 00/01	89/90- 94/95	94/95- 00/01	89/90- 94/95	94/95- 00/01
OAME	2.16	6.18	-4.98	6.73	-0.46	6.54
NDME	-2.12	8.62	-3.31	5.43	-1.91	7.8
DME	2.38	5.84	1.88	9.04	2.35	6.78
ALL	0.92	6.77	-3.29	7.13	0.18	6.92

Source: Unni,J and Bina Rani (2003)

Table 7:

**Growth Rate of Enterprises and Employment in Informal Manufacturing Sector in India
1984/85 – 1989/90, 1989/90 – 1994/95 and 1994/95 – 2000/01 (according to location and enterprise category)**

Growth rates (annual, compound)

Year	Location	Enterprises				Employment			
		OAME	NDME	DME	ALL	OAME	NDME	DME	ALL
84/85 - 89/90	Urban	-5	-4.74	3.02	-4.4	-1.27	2.97	2.72	0.86
	Rural	-3.44	-6.37	4.56	-3.52	-2.27	-1.64	6.66	-1.42
	Total	-3.76	-5.5	3.61	-3.74	-2.08	0.85	4.47	-0.74
89/90 - 94/95	Urban	-0.77	0.94	0.98	-0.24	-0.68	0.8	0.69	0.11
	Rural	-3.31	-1.97	5.61	-3.03	-1.79	-3.41	-2.28	-1.98
	Total	-2.78	-0.34	2.91	-2.31	-1.56	-0.9	-0.66	-1.31
94/95 - 00/01	Urban	4.91	2.53	1.85	4.11	3.52	2.94	1.69	2.76
	Rural	2.51	-1.04	-2.94	2.23	1.24	0.95	2.96	1.42
	Total	3.1	1.14	-0.23	2.75	1.68	2.22	2.24	1.89

Source: Mukherjee(2004)

Table 8: Industrywise Share of Enterprises in Informal Manufacturing Sector in India, 2000/01
(according to location and enterprise category) [per cent of total]

Industry Category	Urban				Rural				Total			
	OAME	NDME	DME	ALL	OAME	NDME	DME	ALL	OAME	NDME	DME	ALL
Food, beverages & tobacco	25	15	10	22	34	32	35	34	31.53	21.26	19.65	30.05
Textiles	14	10	22	14	14	15	18	14	14.14	11.98	20.73	14.18
Apparel	24	20	12	22	14	19	2	14	16.48	19.85	8.25	16.50
Wood and Wood Products	7	6	4	7	22	9	3	21	18.19	6.95	3.78	16.52
Paper and Paper Products	1	1	2	1	0	0	0	0	0.47	0.69	1.28	0.52
Leather and Leather Prod	1	2	3	2	1	1	0	1	0.96	1.43	1.75	1.03
Chemicals and Chemical prod	3	1	2	2	1	0	6	1	1.27	0.71	3.38	1.29
Rubber, Plastic and Petroleum	1	2	3	1	0	1	2	0	0.36	1.81	2.89	0.60
Non-metallic mineral prod	3	2	4	3	5	5	23	6	4.68	3.42	11.57	4.82
Basic Metals and Alloys	0	1	1	0	0	0	1	0	0.14	0.79	0.82	0.23
Metal products	3	11	9	5	3	6	2	3	3.00	9.46	6.18	3.77
Machinery and Equipment	1	5	10	3	1	2	1	1	0.93	4.06	6.49	1.45
Transport Equipment	0	1	3	1	0	0	0	0	0.08	0.91	1.82	0.23
Other Manufacturing	14	16	10	14	5	7	5	5	7.26	12.56	8.28	7.83
Not recorded and Other	1	6	5	3	0	1	1	0	1	4	3	1
Total	100	100	100	100	100	100	100	100	100.00	100.00	100.00	100.00

Source: Calculated from NSSO (1998),NSSO(2002)

Table 9: Industrywise Share of Employment in Informal Manufacturing Sector in India, 2000/01
(according to location and enterprise category) [per cent of total]

Industry Category	Urban				Rural				Total			
	OAME	NDME	DME	ALL	OAME	NDME	DME	ALL	OAME	NDME	DME	ALL
Food, beverages & tobacco	25	14	10	18	34	32	28	33	31.83	20.03	17.94	27.64
Textiles	18	12	24	18	16	17	16	16	16.47	13.52	20.17	16.67
Apparel	19	19	12	17	10	17	1	10	12.32	18.02	7.48	12.33
Wood and Wood Products	7	6	3	6	22	9	2	19	18.60	6.80	2.83	14.08
Paper and Paper Products	1	1	2	1	0	0	0	0	0.54	0.77	1.13	0.68
Leather and Leather Prod	2	2	3	2	1	1	0	1	0.86	1.49	1.55	1.08
Chemicals and Chemical prod	3	1	2	2	1	1	6	1	1.11	0.78	3.83	1.53
Rubber, Plastic and Petroleum	1	2	3	2	0	1	1	0	0.33	2.04	2.45	0.96
Non-metallic mineral prod	4	2	5	4	7	6	36	11	6.44	3.67	19.10	8.23
Basic Metals and Alloys	0	1	1	1	0	0	1	0	0.12	0.86	0.83	0.36
Metal products	4	11	8	7	3	6	1	3	2.96	9.62	4.76	4.28
Machinery and Equipment	1	6	9	5	1	2	1	1	0.91	4.42	5.37	2.21
Transport Equipment	0	1	2	1	0	0	0	0	0.08	1.01	1.47	0.46
Other Manufacturing	14	16	11	14	5	7	5	5	6.90	12.70	8.57	8.06
Not recorded and Other	2	6	4	3	0	1	0	0	1	4	3	1
Total	100	100	100	100	100	100	100	100	100.00	100.00	100.00	100.00

Source: Calculated from NSSO (1998),NSSO(2002)

Table 10: Number of Enterprises in Urban Informal Manufacturing Sector in India by industry

1994/95 and 2000/01

Industry Category	Number of enterprises in thousands											
	1994/95				2000/01				1994/95 – 2000/01 (percentage change)			
	OAME	NDME	DME	ALL	OAME	NDME	DME	ALL	OAME	NDME	DME	ALL
Food, beverages & tobacco	564	133	28	725	904	161	42	1106	60.27	20.84	47.18	52.53
Textiles	210	65	51	326	522	113	89	724	148.38	74.61	74.31	122.16
Apparel	150	41	49	240	871	220	48	1138	481.38	438.24	-2.24	375.13
Wood and Wood Products	306	101	25	431	266	63	17	345	-13.16	-37.61	-31.84	-19.92
Paper and Paper Products	61	44	19	123	44	11	8	63	-28.41	-73.97	-58.38	-49.11
Leather and Leather Prod	55	21	14	90	53	21	11	85	-4.70	2.91	-25.87	-6.32
Chemicals and Chemical prod	61	8	6	75	96	9	8	113	58.06	10.98	32.20	50.87
Rubber, Plastic and Petroleum	18	22	21	61	26	23	14	63	43.82	4.04	-32.85	3.13
Non-metallic mineral prod	73	23	12	108	92	24	17	133	26.27	5.73	37.10	23.20
Basic Metals and Alloys	15	8	5	27	9	12	4	25	-40.41	54.55	-18.75	-9.59
Metal products	70	90	40	200	115	121	35	272	63.92	34.22	-10.89	35.76
Machinery and Equipment	16	31	19	66	44	59	39	142	175.95	90.97	106.95	116.03
Transport Equipment	6	8	7	20	6	13	11	30	-1.69	69.23	62.69	46.57
Other Manufacturing	371	63	37	471	508	169	40	717	36.83	168.52	10.41	52.38
Not recorded and Other	4	2	0	7	53	63	19	135	1130	2768	4625	1855
Total	1980	658	331	2970	3607	1082	400	5090	82.16	64.38	20.80	71.38

Source: Calculated from NSSO (1998),NSSO(2002)

Table 11: Employment in Urban Informal Manufacturing Sector in India, 1994/95 and 2000/01

Industry Category	Employment in thousands											
	1994/95				2000/01				1994/95 – 2000/01 (percentage change)			
	OAME	NDME	DME	ALL	OAME	NDME	DME	ALL	OAME	NDME	DME	ALL
Food, beverages & tobacco	1071	419	237	1727	1495	501	342	2338	39.52	19.65	44.29	35.35
Textiles	498	248	478	1224	1040	431	838	2308	108.92	73.45	75.43	88.66
Apparel	309	161	483	953	1141	683	443	2268	268.84	323.62	-8.14	137.89
Wood and Wood Products	525	324	184	1033	414	205	124	743	-21.28	-36.60	-32.37	-28.06
Paper and Paper Products	125	152	146	423	84	41	66	191	-33.15	-72.76	-54.92	-54.87
Leather and Leather Prod	116	84	114	314	98	73	94	265	-14.88	-13.39	-17.73	-15.51
Chemicals and Chemical prod	99	34	61	194	149	31	84	264	50.76	-8.72	37.70	36.10
Rubber, Plastic and Petroleum	30	80	164	273	45	86	118	248	51.19	7.53	-27.81	-8.94
Non-metallic mineral prod	178	74	103	355	216	84	186	486	21.52	13.61	81.05	37.14
Basic Metals and Alloys	37	28	38	104	15	42	36	92	-61.02	48.04	-7.03	-11.48
Metal products	142	309	333	783	226	413	271	910	59.45	33.69	-18.46	16.20
Machinery and Equipment	30	117	165	312	76	214	316	606	155.18	82.51	91.44	94.20
Transport Equipment	15	29	60	104	12	48	87	147	-19.18	63.61	45.56	41.56
Other Manufacturing	610	203	396	1208	812	565	395	1772	33.22	179.02	-0.23	46.72
Not recorded and Other	6	8	3	17	92	211	153	457	1367	2719	4832	2602
Total	3790	2270	2963	9023	5914	3629	3552	13095	56.05	59.88	19.90	45.14

Source: Calculated from NSSO (1998),NSSO(2002)

Table 12: Number of Enterprises in Rural Informal Manufacturing Sector in India by industry, 1994/95 and 2000/01

Industry Category	Number of enterprises in thousands				2000/01				1994/95 – 2000/01 (percentage change)			
	1994/95				2000/01				1994/95 – 2000/01 (percentage change)			
	OAME	NDME	DME	ALL	OAME	NDME	DME	ALL	OAME	NDME	DME	ALL
Food, beverages & tobacco	2683	276	136	3096	3720	203	85	4009	38.64	-26.37	-37.25	29.50
Textiles	807	72	49	928	1552	92	45	1690	92.34	27.88	-7.36	82.08
Apparel	770	58	26	854	1546	120	6	1671	100.87	106.71	-79.09	95.73
Wood and Wood Products	2353	80	9	2442	2402	56	8	2466	2.12	-29.31	-17.02	1.02
Paper and Paper Products	37	15	0	52	25	0	1	26	-31.15	-97.30	100.00	-49.32
Leather and Leather Prod	117	4	1	121	88	3	1	92	-24.81	-20.00	16.67	-24.44
Chemicals and Chemical prod	61	2	6	69	90	3	14	107	48.84	30.43	151.79	56.64
Rubber, Plastic and Petroleum	18	3	3	24	27	8	5	39	49.72	136.36	84.62	65.55
Non-metallic mineral prod	677	28	39	745	594	35	58	687	-12.26	21.83	47.33	-7.81
Basic Metals and Alloys	6	1	1	7	11	2	1	14	103.64	88.89	133.33	104.29
Metal products	216	27	6	250	325	41	5	371	50.32	51.30	-23.81	48.56
Machinery and Equipment	50	6	2	58	93	10	3	106	83.53	68.85	73.68	81.68
Transport Equipment	5	2	1	8	6	2	1	9	5.66	43.75	0.00	12.82
Other Manufacturing	660	15	14	689	557	46	13	617	-15.52	200.65	-4.32	-10.49
Not recorded and Other	7	0	0	7	22	8	1	31	240	3750	1200	357
Total	8465	590	293	9347	11058	630	247	11935	30.64	6.77	-15.61	27.68

Source: Calculated from NSSO (1998),NSSO(2002)

Table13: Employment in Rural Informal Sector Manufacturing in India, 1994/95 and 2000/01

Industry Category	Employment in thousands				2000/01				1994/95 – 2000/01 (percentage change)			
	1994/95				2000/01				1994/95 – 2000/01 (percentage change)			
	OAME	NDME	DME	ALL	OAME	NDME	DME	ALL	OAME	NDME	DME	ALL
Food, beverages & tobacco	5266	614	729	6609	6483	613	817	7913	23.12	-0.13	11.99	19.74
Textiles	1670	251	505	2426	3087	322	465	3873	84.88	28.14	-7.98	59.67
Apparel	1650	203	243	2096	1946	319	40	2305	17.99	57.27	-83.64	10.00
Wood and Wood Products	4052	215	93	4360	4247	173	59	4479	4.83	-19.69	-37.02	2.72
Paper and Paper Products	77	53	4	133	52	2	7	61	-32.21	-96.59	97.22	-54.20
Leather and Leather Prod	173	13	5	191	118	10	6	134	-32.08	-21.88	29.79	-29.87
Chemicals and Chemical prod	93	9	55	158	129	12	163	304	38.56	25.53	196.55	92.95
Rubber, Plastic and Petroleum	22	12	21	54	39	28	40	107	80.47	130.58	94.23	96.88
Non-metallic mineral prod	1590	101	550	2240	1397	120	1047	2564	-12.14	19.10	90.48	14.44
Basic Metals and Alloys	11	3	6	20	16	6	18	40	42.11	114.29	225.00	104.04
Metal products	380	80	44	503	517	123	36	676	36.11	54.02	-17.50	34.25
Machinery and Equipment	83	18	19	120	151	32	32	214	81.66	76.24	68.09	78.71
Transport Equipment	11	5	7	23	8	8	8	24	-25.23	53.70	19.70	6.61
Other Manufacturing	1377	49	162	1588	918	141	159	1218	-33.35	186.21	-1.79	-23.33
Not recorded and Other	11	1	1	12	39	25	9	74	268	4100	1760	528
Total	16464	1626	2442	20532	19147	1933	2906	23985	16.30	18.85	19.00	16.82

Source: Calculated from NSSO (1998),NSSO(2002)

Table14: Total Number of Enterprises in Informal Manufacturing Sector in India by industry, 1994/95 and 2000/01

Industry Category	Number of enterprises in thousands 1994/95				2000/01				1994/95 – 2000/01 (percentage change)			
	OAME	NDME	DME	ALL	OAME	NDME	DME	ALL	OAME	NDME	DME	ALL
Food, beverages & tobacco	3247	409	165	3821	4624	364	127	5115	42.39	-11.03	-22.67	33.87
Textiles	1017	137	100	1254	2074	205	134	2413	103.92	49.96	34.33	92.49
Apparel	919	99	75	1094	2417	340	53	2810	162.87	243.48	-29.08	156.95
Wood and Wood Products	2659	180	34	2873	2668	119	25	2812	0.36	-33.94	-27.73	-2.12
Paper and Paper Products	98	59	19	175	69	12	8	89	-29.44	-79.86	-55.85	-49.17
Leather and Leather Prod	172	25	15	211	140	24	11	176	-18.34	-0.81	-24.16	-16.71
Chemicals and Chemical prod	121	11	12	143	186	12	22	220	53.46	15.24	90.43	53.63
Rubber, Plastic and Petroleum	36	26	23	85	52	31	19	102	46.78	21.09	-19.74	20.69
Non-metallic mineral prod	750	51	52	853	687	59	75	820	-8.50	14.68	44.87	-3.88
Basic Metals and Alloys	20	9	5	34	20	14	5	39	-1.00	58.14	-1.85	13.78
Metal products	287	117	46	450	441	162	40	643	53.66	38.14	-12.66	42.86
Machinery and Equipment	66	37	21	124	136	70	42	248	105.59	87.33	103.88	99.84
Transport Equipment	11	9	8	28	11	16	12	39	1.79	64.89	55.26	37.23
Other Manufacturing	1031	78	50	1160	1065	215	54	1334	3.33	174.81	6.35	15.02
Not recorded and Other	11	2	1	14	75	71	20	166	594	2850	3940	1112
Total	10445	1248	624	12317	14666	1712	647	17025	40.40	37.16	3.72	38.22

Source: Calculated from NSSO (1998),NSSO(2002)

Table 15: Total Employment in Rural Informal Manufacturing Sector in India, by industry 1994/95 and 2000/01

Industry Category	Employment in thousands 1994/95				2000/01				1994/95 – 2000/01 (percentage change)			
	OAME	NDME	DME	ALL	OAME	NDME	DME	ALL	OAME	NDME	DME	ALL
Food, beverages & tobacco	6337	1033	966	8336	7978	1114	1159	10251	25.90	7.89	19.91	22.97
Textiles	2168	499	983	3649	4127	752	1302	6181	90.40	50.67	32.56	69.39
Apparel	1959	364	726	3049	3088	1002	483	4573	57.61	175.23	-33.45	49.98
Wood and Wood Products	4577	539	277	5393	4661	378	183	5222	1.83	-29.84	-33.94	-3.17
Paper and Paper Products	202	204	150	556	136	43	73	252	-32.79	-78.91	-51.27	-54.71
Leather and Leather Prod	289	97	119	505	216	83	100	399	-25.20	-14.51	-15.85	-20.94
Chemicals and Chemical prod	192	44	116	351	278	43	247	568	44.83	-1.37	113.02	61.58
Rubber, Plastic and Petroleum	51	92	184	327	83	114	159	356	63.53	23.75	-14.05	8.65
Non-metallic mineral prod	1768	175	653	2595	1613	204	1233	3050	-8.76	16.77	89.00	17.54
Basic Metals and Alloys	49	31	44	124	31	48	54	132	-36.83	54.05	22.50	7.04
Metal products	522	388	377	1287	743	535	308	1586	42.45	37.86	-18.34	23.26
Machinery and Equipment	113	135	184	432	227	246	347	820	101.15	81.67	89.05	89.90
Transport Equipment	25	35	66	126	20	56	95	171	-21.74	62.07	42.99	35.28
Other Manufacturing	1987	252	557	2796	1730	706	554	2990	-12.92	180.43	-0.68	6.93
Not recorded and Other	17	8	4	29	131	237	162	530	678	2821	4406	1754
Total	20254	3896	5405	29555	25061	5562	6458	37081	23.73	42.76	19.49	25.47

Source: Calculated from NSSO (1998),NSSO(2002)

Table 16: Employment in the formal and informal sector in South Africa , 2001 to 2007

	'000	'000	'000	'000	'000	'000	'000
Sector	2001	2002	2003	2004	2005	2006	2007
Formal (excluding agric)	6808	7097	7228	7483	7750	8059	8423
Informal (excluding agric)	2840	1824	1830	1766	2071	2190	2 131
Unspecified sector	208	81	74	37	67	34	83
Domestic workers	843	877	884	847	850	850	936
Agriculture	1577	1739	1288	1258	1170	1318	1075
Total employment	12275	11617	11304	11392	11907	12451	12648
Share	%	%	%	%	%	%	%
Formal (excluding agric)	55.5	61.1	63.9	65.7	65.1	64.7	66.6
Informal (excluding agric)	23.1	15.7	16.2	15.5	17.4	17.6	16.9
Unspecified sector	1.7	0.7	0.7	0.3	0.6	0.3	0.7
Domestic workers	6.9	7.5	7.8	7.4	7.1	6.8	7.4
Agriculture	12.8	15	11.4	11	9.8	10.6	8.5
Total employment	100	100	100	100	100	100	100

Source: LFS (2007)

Table 17: Employment in the informal sectors by industry (excluding agriculture) in South Africa, March 2001 and March 2007 (Thousand)

Sector	EMP ' 000		Shares %	
	2001	2007	2001	2007
Mining and quarrying	3	3	0.1	0.1
Manufacturing	270	255	9.5	12.0
Electricity, gas and water supply	4	8	0.1	0.4
Construction	248	309	8.7	14.5
Wholesale and retail trade	1636	955	57.6	44.8
Transport, storage and communication	142	137	5.0	6.4
Fincl intrmd, insurnce, real est & business serv	110	50	3.9	2.3
Community, social and personal services	255	254	9.0	11.9
Private households with employed persons	165	160	5.8	7.5
Other/ Unspecified	6		0.2	0.0
total	2840	2131	100	100

Shares indicate industry share of the total non-agricultural employment in informal sector

Source LFS (2007)

Table 18: Share of formal and informal sector workforce by industry, 2001 and 2007. (% of total workforce in each industry)

Industry Category	FORMAL		INFORMAL		DOMESTIC	
	2001	2007	2001	2007	2001	2007
Mining and quarrying	99.12	99.34	0.53	0.66	0	0
Manufacturing	81.41	84.99	16.68	14.50	0	0
Electricity, gas and water supply	95.05	92.00	3.96	8.00	0	0
Construction	54.46	65.73	38.81	31.99	0	0
Wholesale and retail trade	45.25	66.91	53.60	32.24	0	0
Transport, storage and communication	73.28	76.04	24.48	23.78	0	0
Fincl intrmd, insurnce, real est & business serv	87.12	95.83	10.90	3.79	0	0
Community, social and personal services	85.67	88.66	12.64	11.00	0	0
Private households with employed persons	2.12	0.99	15.93	14.44	81.37	84.48
Other/ Unspecified	62.82	27.78	7.69	0	0	0
total	63.64	72.78	26.55	18.41	7.88	8.09

Source LFS (2007)

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