

INFORMAL SECTOR EMPLOYMENT IN INDIA: A THEORETICAL REVIEW

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Received: February 09, 2019

Accepted: March 11, 2019

ABSTRACT This study is an attempt to examine the theoretical background of the concept of informal sector employment in India. The concept of informal sector was developed in the literature of economics in the late 1960's and it has been widely recognized by academicians and policy makers. Some theories related to the concept of informal sector and employment are the theory of unlimited supply of labour was developed by W Arthur Lewis (1954), Duality Model by Boeke (1954), Harris-Todaro Model (1970), Theory of Segmented Labour Market, the Neo-Dualists Fragmented Approach, the concept of Decent Labour (ILO,1999). There are mainly four factors that related to the concept of decent work like rights at work, employment, social security and social dialogue. The decent work paradigm is the principle applicable to all working people in all societies, but this paradigm is not applicable to all the informal sector workers. The primary goal of the ILO is to encourage equal opportunities for women and men, to obtain decent and productive work, in conditions of freedom, equality, security and human rights (ILO, 1999). The theoretical concept clearly indicates that there are few dichotomies in the rural and urban informal sector employment is mainly arising out of its dualistic nature. The duality is one of the permanent characteristic features of the informal sector employment in India. This duality leads to inequality in the informal sector. The paper is primarily divided into four sections. The second section discusses the concept of the informal sector. While the third section describes the empirical and theoretical review related to the informal sector employment in India. The fourth section highlights the findings and conclusion related to the paper.

Key Words: : Informal Sector, Inequality, Duality Model, Decent Labour.

1: Introduction

This paper examines the theoretical background of the concept of the informal sector. The theoretical basis of the concept without any doubt shows that few dichotomies in the urban economy is arising out of the dualistic nature. There are some theories related to the concept of informal sector and employment in India. The theory subjected to the thought of some policy makers and theorists in the 1950s and 1960s. The following are the important theories related to informal sector employment in India and international level.

2: Theoretical Review

There are lot of studies that exist in literature regarding the theories related to informal sector and employment. The following table 1 shows the complete theoretical review of informal sector employment in India.

Table 1: Theoretical Review of the Informal Sector

Name of Author	Title of the book/article	Important theories used
Hart,K (1973)	Informal Income Opportunities and Urban Employment in Khana	Reserve Army of Urban Unemployed and Underemployed.
Samal,K. (1985)	Migration and Informal Sector (A Case Study)	Harris-Todaro Model
Sison,R.G (1990)	A Review of Institutional Linkages for Assistance to the Urban Informal Sector,	Shotgun Approach
Patrick,M(2000)	Labour Market and Household Behaviour: A Case of Unorganised Sales Women	The Overcrowding Model And Exploitation Theory of Labour, Time Allocation Theory and Allocation Theory
Correia,T (2000)	The Role of Petty Traders in Urban Informal Sector: A Study of Three Corporations in Kerala	Theory of Lewis -Fie Ranis, Unlimited Supply of Labour Livelihood Approach
Jonakin,J(2006)	Cycling between Virtue, Assessing the Informal Sector,	Gini's Coefficient, Income Inequality Measure

	Awkward Role Under Neoliberal Reform	
Sakthival and Joddar,P(2006)	Unorganised Sector Workforce In India: Trends Patterns and Social Security Coverage.	Two Approaches: Residual and Direct Approach
Panchayat Level Statistics (2009)	A Study on Unemployment Problem Focusing Problem Registered in Employment Exchanges at Panchayat Level	Thomas Malthus Unemployment Problem
Krasniqi,F.X and Topxhiu,R.(2012)	The Informal Economy of Kosovo: Characteristics, Current Trends and Challenges	Three Main Schools of Thought: Dualists, Structuralists and Legalises Three Ways of Informality Measured: Direct, Indirect and Modelling Approach
Barnes,T.(2012)	Theorising Urban Employment and Informal Labour India, Evidence from the Economic Census 1998-2005	Theory of Non-Capitalist Marxian Theory
Cai Fang Du Young Que Yue(2013)	Labour Market Vulnerability in Urban China	Theory of Unlimited Supply of Labour
Jeemol Unni and Ravikiran Naik(2013), Sudipta Sarkar.	Measuring Informality of Employment in Urban India	Duality Theory
Breman,J and Linden,M.V(2014)	Development and Change Forum	Classical Theories and Views
Pundarik,M.P and Dutta,K.L.(2014)	Women as Marginal Workers in Informal Mining and Quarrying India: A Preliminary Analysis	Trickle-Down Theory Anderson
Nirathron,N. (2014)	Informal Labour Strategy for Protection	Survival Strategy and Safety Valve
Pramanik,R N.(2014)	Migration of Rural Labours in the Contexts of Harris-Todaro Model, A Micro Level Study	Harris-Todaro model

Source: Authors calculation from the various studies

2.1: The Theory of Unlimited Supply of Labour

The theory of unlimited supply of labour was developed by W Arthur Lewis in (1954) and later on formalised and completed by John Fei and Gustav Ranis (1964). In his model, there are two sectors in the economy which consist of rural subsistence sector, traditional and high productivity modern industrial sector. A traditional sector is characterised either by high productivity modern urban industrial sector and zero or very small productivity surplus labour, into which, labour structured in the survival sector was increasingly transferred. The key focus of the model is together in the process of the labour movement and the expansion of employment in the modern sector or urban industrial sector.

It was assumed in the Lewis model that, an unorganised sector with surplus labour would automatically disappear and gets absorbed in the organised sector. But the Indian situation does not conform to the Lewis model. The organised sector has failed to absorb the labour engaged in the unorganised sector. The Lewis model, which drawn from the experience of the capitalist countries in which the share of agriculture and the share of unorganised sector showed a spectacular decline which, was not found to be true of many developing countries including India. But the other developing countries faced the entirely new situation of development. Borrowing technology from developing countries is a labour displacing process. The change in the industrial sector was also not favourable to the absorption of labour from the unorganised sector.

The breakdown of the Lewisian strategy of transferring labour from labour excess traditional sector to modern capitalist sector and thereby failure of generating innovative employment opportunities in the modern sector, draw the attention of the developing countries to focus on the informal or unorganised sector (Kundu, 2009). Another model based on the distinguishing two sectors and competitive markets fail to explain the disappointment of the modern sector to endorse the labour demand proportionally to the industrial labour supply. Both these models apparently influenced by the experience of the growth of the

USA and UK in the 19th century. The transferring of rural population to urban industrial centres largely contributed to the generation of enormous profit from the real wages covering behind the increases in productivity for reinvestment in the growth of industrialisation. The present day developing countries with their socioeconomic conditions largely do not conform to these models. However in these countries the rural labour force migrating to urban centres is not getting absorbed in the urban industrial sector due to a variety of reasons in the initial years of development especially in India, the pressure has been the capital intensive technology in these countries. The approach of the capitalist has been to shift labour than gripping in the process (Lewis, 1954, Aydin.E, Hisarciklar.M, Ilkkaracann,I. 2007)

According to Lewis (1954) argued that the excess supply of labour that continues to be in the traditional rural agricultural sector, in developing countries constitutes the major sources of their economic dynamism. This excess supply of labour captured by the modern sector or urban industry, as the industrialisation process earnings to allow industrial wage rate to remain low, as long as the traditional sector exists. The co-existence of low income, poor working conditions, urban production sector, side by side and in interaction with high productivity and in relatively better working conditions and high-income production sector. As such in conceptualisation in development economics of a dualistic economy entailing the traditional and the modern sectors, evolved in point to discuss of formal, informal sectors of production and employment.

Lewis has rejected the neoclassical assumption of full employment, market clearance and perfect competition. A distant goal along with Arrow (1962) explicitly recognised that not only owner operated agriculture, but also the urban informal sector deficient cooperating capital instead of land characterised by a system of bargaining rather than competitive wages. Lewis model also had implications for income distribution, closely connected with Kuznets (1955) early contribution to the subject. Kuznets structural analysis as the economy, moves from agriculture to manufacturing and to services, implicitly also adopted a dualistic model. Lewis model had a substantial influence on subsequent work on the relationship between growth and equity.

2.2: Dual Economy Model

The literature in the 1950^s and 1960^s emphasised the dualistic nature of developing economies and the relations between the formal and informal sectors. More frequently saw as the shift from the traditional to the modern sector (Lewis 1954, Ranis 1964, Todaro 1970, Naik and Unni, 2013). It is normally accredited that the term 'dual economy' is coined by a Dutch Colonial Administrator, or an academic Julius Herman Boeke (1954). The economists argued that the idea of dualism was simple to realise by Lewis (1954), in his phrase a two-sector development model is one in which one sector is modern, or capitalists such as formal, industrial, urban and on the other are traditional such as informal, rural, agricultural. The major distinction is that enterprises in one sector maximise profits, while in the other distribution of output is during traditional norms because in the latter case the marginal product of labour is zero that is surplus labour. However the modern sector grows through investment, more and more labour sucked into this sector from the traditional sector the natural departure is thus for the traditional or informal to fall in size relative to the modern or formal sector (Boeke, 1949; Kanbur, 2014).

The great popularity of two-country, two-commodity models in international trade theory provides a positive example of an economic dualism (Thomas, 1992). Boeke (1953) introduces the concept of the dual economy. In this context his socio-economic studies in Indonesia to represent an economy and a society divided between the traditionalist sectors and the modern capitalist sectors. Boeke's concept of dual economy has not received much concentration from economists at the time, except for a detailed critique published by Higgins (1956). Since Lewis (1954) have concentrated on an economic dualism, based on economic criteria such as differences in methods of production and used the concept in the analysis of labour market. This approach culminated in modes of migration and such as those developed in Todaro (1970).

This model popularised the concept of dualism. In the third world economies are often indicated as dual economies featured by a formal sector or modern sector where the workers are employed as regular or full-time wage employees and with informal sectors or traditional sector, where workers are either casual labourers or work as self-employed (Saritha ,V. 2012). A small industrial sector grows to attract a greater amount of rural labour, which is lost to cities without any corresponding fall in agricultural output by making constant wage payments at subsistence level, whereas the industries can also invest a surplus labour and employ an increasing proportion of the underdeveloped countries labour force (Dair, 1978). In this model the labour supply to the modern sector is understood, to be infinite at regular real wages. Likewise, the rural unemployment or hidden unemployment may force to alter into the informal sector.

The deprived and vulnerable people continue to be high, in this ground the increasing disparity has found across both different state regions as well as social groups. By linking the growth and inequality scenario, with that of employment and its quality, it becomes evident that the process of informalisation of the economy has become stronger leading to the emergence of new dualism between the formal and informal economies replacing the old dualism of agriculture against industry or the traditional versus modern. To reverse this emerging dualism and the dangers arising there from it is not nearly enough to draft and comprehensive policy by introducing some addition or supplementary programmes or schemes. Since there is an economic underclass of the labouring poor and vulnerable across all social groups, the emerging scenario from an economic point of view is that of a deeper dualism along informal, formal economies replacing the earlier dualism characterised by a distribution between agriculture and industry, or the rural-urban or the traditional, modern sector. The striking feature today in India is the involvement of the informal economy representing all the characteristics of under development along with a disproportionate representation of the socially disadvantaged groups.

The new dualism is both an extension of old dualism as well as its transformation leading to an increase in the share of informal work and informal workers in all the workers in an economy. The major fact that the majority of workers in the formal sectors are the informal workers is the evidence to the ability of capital to avoid the labour legislation which in law was indented to offer a degree of protection (Kannan, 2012). The argument on informality and formality is an old one in developing economies and is closely coupled with the concepts of dualism or dualistic development

This model built on classical foundations served as the basis of development theory for several decades after world war second. Certainly, the first demonstration of this third translation of dualism appeared in the “tableau economic” of the physiocrats. The physiocrats gave more importance to the agricultural sector, Physiocrats dualism which emphasised the first importance of agriculture, the significance of an agricultural surplus and the long run diagnosis of stagnation gave way to the concept of classical dualism, more or less synchronized with the advent of the so called industrial revolution in Western Europe. Ricardo (1815) focused on the coexistence of still overwhelming dominant agricultural activities subject to diminishing returns to labour, on the fixed land and non-agricultural activities, growing as consequence mainly of the accumulation of fixed capital (Ranis, 2004).

The conventional dualisms argued that the informal sector falls into the category of dishonoured labour, getting less benefit, earning lower wages and ensuring inferior working condition than workers in the formal sector (Maloney, 1999). Thus there is dualism within the urban sector; there is modern urban sector operating with capital-intensive technology and the urban informal sector working with labour intensive technology. The informal sector saw as a traditional dependency for the new entrants, to the urban labour market. The growth of the modern sector (formal sector) job is reducing. In the event, the probability of getting the job is awful. The migrated urban labour force hopes that they get the higher real wage. The job may be either in the formal sector or the informal sector. It is true that the surplus labour in the rural sector is drawing to the urban sector is not necessary for employment in the formal sector. The real wage is a factor, and the migrants hope to secure a real wage in the continuum, that is higher than the subsistence wage. A large proportion of migrants were forced to shift into the urban areas for securing employment in the informal sector (Mehta .M, 1985).

In developing countries, the labour market is extremely heterogeneous with a little capital intensive formal sector enjoying high wages and remarkable working conditions, and an additional large informal sector with small efficiency or capital intensity with unstable working conditions and compensations. It suggests that an economy which has dualism in labour market there can be major overflow effects of one market on another (Sinha, 2004). The labour supply to the modern sector from the surplus in the traditional sector is measured to be unlimited at constant real wages in the model. The urban growth of the traditional sector lends a dichotomous characteristic to the urban economy. But, by the mid-seventies, the failure of the bureaucratic model was appropriate more obvious, because the dichotomy which was believed to exist between the traditional and modern sectors, seemed less relevant as a means of explaining the social changes that were taking place in most developing countries. It exposed the fact that economic developmental one does not guarantee a higher level of employment or a better distribution of income. The problems with such a model were also evident in its failure to account for and accommodate the ongoing exodus from rural areas in developing countries. This constant stream of migration from rural to urban areas during the past four decades has resulted in an unrecorded rate of urbanisation with all its problems of overcrowding that it entails. In the industrialisation model, however, regarded high percentage of self-employment and employment in small-scale units as indicators of poverty and economic stoppage.

At the same time, many urban based modern activities have not been able to absorb more than a portion of the rapidly expanding urban workforce because of the highly capital intensive technologies, which these modern industries use. Employment in the agricultural sector was also prominent in its stagnation. Hence the main problem in many developing countries is the existence of a vastly underutilised labour force, which originates from rural areas and gradually transported to the urban areas through migration

2.3: Wage Dualism

Wage dualism arises due to incomplete coverage of minimum wage laws, strong trade, unions in some sectors but not others. Open unemployment arises from the persistent movement of labour between sectors by the expected wages in each, labour may move by the strict mathematical expectation (i.e. wage multiplied by the probability of employment), or the employment probability included in some other way. But the equilibrium tendency is toward equalisation of wages adjusted for the probability of employment (Fields, 1990). Wage dualism, resulting from:

- a) A strict wage above market-clearing levels in the modern sector, besides
- b) Market-clearing wages in agriculture.

2.4: The Harris-Todaro Model (1970)

In 1970's John R Harris and Michael Todaro was developed a model is known as Harris Todaro model in 1970. This model was used in the development economics and welfare economics to explain some of the matters relating to rural-urban migration. The principal supposition of the model is that the migration judgment is based on expected income differentials between rural and urban areas rather than just wage differentials. In the framework of high urban unemployment, it is disguised that rural-urban migration can be economically coherent if expected urban income exceeds likely rural income.

This model assumes that unemployment is absent in the rural agricultural sector. It was assumed that the rural agricultural production and the subsequent labour market are perfectly competitive. As a result, the rural agricultural wage is equal to marginal agricultural productivity. The equilibrium condition occurs the rural to urban migration rate is becoming zero since the expected rural income equals the expected urban income. However, in this equilibrium situation, there will be positive unemployment in the urban sector. The model also explains internal migration in China as the regional income break has been proved to be a most important constraints of rural-urban migration, while urban unemployment is local governments main sufferings in many cities. The assumptions of this model are impracticable.

The Harris and Todaro pointed out that the expected urban wage is equal to the average wage of both urban employed and unemployed. According to Harris and Todaro's approach in equilibrium, the estimated urban wage should be equal to the agriculture wage. Harris-Todaro model explains some issues of rural-urban migration. This migration happens in the case when expected rural income is higher than rural wages. In this case, the economy may comprise high rates of unemployment. The equilibrium condition of this model is when expected rural wage is equal to rural income (Corden, 1997; Todaro, 1970).

Harris and Todaro expected a quite simple model by which to bond the urban informal and formal rural labour markets. In their rational model, they tried to elucidate the factors behind rural, urban migration and in spite of its constraints and the model also explain the decision making of the rural migrants concerning expected gains. The Harris Todaro Model mentions that the migration proceeds as a retort to urban-rural differences in expected rather than actual earnings. The basic idea is that migrants judge the various labour market opportunities accessible to them as between the rural and urban sector and select the one which maximises their expected gains from migration. The Harris-Todaro model postulated that the rural to urban migration would persist until the expected urban wages is identical to the wage in rural areas.

Rural migrants keep on to shifting to the urban markets if there is a chance of unemployment because they anticipated finding a high-wage formal sector job. Unemployment thus becomes a type of venture that the migrants are geared to accept in the prospect that, a higher flow of earnings will arrive in the future. This simple model easily extended to the urban labour market. While the migrant is looking for a formal sector job, he has the occasion of earning something in the informal sector where entry is easy. Informal sector job will frustrate the search for formal to some degree so that some migrants will choose to take temporary jobs while others will not. The urban informal sector is, therefore, serving as a sort of parking group for migrants while they seek a better job in the formal sector. Thus the informal sector contributes to the over-urbanisation.

The distinction between the regulated and unregulated sector also play a crucial role in the Harris and Todaro Model (1970). This model was helped to arrange much of the analytical and policy conversation in development economics in the 1970's and 1980's, and it also reflects its manipulations even today. In the

Todaro model, the economy is alienated into a sector one, in which has a minimum wage regulation or the formal sector and another one, where there is no regulation, so the wage is unwavering in a competitive labour market. Here the size of the informal sector is closely associated with the amount of the regulation since it is the regulation which generates an excess supply of labour in the formal sector which is then fascinated in the informal sector. Thus in this model, the informality will turn down with deregulation.

The basic hypothesis of probabilistic migration model (Todaro, 1969) is that informal sector graduate into the formal sector after a certain period of job search. That is informal sector acts as an entrance to the formal sector. But the urban labour market structure, prevailing in developing countries not properly described in this model (Samal, 1985). The Harris-Todaro model suggests a positive impact on employment transformation from the rural agricultural sector to the urban non-agricultural sector.

The pull and push factors are the major factors the rural-urban migration. The major push factors are lower wage rate and long working hours, ill-treatment from contractors, financial distress, mobility, and low-level of social security. The pull factors are higher wage rate, lower working hours, mobility, and persuasion from people. The now- agriculture employees in the informal sector are deprived of any written job contract, social security benefits and are not unionised. The informal sector includes a variety of occupations this implies there are several segments of the informal labour market, where some are unique, and some are similar (Saritha V, 2012). One of the reasons for the emergence of the informal workforce in India is the rise of the capitalist mode of production.

Harris-Todaro model suggests a positive impact on employment transformation from the rural agricultural sector to the urban non-agricultural sector. This implies that the urban wage rate increases, the people from the rural area would migrate to urban areas and accommodate themselves by seeking work in the urban non-agricultural sector. This would boost the share of non-agricultural employment in the country. Which would lead to a high degree of transformation of employment in the system. It is observed that a significant share of employment in the informal sector and growth in non-agricultural sector income have some determinate influence on employment transformation from the agricultural sector to non-agricultural sector (Kumar and Murthy, 2013). The employment transformation from the unorganised to the organised sector is positively influenced by investment and human capital and negatively influenced by labour productivity urban population and the capital-labour ratio. In other words, the pace of quality of employment transformation would increase if there is an increase in the share of investment and human capital in the economic system and would decrease if there is a decrease in labour productivity and technology in the organised sector.

One of the important facts is that the urban population increases, there would be a greater supply of labour in comparison with the demand in the organised labour market. In such a case the surplus labour would move to the unorganised sector. However, urbanisation increases the urban informal sector also increases new employment opportunities are also generated in the unorganised sector, leading to poor working conditions without any access to social security in the coming times.

2.5: The Theory of Segmented Labour Market

This theory proposes that the urban labour market is divided to create the new workers find it relatively easy to enter the informal sector, their further development into the formal sector is hard or constrained. Labour Association proceeds into the high wage formal sector and was controlled due to the demand as well as the supply factors. While the closed performance of unions and the functions of international labour markets, in the large establishment, are the main factors moving the demand side. The most significant supply-side aspects are and sex and education. Because of the traditional absorption of women in the service sector, particularly in domestic services, an uneven number of women work in the informal sector (Mazumdar, 1976). Even when women workers are employed in the large scale manufacturing sector, they are typically concerned on certain occupation or industries.

Education is an additional factor manipulating the accessibility of certain types of jobs to particular groups. In several developing countries the public sectors exercise education to reduce the number of applicants. They can manage to do so because they offer relatively high wages¹. The theoretical background pointed out that the segmentation analysis. Market segmentation broadly divided into the traditional agricultural sector to modern urban industrial sector. The flexibility of employment conditions and vulnerability of workers are the two hallmarks of an informal labour market (Saritha.V, 2012).

¹ http://shodhganga.inflibnet.ac.in/bitstream/10603/301/10/10_chapter2.pdf

In this model, they build an equilibrium search and matching model of an economy with an informal sector. Even if much of the literature treats the informal sectors as a disadvantaged sector in a segmented labour market framework. This interpretation is consistent with the recent empirical evidence from Kerala economy and the country like India. Under a segmented or dual labour market interpretation, one would expect employment to be rationed in the primary sector and the workers to be in the secondary or the informal sector involuntarily and to be queuing for formal sector jobs (James, Lucas and Susan, 2008).

The segmentation of labour market allusion by the wage level, sex, religion, education both general and technical, social groups, etc. The market segmentation exists of the so-called modern non-agricultural labour market, into formal and informal sectors. The non-agricultural informal sector becomes a more and more stable and structural characterization of the urban labour market. The steady wearing away of the rural traditional agricultural versus the urban modern industrial divide has twisted into a different type of segmentation of the modern formal versus modern informal sector. The growth of the informal sector in nonagricultural employment has served as a new source of informal employment (Aydin, Hisarcikhlr,et al., 2007).

In a developing economy, the market segmentation theory consists, on the other hand, have universally made use of the informal versus formal sector, divide in crucial primary and secondary, segmented jobs. There for jobs were assumed to be selected to different segments based on the size and official status, of the firm and social security legislation status of workers. Informal sector entails both competitive and segmented employment (Gunther and Launov, 2006).

Chart 1: Segmentation of the informal economy by Sex, average earnings and poverty risk



The theory of market segmentation arises, especially in the urban informal sector. The new workers segmented the urban labour market may find it relatively easy to enter into the informal sector. Again the market segmentation can be broadly segmented into the traditional agricultural sector to modern urban industrial sector. The segmentation of labour market allusion by the age level, sex, religion, education and social groups.

In a developing economy, the theory of market segmentation consists, on the other hand, have commonly made use of the Informal against the formal sector, divide in a crucial factor for primary, secondary segment jobs. There for jobs here assumed to be selected to different segments, based on the size, legal status of the firm, and its legislation status of the workers.(Gunther and Launov 2006). Segmentation means constraints which exist which prevent individuals from moving into better employment opportunities.(improving the quality of employment).the important causes of segmentation are discrimination, social norms, unequal wealth/assets, lack of credit, lack of public goods /services, etc. why does the segmentation matter. The answer is it existing reinforcing patterns of poverty and social exclusion. The issue of equality in the case of class, gender, racial caste segmentation issue of basic rights and the choices available to the individual. Koo and Smith (1983) argued that education has the most important influence on income. The author found that the pattern of migrant participation in the segmented urban labour market varies greatly between male and female migrants. The majority of the female migrants are entering into this sector, and informal sector must not be identified too closely with urban poverty.

Table 2: The segmentation analysis of the formal and informal sector

Diagnostic	Informal source
1)Segmentation between the formal and informal sectors	<div>➤ Labour market regulations and their coverage</div> <div>➤ Labour force or household surveys (age divergences)</div>
2)Segmentation within the informal sector	<div>➤ Labour force survey (wage dispersion with informal sector)</div> <div>➤ Extend of barriers to entry</div>
3) Extend to which informality is voluntarily or involuntarily.	<div>➤ Labour force surveys (characteristics of workers might include age, education, training, vocational skills, gender, previous activity and income nature and the level of unemployment and migrant status</div>

Source; Tim Ruffer and John Knight (2007)

There are different segments of the labour market which divided into unorganised, organised, wage earners, self-employed, skilled, semi-skilled and unskilled and so on (Nursrl, 2014). Despite the many attractions of the Harris-Todaro model, and the subsequent extensions and refinements of it. A certain concern arose like the urban labour force did not well it neatly into Harris and Todaro’s two categories like employed in the modern sector or unemployed. It obvious within the urban areas of developing economies, there existed an important group of people who neither employed in modern sector employment nor unemployed. They occupied an intermediate position, sometimes called underemployment, whereby they were working or hence not unemployed. But the work was by no means modern or nor, for that matter, was the pay. Some authors studied this sector and made its characteristics known. The result is the widespread gratitude of what has come to be called the urban informal sector

2.6: The Residual Category

The concept of informal sector defines as a residual category also (Vijayasankar P. B, 1986). That is something which is not the formal sector. The informal sector could be mean a vast majority of activities makes this point clear that when he says, it is realistic to conceive of a continuum stretching from stable wage work to true self-employment and to give particular attention to the intermediate categories and the transition process along the continuum. He, therefore, argues that four intermediate categories divide the labour force in the informal sector such as short-term wage work, disguised wage work, dependent work and true self-employment. As we know, the informal sector is not a homogeneous sector, and the conditions and forms of labour vary along the range. Secondly, the informal sector is not a residual category where people cannot find stable jobs in the urban areas. It does give rise to stable and profitable income opportunities.

2.7: Fragmented Approach

The Neo-dualists has developed the concept of fragmented approach. It is used for analysing labour market. This approach fights for more disaggregation of the sector. The formalisation process was analysed regarding certain characteristics. The fragmented approach suggests the allotment of the workforce into a variety of fragments. This approach contrasts sharply with the neoclassical approach, where by limitations in the labour markets professed as market imperfections which will be damaged out by competitive forces particularly if the government adopts policies to get the release of such imperfections. Fragmentation takes place by different pre-entry factors, such as religion, education, sex and age, and union activities and modes of recruitment etc.

Fragmentation mechanism was developed from both the employers and the workers. On the one hand, most of the employer's strategies are promising only because of the partition between groups of labourers. The nature and degree of fragmentation conclude the scope of the survival strategies of the workers households as far as workers strategy is distressed it was argued that, their ability to design favourable survival strategies is insufficient because the nature of fragmentation determines it. The fragmented approach is criticised on the view that though the neo-dualists make a systematic explanation of informalisation regarding certain characteristics they are ineffective to explain in detail what it is and what functions it executes.

The Informal Sector is frequently considered as underemployed and low income earning sector. But from previous studies, we find that as there are some actions in this sector in which some generate substantially higher levels of income, while the others provide very low income. The average employment size of the unit, however, differs from industry to industry and from city to city. According to Marx, the surplus population takes a variety of historical forms designated as latent floating and stagnant all these categories constitute

what is called industrial reserve army. The latent surplus population is primarily due to rural-urban migration, and it is apparent from Marx's analysis is that latent surplus population in urban areas is owing to structural transformation such as procession of agriculture by capitalist production and destruction of the rural domestic industry (Samal, 1985).

2.8: The Concept of Decent Labour

The idea of decent work was introduced by the ILO, Director General, Juan Somavia, in his first report to the international labour conference, on June 1999. The primary goal of the ILO is to encourage opportunities for women and men, to obtain decent and productive work, in conditions of freedom, equality, security and human rights (ILO, 1999). The two themes are mainly discussed in the paper. The first theme concerns how gender issues related to the concept and policies of decent work. The second relates to how accelerating globalisation in the last two decades, affects the efforts to attain the decent work (Dharam, 2007). The decent work paradigm is the principle applicable to all working people in all societies. There are mainly four factors that related to the concept of decent work like 1-Rights at Work, 2-Employment, 3-Social Security and 4- Social Dialogue.

1- Rights at work: It constitutes the ethical and legal framework for all element of decent work. The objective is to ensure that the work associated with dignity, equality, freedom, adequate remuneration, social security and voice, representation and participation of all categories of workers. It is a part of the broader agenda of human rights, which in turn derive from a long tradition, with help philosophic, theoretical and judicial roots. The rights at work have evolved through various phases in different countries, starting in the industrialised world in the 19th century. They now cover both the classical rights of freedom of association, nondiscrimination and abolition of forced labour, as well as social and economic rights of collective bargaining the provision of benefits on cessation of work, adequate remuneration, social security and safety and health at work.

Different countries have adopted different approaches to the promotion of workers rights, according to their legal traditions and dominant ideology. In Europe with its Roman law tradition, the preference has been for incorporation, the rights in the constitution or formal legislation. The Latin American countries have also followed this route to establishing rights at work, in the Anglo-Saxon countries, with their common law tradition, the emphasis has often placed on case law and customary law. ILO (1999) created that has had the greatest impact on the corpus rights at work throughout the world.

The ILO adopted two conventions relating to child labour and hours of work. Over the past 85 years, the organisation has adopted 185 conventions and 195 recommendations covering all the issues interest to workers and employers. These issues are relating to employment, wages, hours and condition of work, social security, industrial relations, worldwide enterprises, health and safety at work, and many others. They have also provided protection to vulnerable sections such as migrant, women workers, indigenous people and children against hazardous occupations exploitation and discrimination. The declaration of the fundamental principles and rights at work, adopted by the international labour conference (1998) was considered as the statement of such rights. It includes freedom of association and collective bargaining, forced child labour, and discrimination at work.

2- Employment and Work: Employment and work is a major component of decent work. It refers to all kinds of jobs like self-employment wage employment and works from home. It includes full-time, part-time and casual work and work done by women, men and children. Certain conditions are to be satisfied to obtain a decent work. a) there should be adequate employment opportunities for all those who seek work, b) work should yield a remuneration (in cash/ kind) that meets the essential needs of the worker and the family member. The concept of employment and work, the work should be freely chosen, and there should be no discrimination against any categories of workers such as women migrants or minorities. The workers should protest against the accident, unhealthy and dangerous working conditions and excessively long hours of work. An essential minimum social security also forms part of decent work. The concept of employment is discussed further under Rights at work, social security, and social dialogue. The key differences mainly arise by employment status and activity status. The author argued that the open unemployment is visible in all categories of countries like industrialised, transition and developing. Open unemployment gets worse, during cyclical downturns, but it also has structural downturns. Many developing, and transition countries also suffer from high unemployment rate often concentrated in urban areas and among the youth. Therefore in the absence of unemployed youths and social security measures, the employment problem often manifests itself in underemployment in the informal sector. He tries to point out that unable to get jobs in the formal sector people are forced to living in overcrowded pretty occupations either working or informal enterprises or setting themselves up as small kinds of casual

services. Typically they have low incomes and little real work. The author also pointed out that the third employment encountered mostly in developing countries like the people work for long hours but for extremely long returns inadequate to meet the essential needs of the family. The fourth type of problem is the excessive hours of work, for home-based women workers. Their workload consists not only in household duties but also the outside cities like income-generating activities within or outside the household to meet the cash needs food, clothing or medicines. The women's heavy workload takes a serious toll on health and generates excessive stress.

3- Social Protection : The purpose of social protection is to provide security for a variety of contingencies and vulnerabilities. This includes ill health, maternity needs, accidents, unemployment, destitution, extreme economic fluctuations, natural disasters and civil conflicts. A social protection policy aims to reduce sufferings, anxiety, insecurity and material deprivation. They should promote, health, confidence, and a willingness to accept technical and institutional innovations for higher productivity and growth. The emphasis of social security policies is, therefore, mitigation and work-related risks by providing unemployment benefits, pension for the retired, compensation for victims of accidents, maternity leave, children's allowance and health insurance.

4- Social Dialogue: Social dialogue considered as a vital element in a representative and participatory democracy. It provides voice and representation to participate in the production process. It is a means for them to defend their interest to articulate their concerns and their priorities and to engage in negotiations and considerations with other actors in the production system and with the public authorities on social and economic policies. It serves to empower the weaker partner in the marketplace. The low-income countries the prominent form of employment comprises self-employment in farming and other sectors and home-based work and wage employment in the informal economy. Most workers in the informal economy work for tiny enterprises with a complex arrangement for apprenticeship and compensation and hours of work. The informal economy operators have come together to form their organisations to negotiate with governments suppliers credit institutions and marketing and trading firms. These organisations give members an opportunity to launch joint schemes such as credit and saving programme, health and life insurance and another type of mutual help activities.

The decent work then measures at three levels. 1-macro (National), 2-Meso (enterprise), 3-Micro (individual). Discrimination at work is based on race, colour, sex, language, political opinion /social origin. Indicators in discrimination may be illustrated concerning gender. Therefore, some differences exist under social security and dialogue. Social security includes ratification and implementation of relevant conventions proportion of workers covered against main contingencies and receiving benefits in respect of sickness, unemployment, old age maternity disability. On the other hand, the indicators of social dialogue include the ratification and observance of ILO conventions on freedom of association and united bargaining proportion of workers covered by collective bargaining agreements participation in workplace decision-making and participation by the worker, employer and civil society organisations in national policy making bodies.

The concept of decent work is essential to develop social dialogue indicators for the informal sector given the growing size and centrality of this sector in the world. The Freedom of association, collective bargaining and individual disputes, unionisation and other informal sector organisations like NGO, Cooperatives, etc. The right to form an association or union is a precondition to social dialogue. There are several instances unemployed workers had formed unions, or where informal sector workers have formed associations. There are various informal sector organisations that provide some degree of voice for workers on a range of issues. In the state of Kerala, the organisation of contract workers, union labours, NGOs is also active in the informal sector.

3: Conclusion

The theoretical frame work also analyses, there is some duality exists under the informal sector labour market in India both rural and urban area. This duality leads to the inequality in the income, consumption in the informal sector. The concept of decent work paradigm is not applicable to the informal sector workers. But duality and inequality are the permanent characteristic features of the urban informal sector labour market. This duality leads to inequality in the informal sector.

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