

The Organization of the Informal Sector for Sustainable Development

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Abstract

The informal economy can be defined as a part of the economy that is not governed by state regulations, however one which serves as a source of survival for a majority of the population in the developing economies. The Informal economy is an incubator for the empowerment of the most vulnerable section of society especially women and children. The study of the informal sector is important as this sector by providing employment to the huge population enhances the financial capabilities, functioning's and household productivity of its workers. Organisation of the informal sector will empower its workers, enabling them to bargain collectively. The paper focuses on five occupational groups within the informal economy i.e., load carriers, domestic workers, street vendors, home-based workers and construction workers. The survey was conducted of 100 workers working in different sectors in the informal economy. It revealed the economic and social status of the workers and suggests how the organized informal economy can serve as a sustainable development driver. The paper aims at sensitising policy makers to the contribution of the informal sector by highlighting various success stories and urging the policy makers to organise informal economy, so that unsustainable growth of informal economy can be transformed to the sustainable development of this sector and the contribution of the informal economy gets noted in the GDP. The author suggests that the informal economy, which has sustenance capacity should be used as a development driver, rather than weeding out the informal economy, it should be monetized and legalised to account for the real GDP of a country.

Key words: *informal economy, sustainable development, Organization, Empowerment.*

1. Introduction

The worldwide economy is comprised of both the formal and informal economies. A high degree of informality exists in the job market today. A firm is classified as informal when it is not registered in the market. Further, workers in this type of a firm are deprived of social security and job security. Such a firm is characterised by low productivity due to lack of hi-tech use. The World Development Report, 2013 widens the definition of 'jobs' and includes the informal economy (IE), which provides employment to half of the workers in developing countries. It is also acknowledged that informal jobs can be transformational (Web1). At present, it is required that governments should recognize jobs that contribute to development within the contexts of their countries. This implies that the informal economy can be used as a development driver. As an instance of this, in Papua New Guinea, the informal economy has been used as a 'transformational element in a national development strategy.' (Web 2).

1.1 Objectives

- 1) To study the link between the growth of the informal economy and sustainable development.
- 2) To understand the functioning of the informal economy.
- 3) To critically evaluate the existing policy for informal workers.
- 4) To evaluate the importance of the organization of the informal economy.

Hypotheses

- 1) Organization of the informal economy will serve as a human development driver.
- 2) The Informal economy leads to empowerment of vulnerable sections, particularly of women and children.

1.2 Conceptualization of the Informal Economy

The formal–informal sector dichotomy was first examined by Hart (1971) in a study of urban Ghana. Weeks (1975) provided the distinction between the formal and informal sectors on the basis of 'the organizational characteristics of exchange relationships and the position of economic activities vis-à-vis the State.' It was also suggested that the activities could be categorized on the basis of the mode of production, organization, scale of operation, technology, productivity, and labour markets (Papola, 1980). According to the World Bank, the informal economy refers to "activities and income that are partially or fully outside government regulation, taxation, and observation" (web 2). Women in Informal Employment: Globalizing and Organizing (WIEGO) and the International Labour Organization (ILO) broaden the concept and definition of the 'informal sector.' According to them, the informal economy is comprised of all forms of 'informal employment'—that is, employment without labour or social protection—both inside and outside informal enterprises, including both self-employment in small unregistered enterprises and wage employment in unprotected jobs. The

informal economy, therefore, is an ‘enlarged residual economy’ enabling the survival of the majority of the population, which the formal system lacks. The informal system lacks legal monitoring and regulation by the government, but it is being monitored by the authority exploitatively. The challenge is to use this system, which can facilitate survival of the majority of the population, as a development driver by providing it with credit for productive purposes.

1.3 Genesis of the Informal Sector- A Historical Perspective

In the aftermath of World War II, the global economy underwent significant structural changes, particularly the developing economies, which had by that time started becoming liberated from decades of colonial despotism. The emphasis was on appropriate macroeconomic policies (post Keynes) and institutions for the promotion of growth in leading sectors that would entail overall growth of the economy. The trajectory of development was essentially through the growth of organized economic activities by rapid industrialisation that was expected to foster capital formation and expand domestic and export demand. At this postcolonial juncture, the developing countries were characterized by dualistic economic structures—with the existence of both a developed urban market economy and a backward agriculture-oriented subsistence economy. The expansion of industries and the resulting economic opportunities in urban areas triggered rural–urban migration and massive urbanization. However, industrial development failed to generate adequate employment and income opportunities in the urban sector, so that the surplus urban labor force was compelled to generate its own means of employment and survival in the informal sector. In China, for example, the large number of rural–urban migrants (approximately 60 million) has been an important reason for the creation of jobs in the informal economy; in Colombia, migration has a large impact on the probability of being employed in the informal sector (Chaudhuri. Sarbajit, 2010, p. 1).

It was Hart (1971) who first identified the ‘informal sector’, introduced it as part of the urban labour force that takes place outside the formal labour market and considered it as almost synonymous with the category of the small self-employed. The Kenya employment mission recognised that the traditional sector had not just persisted, but expanded to include profitable and efficient enterprises as well as marginal activities. Initially, the ILO considered the main aim of the informal sector to be the provision of subsistence to families, but subsequent research studies recognized another aspect of the informal sector: dynamism and potential for economic growth and employment.

2. Literature Review

- 1) Hart Keith in his article ‘Informal Income Opportunities and Urban Employment in Ghana’ defined the informal sector as employment beyond government service, factories,

and large-scale commercial ventures. He classified informal employment into “legitimate” and “illegitimate” activities. Hart’s most enduring contribution to the most commonly used contemporary definitions of the informal economy is that it lacks regulation by the political and economic institutions of a society.

- 2) Jan Breman in his article, ‘A Dualistic Labour System? A Critique of the Informal Sector Concept’ examined the concept of the 'informal sector.' He argued that any attempt to demarcate the informal sector will give rise to numerous inconsistencies and difficulties; thereby, he suggested that rather than dividing the urban system into two segments, it is preferable to emphasise the fragmented nature of the entire labour market.
- 3) Klarita Gërkhani in her article ‘Informal Sector in Developed and Less Developed Countries’ discussed the definition of the informal sector, its significance, the main theories regarding the informal sector, and its relationship with the formal sector in developing and developed countries.
- 4) Mehta Meera in her article ‘Urban informal sector’ highlighted the inability of surplus labour to gain entry into the 'modern' sector and their eventual entry into the informal economy for survival. She discussed the concept of the informal economy, its features, and policy implications for street vendors in the Indian context.
- 5) Neera in her article ‘Crusading for children in India’s informal economy’ discussed the contribution of the informal sector to GDP in the developing countries, why children are hired, and the reasons why children and women can be exploited the most. She redefined child labour and provided practical solutions.
- 6) Sengupta in his report on conditions of work and promotion of livelihood in the unorganized sector highlighted the existence and quantification of unorganized or informal workers, defined as those who do not have employment security, work security, and social security. Informal workers constitute 92 percent of the total workforce. The National Commission for Enterprises in the Unorganised Sector has carried out a detailed analysis of the various dimensions of the challenge confronting the informal or unorganised workers. The Commission proposed two comprehensive Bills for unorganized agricultural and non-agricultural workers to ensure minimum conditions of work as well as a minimum level of social security. Further, it has proposed a number of measures to improve the livelihood of the unorganized sector workers.
- 7) T S Papola in his article ‘Informal sector: concepts and policy’ argued that while it is clear that the informal economy is a sizeable segment of the urban economy, run in this way, it suffers from severe infrastructural, marketing, and technological handicaps, and is consequently characterised by low productivity and earnings; it is difficult to distinctly identify the informal sector as an analytical category. Therefore, for policy purpose, it is

important to demarcate the informal sector so as to mitigate its disadvantages and to improve its functioning.

2.1 Features of the informal sector

1) Ease of entry: The informal sector has lesser bureaucratic hurdles. Moreover, the seed capital investment is low, and it is mainly labour intensive. However, sustainability in this sector is difficult as the worker faces indebtedness in terms of pressure (is submissive to authority and has to pay bribes or rent) and constant fear of eviction. The National alliance of street vendors in India (NASVI) study found that around 20% of the earnings of street vendors are usurped as rent by the authorities (Bhowmik. S, 2010, p.26). In addition to the aspects mentioned, the informal sector does not receive recognition by the government, and contribution to national income is unaccounted for.

2) Commercial versatility: In the informal economy, workers have versatility in terms of time (can work any hour of the day), finance (low and mobile fixed capital), and space. For example, in Peru, 51% of all jobs are generated by the informal economy, a sector that has a female worker share of more than 60 percent owing to flexible timings. Moreover, in Peru, investment in production is not very significant, leading to lower demand for labourers. Workers can also engage in moonlighting.

3) Commercial strategy: Workers in this sector are engaged in non-monetized selling activities. Negotiation to a great extent takes place between buyers and sellers. The commercial strategies are adapted in this sector.

4) Nature of transaction: A significant amount of revenue emerging from the informal economy is unaccounted for (although in the factor market, some may be accounted for).

3. Linkage between the formal and informal sector

Direct linkage: The relationship between the formal and informal economy is symbiotic. The formal and informal ends of the economic continuum are often dynamically linked. The informal sector has both backward and forward linkages with the formal sector. The backward linkages involve the flow of raw materials, finance, and goods from the formal to the informal sector. The forward linkages involve the use of informal sector products and services as inputs into the formal sector's production process. It is questionable whether the relation between the formal and informal economy is benign or exploitative. Is the informal economy subservient to the formal economy?

In Kolkata, Bose (1978a) identified the exploitative character of linkages in the urban economy. According to Bose, the informal sector enterprises carry out two essential functions. First, they produce low-priced goods for the rural and urban poor. Second, they provide the larger units with huge trading profits through an unequal exchange relationship. However, the International Labour Organization (ILO) (1985) identified that the informal

economy is not exploited by the formal economy as a sizable amount of the surplus produced by the informal economy is appropriated by the formal economy. The formal sector, in turn, reduces its operating costs by use of the lower overhead costs in the informal sector.

Backward linkages with the informal sector entail the procurement of inputs, spares, and producer goods by the informal sector from the formal sector. In such a situation, informal entrepreneurs and producers may come under the domination of a sole formal sector producer. In the case of informal shoemakers in Dakar, Senegal, Gerry (1978) noted that the denial of access to indigenous raw materials can force informal sector entrepreneurs into a subordinate relationship with their formal sector suppliers. The foregoing reveals that informal–formal sector linkages can be exploitative. Beside direct linkages in terms of market, technology, and resource inputs, there exist social dependency relationships, which have their basis in the lack of economic security. Breman's work in South Gujarat vividly illustrates these. He points out: "It should be realised that the poor try to increase their security within the urban system by entering into dependency relations with social superiors, and in doing so, they accept a wide range of contractual and semi-contractual commitments." (Breman, 1976).

Indirect linkage: The indirect linkages refer to those generated by the goods and services produced in the informal sector for a clientele whose income is dependent upon the formal sector. The growth in the formal sector's productivity and wages will create additional demand for these activities. However, here, a paradoxical relationship resulting from a demonstration effect of formal sector goods is likely to arise between the informal sector production and formal sector wages. This growth would worsen the income distribution and induce a shift in the pattern of demand away from the informal sector's products. Therefore, the informal sector is not an independent and exclusive circuit in any way. It is linked to the formal sector and the rest of the economy through a variety of linkages. The possibility of growth of the informal sector then depends on the nature and types of linkages that are operating in reality.

4. Results of a survey

A survey was conducted in Mumbai, India for which a target group of sample size 100 was selected. The sample was stratified on the basis of diverse activities that the participants are engaged in, in the informal economy. The respondents were divided into five groups: load carriers, home based workers, street vendors, domestic workers, and construction workers. 20 workers (including males and females, except from group of load carriers where all respondents were only male) from each group were interviewed. The survey examined the following main topics: 1) Income security, 2) Health security, 3) Education level and 4) Working conditions. The results are discussed below.

Group 1 – Load carriers

Income Security: Wide variations were found in the average daily income of the load carriers. However, on an average, they earn Rs 300 daily. For this income, they work for an average of 8 hours. It is important to note that this income is infrequent. On some days, many workers earn from Rs 50 to Rs 80 per day, an income on which the entire family has to survive, with contingencies not being taken into account. These workers receive no social security, such as paid leave. Their savings per month amount to a meagre sum of Rs 300 on an average. They lack access to credit facilities to engage in businesses of their own or for health-related purposes; they rely on either relatives or moneylenders and pay a high interest, further weakening their financial situations.

Health security: Since weight loading over a long time eventually leads to problems such as backache and body pain, workers find it increasingly difficult unable to work in this profession after years of engaging in the strenuous work. The piece rate workers received no paid leave, medical leave, pension, and health insurance.

Education level: None of the respondents were found to have received college education. 15% of the respondents received no schooling, and 5% could read and write one language. 35% and 45% of the respondents received primary schooling and secondary schooling, respectively. None of the respondents had access to or were aware of vocational training. 50% of the respondents aimed to educate their children till higher secondary level. 25% of the respondents' children have passed their matriculate examination. Many of the respondents are members of organizations like the Central Railway Mazdoor Sangh (CRMS), Kamgar Sena, Navnirman Sena, Shiv Sena Mazdoor Sangh, and National Railway. These organizations enable the workers to enhance their bargaining power by trying to establish a fixed wage rate for them (a minimum of Rs 30–50 per customer). They also assist them in getting railway passes and provide security from exploitative authorities.

Group 2 – Home based workers

Income insecurity: The average daily income of the respondents was found to be Rs 175. They work for 10 hours per day on an average. It must be noted that the respondents from this group were mainly women. This fact was found to have a direct bearing upon the monthly savings of these respondents who, at several times, are able to save little to no income, attributable to a lack control over their income. Further, they were found to lack membership with any of the above-mentioned organizations.

Health security: None of the respondents could avail of social security such as medical leave, pension, paid leave, and so on. 45% of the respondent were unaware of any Home based workers organization that could assist them.

Education level: 5% of the respondents were found to have received college education. 35%, 40%, and 20% of the respondents were illiterate, primary educated, and secondary educated, respectively. It was found that even the women who had received higher secondary education preferred to work in the informal economy because of its flexible nature of work and also because of social constraints. They were found to not have access to any vocational training. 35% and 25% of the respondents aim to educate their children till the higher secondary and graduate level, respectively.

Group 3 – Street vendors

Income Security: The average daily income of the respondents was found to be Rs 350, with the average working hours being 10 per day. There is also high variability in their income. Further, the workers lack access to credit facilities that would enable them to purchase goods in bulk. They also lack infrastructure facilities and face harassment from the authorities, leading the workers to pay bribes to them. It was also revealed that child labour in this category is high.

Health security: They were found to lack any kind of health security.

Education level: 5%, 25%, and 50% of the respondents were illiterate, primary educated, and secondary educated respectively. 20% of the respondents had received higher secondary education. The unavailability of jobs in the formal sector leads them to take up jobs in the informal sector. Only 25% of the respondents aim to educate their children up to the high secondary level.

Group 4 – Domestic workers

Income Security: The average income of the respondents per day was found to be Rs 170. On an average, they work for 6 hours per day. This group mainly involved women; these women were found to bear a double burden of work, at home and at the workplace. 55% of the respondents are unaware of any government schemes. Financial literacy is also very low among the respondents.

Health security: All the workers were found to lack health security.

Education level: 15% of the respondents were found to be illiterate. Half of the respondents (50%) were primary schooled while 35% were secondary educated. None of the respondents had received higher secondary education. 32% of the respondents' children are secondary educated.

Group 5 – Construction workers

Income security: In this group, the respondents' earnings are on a piece rate basis, with the average daily income being Rs 275. Women in this group earn less than men by approximately Rs 50 per day. The respondents are unaware of government schemes and depend on moneylenders for a credit. This reveals a lack of financial literacy, accessibility,

and availability. The survey found that the average days of unemployment in a year faced by women and men are approximately 100 days and 70 days, respectively. It is suggested that these construction workers should undergo vocational training because training improves wages and also the possibility of securing regular jobs.

Health security: Despite the nature of their employment being highly risky, the construction workers lack access to any insurance or medical protection as majority of them work for private builders.

Education level: In this group, the education level of the respondents when compared with the other groups was found to be lower. 35% of the people were illiterate while 50% and 15% of the respondents were primary and secondary schooled, respectively.

5. Need for organization of the informal economy

Studies by the ILO reveal that in the informal economy, there is a high probability of income variability accompanied by high levels of insecurity. (Trebilcock, 2005, p.5). There is no fixed tenure, often little or no protection from the state, and no safety nor social equity and safety nets such as job security, unemployment benefits, and health care. The working class lacks a voice in policymaking, faces poor working conditions and an unstable income. Many women are involved in home based work like garment work, embroidery, and so on. However, their perceptibility is very low. The informal economy needs a collective voice in policy formation so that the working conditions in it are improved along with job security. Job security will provide a steady flow of adequate income which will not push families above the poverty line family below it. Organization enables the development of a global network, which increases their perceptibility. For instance, the Global Alliance of Waste Pickers gave recognition to its workers for their important contribution to the environment. Moreover, organization enables the weaker sections to be heard by policymakers. Waste pickers help the economy in many ways, such as by providing employment, conserving scarce resources; they also save municipal waste handling costs, reduce pollution, and contribute to abating climate change. Thus, waste pickers provide economic and ecological benefits. However, they themselves face several problems, important among these being health-related issues (e.g., cuts, bruises, injuries, etc.). Also, they lack social security and earn lower wages. Children working as waste pickers incur several tangible and intangible costs such as loss of childhood, absence of education, and physical and emotional ill-health.

A study by the National Council of Applied Economic Research (NCAER) revealed that the informal economy “generates about 62% of GDP, 50% of gross national savings, and 40%of national exports” (Burra.N, 2005, p.3). In Latin America and Asia, the contribution of the informal economy to GDP is 27% and 41%, respectively. (Ibid, p.4). Women, who constitute around 76% of the informal economy, are more vulnerable as compared to men in

this sector. The state of women in this sector is characterized by low bargaining power, lack of control over income, lack of assets, inaccessibility to credit, non-awareness of their rights, lack of access to vocational training, unequal gender relations, lower wages compared to men for the same piece of work, and other such disadvantages, which render these women to vulnerability (Web 5). The need is their effective organization which will make them self-reliant, increase their collective bargaining power, empower them, provide them greater access to resources, and better their economic and social conditions. Also, it is required to empower them politically. Once organized, there is a need to educate the participants of the informal economy about their rights.

6. Importance of organization of the informal economy

The organization of the informal economy may be in the form of unions, cooperatives, member-based organizations (MBOs), self-help groups, etc. The aim of this sector's organization is to decrease insecurity and risk, and improve the working conditions and wages of workers along with contributing to the nation's economy. Organization of the informal workers will strengthen the group through collective bargaining as well as by enabling them to be more discerning and vocal. Bargaining power can allow the workers to improve their terms of trade. Small scale entrepreneurs or informal workers struggle for adequate and sustainable finance. Therefore, the government should provide credit facilities for productive purposes. Inclusion of the informal economy workers in financial markets is required so that they can avail credit. Organization builds confidence and empowers the members to acquire their rights. For growth, it is essential to tap the unrealized potential of workers in the informal economy. An organized informal economy can be used as a development driver to fulfil sustainable goals like the Millennium Development Goals (MDGs), Green Economy, etc. From the viewpoint of development, it is important to recognise the contribution of the informal economy in employment creation and reduction in poverty and also to treat the work of informal workers as real, productive work.

Examples of organization of the informal economy worldwide

- 1) The Alliance of Indian Waste pickers (AIW) works for the welfare of the waste pickers across 30 states in India.
- 2) Kach Patra Kashtakari Panchayat (KKPKP), a membership-based trade union, was formed in Pune, in 1993, with the aim of affirming the waste pickers' contribution to the environment and improving their working conditions. A significant contribution of KKPKP was the quantification of waste pickers. A study by this organization ascertained that waste pickers prevented municipal corporations from incurring waste management costs that would otherwise have run into crores of rupees.

- 3) Seva Sahakari Sanstha Maryadit, Pune (SWaCH), a co-operative organization, works for the betterment of waste pickers. It works for their livelihood upgradation and also conducts events such as V-collect (citizens can dispose their unused waste and e-waste through appropriate channels).
- 4) The Global Alliance of Waste Pickers has expanded its network over 28 countries.
- 5) In 1955, the Hamal Panchayat, a Pune based organization, was formed to aid load carriers and coolies. This organization served as a platform for collective bargaining for the workers to improve their economic and social security. A noteworthy achievement of the Panchayat was the implementation of the Mathadi Act in 1980 by the government of Maharashtra. This act was an attempt to impel the state to play an active role to succour the workers by providing them economic and social security.
- 6) In 1972, SEWA, a pioneer organization working for women's empowerment, was recognized as a trade union in Gujarat.
- 7) In 1988, The Latin American and Caribbean Confederation of Household Workers held the first Congress which gave a more influential say to domestic workers in Latin America.
- 8) HomeNet Pakistan conducts various programs that enable its workers to build a network and provides them with training opportunities.
- 9) The Global network of Domestic workers, i.e., the International Domestic Workers Network, was formed in 2006.
- 10) In 2011, a major victory for domestic workers was the adoption of "Decent Work for Domestic Workers" at the International Labour Conference (ILC).
- 11) The formation of the Street Net Association in 2000 paved the way for Street Net International in 2002.

The above-mentioned examples represent attempts that eventually lead to the recognition of the informal economy, thus counteracting the former belief that the informal economy will vanish in the long run or that it can be ignored.

7. Gains from the organization of the informal economy

Economic gains: Organization provides collective potency to bargain for better wages and working conditions. For example, the Union of domestic workers in Uruguay collectively secured the minimum wage and increase in over time disbursement in 2010. The Gujarat Social Income and Insecurity Survey in 2008 revealed that SEWA members have enhanced their bargaining power, resulting in increased wages and better working conditions than those of non-SEWA members. Similarly, the waste pickers in Brazil who are members of Coopamare co-operatives earn twice the country's official minimum wages. (Web 4). The informal workers pool their resources together; this allows them greater access to resources.

Political gains: The Constitution of Kenya has affirmative provisions for its labour such as equal right to fair labour practice for all, fair remuneration, reasonable working conditions, and workers' freedom to join organizations. Organization imparts greater visibility and validity to informal workers, which in turn gives them influence in policy arenas. This can be illustrated by the following examples: 1) In London, home based workers protested and succeeded in attaining the inclusion of workers in the national minimum wage legislation. 2) Street vendors' organizations have promoted the right of vendors to earn their livelihood. A case in point is India, where the National Alliance of Street Vendors of India (NASVI) was influential in the development of the National Policy for Street Vendors (Web 4). 3) SEWA's efforts have encouraged drastic policy changes. It has led to the formation of the National Policy for Street Vendor Social Security. 4) In 2009, waste picker organizations steered the formation of the Solid waste management Act. (Web 4).

Social Protection Benefits: Organization allows informal workers to access existing social protection systems. For example, in India, social security schemes are provided to Bidi making workers under the Bidi and Cigar Welfare Fund Act. Similarly, the South African domestic workers organization made great efforts to establish the Unemployment Insurance Act. Under this Act, the South African domestic workers received access to unemployment, health, and maternity benefits. (Web 4).

Benefits to women: Organization enhances self-esteem and empowers women workers in the informal economy. A Gujarat Social Income and Insecurity Survey (GSIS) revealed that women who are members of SEWA are more confident and are likely to improve skills compared to their counterparts. MBOs can offer improved support systems for their members. These organizations offer aid to their members. For example, women involved in informal businesses in Ghana receive benefits such as child care from the Accra Market Women's Association. (Web 4).

Informal workers lack legal protection and are vulnerable; some of them engage in multiple jobs for survival, or work for long hours rendering little scope for organization. In other words, the effort of organization, which involves commitment in the form of time, leads to an opportunity cost of forgoing income for that particular time period. Also, there is competition among workers performing similar jobs or selling similar products in a locality, which may affect their willingness to join an organization. Organization may further be difficult as workers have scattered workplaces (especially street vendors and rag pickers). Moreover, although organization itself may be achieved, maintaining this organization may be difficult and may involve several hurdles, for example, the possibility of corruption.

7.1 Analysis of policies for the informal economy

The first attempt at legalizing street vendors was made in 1995 in the form of the “Bellagio International Declaration.” This Declaration urged the governments worldwide to modify their laws in order to support street vending and also to give licences and social security to them.

In 2004, the Indian government formulated **the National Policy for Urban Street Vendors** to address the concerns of vendors who are constantly harassed by the police and local administrators. The main objective of the policy is to “provide and promote a supportive environment for earning livelihoods to the street vendors, as well as ensure absence of congestion and maintenance of hygiene in public spaces and streets.” Section 8 of the National policy, 2004, discusses the insurance and financial problems of the vendors. The National Bank for Agriculture and Rural Development (NABARD) and Swarna Jayanti Shahari Rojgar Yojana (SJSRY) scheme have been indicated in the policy for the purpose of providing finance to the vendors. But the policy has not indicated a time frame or a road map for the same. Similarly, the policy is silent on matters like insurance, leaving the onus of insurance on self-help groups and non-governmental organisations (NGOs). This is an area where a structured long-term solution needs to be formulated. Section 283 and section 431 of IPC provide the administration with a lethal weapon to use against the vendors. Using these acts, the authorities extort money from the vendors, jeopardizing their livelihood.

Observing the ever expanding informal economy and the plight of the workers in this sector, there was an urgent need for incorporating support structures in the work life of the informal micro enterprise owners. This led to **the Micro, Small and Medium Enterprise Development Act**, passed in 2006, which provides for skill and technology upgradation, marketing assistance, infrastructure facilities, and the strengthening of backward and forward linkages (Gurtoo, 2009, p.186). The Indian government aimed to set up a commission that would identify various problems faced by enterprises and workers and make recommendations for rapid growth and employment generation in this sector, with better working conditions and social security for the workers employed in it; this led to the formation of the **National Commission for Enterprises in the Unorganized Sector (NCEUS)**. This body has prepared two reports, one dealing with the conditions of work and promotion of livelihoods in the unorganized sector and the other addressing the issue of social security for unorganized workers (SenGupta, 2007, p.29).

The reports found that the status of informal workers is inextricably linked to poverty, low social status, and a low level of education. The agricultural sector, in spite of being a significant part of the informal economy in India, is often excluded from the scope of the informal economy. The report mainly highlights the need for improvement of working conditions in this sector as the petty farmers are most vulnerable and deprived (especially

Dalit farmers). The NCEUS found startling results that suggested that showed that only 6% of informal workers are covered by some form of social security provided by the government. The NCEUS held two proposals to the government of India.

- Social security: The NCEUS proposed minimum social security for all informal workers to address the core issues of health, old age, disability, etc. The Commission has proposed a National Minimum Social Security Scheme for all unorganized workers, and has suggested a federal organizational structure for implementation of the scheme, with multi-stakeholder participation at all levels, the possibility of incorporation of existing structures and schemes at the state level as well as add-ons, and grassroots implementation of the scheme through PRIs, NGOs, or trade unions that have a recognized presence and credibility in certain areas.
- Promotion of livelihoods: For promotion of livelihood, the NCEUS has drawn up an action programme for micro-enterprise with the aim of reducing poverty and increasing opportunities for livelihoods, thereby enhancing efficiency and incomes. In agriculture, it includes: a) a special programme for marginal and small-scale farmers aimed at facilitating and rationalizing access to inputs, agricultural extension, and area-specific interventions; and b) special access to credit to marginal and small-scale farmers by allocating a fixed percentage of the existing priority sector quota and creating a credit guarantee fund. Sharit Bhowmik (2010, p.13-15) is mainly concerned with the working and the plight of street vendors.

An important aspect is that street vendors are exercising their constitutional right to undertake trade or a business. (Article 19(1)(g) provides citizens the right to undertake trade. In 1998, the National Alliance of Street Vendors of India (NASVI) was formed in Ahmadabad that convinced the government to accept the need for a national policy for street vendors.

In 2009, the Ministry of Housing and Urban Poverty Alleviation formulated **the Protection of Livelihood and Regulation of Street Vending Bill, 2009**, which ignored four core issues starting with “natural markets” (Bhowmik, 2010, p.14). Rather than forcible removal of natural markets, it is advisable and rational to regularize them by allotting space. However, natural markets are completely ignored as they form strategic natural places of profiteering for the financiers who could enter later on. The bill overlooks the right of the existing vendors to get license. The results can easily be foreseen if such a law is enforced. The bureaucrats and elected politicians will decide on who will get the pitch licences, and given the record of municipalities in bribe taking, these will be decided on the basis of the vendor’s paying capacity. The elected members may also use this to provide favours. Rent

may be forcibly extracted from the unlicensed vendors. Similarly, the bill ignores eviction; therefore, there is a greater probability of municipal authorities resorting to forceful eviction.

The Street Vendors (Protection of Livelihood and Regulation of Street Vending) Act was passed in 2014 to regulate street vendors in public areas and to protect their rights. According to this Act, vendors will be assigned vending zones, and certificates of vending will be issued. The difference between the proposed draft and the Act passed is that as opposed to the draft, the Act lacks any representation of street vendors. However, the draft proposed included 'Town Vending Committees' (TVC) that would have at least 40% representation of the street vendors.

For construction workers, the Haryana Government established the **Haryana State Health Resource Centre (HSHRC)**. Urban Health Centres and Urban Mobile Medical Units were set up under the Construction worker welfare scheme to provide a comprehensive health service to the construction workers.

The policy should be adapted according to the needs of diverse groups within the informal economy; a patchwork is more preferable to the principle of "one size suits all." A successful policy for one group may not work for the other, so the policy should adapt to the needs of the group. Without addressing the needs of the vulnerable workers in the informal economy who contribute substantially to the GDP, sustainable growth cannot be achieved.

8. Recommendations and conclusion

The burgeoning issues in the informal economy include inadequate infrastructure, lower wages, poor working conditions, inaccessibility to finance, and the mushrooming of people for survival. The informal workers have a weak say in policy formation and poor access to infrastructure. The lack of an effective say in policy formulation and the absence of transparency force the informal economy to remain an under-ground economy that survives by paying bribes to the authority.

For fulfilling the goal of poverty eradication, policymakers need to deal with the problems of informal workers who are mainly poor. The aim is not to increase informality, but to reduce unemployment, increase earnings, and tap the potential of the informal economy by reducing risk and by utilizing the endogenous factor within the country. It is important to frame legislation that not only accounts for the informal economy for raising tax revenue, but also provide the workers with minimum wage, health insurance and other such forms of security, while simultaneously maintaining environmental and product quality.

The informal economy has become a destination for the workers excluded from the formal sector. It can be used as a development driver. The government should undeniably recognize the importance and contribution of the informal economy to growth. It should reduce the negative effects of the informal economy and strengthen the positives. Also, there

is a need to strengthen the formal sector and extend its gains to the informal sector. The productivity of the informal sector should be enhanced through the provision of micro-credit facilities, vocational training, training in business skills, and infrastructural facilities. The informal economy requires supportive policy, but first, the notion that the entire informal economy is “black” and “illegal” needs to be weeded out because it acts as a barrier in policy formation. The informal workers require a legal framework to defend their rights, for example, the right to work (street vending), labour, business, and property. They also require protection against contingencies such as illness, death, accident, etc. Social and legal protection will provide the informal workers better voice in governance. The state should adopt facilitative steps for the workers such as the following:

- 1) Create a conducive environment for earning livelihood,
- 2) Provide access to appropriate vocational training,
- 3) Provide infrastructural facilities,
- 4) Provide financial literacy,
- 5) Increase accessibility and availability of credit facilities,
- 6) Frame laws that enable job and social security, and
- 7) Improve the national database for the informal economy.

The policy should be according to the needs of the groups within the informal economy a patchwork is more preferable rather than the principle “one size suits all.” A successful policy for one group may not work for the other, so policy should adapt to the needs of the group. Without addressing the needs of the vulnerable workers in the informal economy who contributes substantially to the GDP, sustainable growth cannot be achieved.

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