

An Analysis of Labour Force and Industrial
Organization of the Informal Sector in Dacca

by

Abu Taher Mohammed Nurul Amin

A thesis submitted to the Faculty of Graduate Studies
in partial fulfillment for the degree of
DOCTOR OF PHILOSOPHY
ECONOMICS

at the
University of Manitoba
April, 1982

AN ANALYSIS OF LABOUR FORCE AND INDUSTRIAL
ORGANIZATION OF THE INFORMAL SECTOR IN DACCA

BY

ABU TAHER MOHAMMED NURUL AMIN

A thesis submitted to the Faculty of Graduate Studies of
the University of Manitoba in partial fulfillment of the requirements
of the degree of

DOCTOR OF PHILOSOPHY

© 1982

Permission has been granted to the LIBRARY OF THE UNIVER-
SITY OF MANITOBA to lend or sell copies of this thesis, to
the NATIONAL LIBRARY OF CANADA to microfilm this
thesis and to lend or sell copies of the film, and UNIVERSITY
MICROFILMS to publish an abstract of this thesis.

The author reserves other publication rights, and neither the
thesis nor extensive extracts from it may be printed or other-
wise reproduced without the author's written permission.

DEDICATION

In memory of my father

ABSTRACT

The role of the informal sector in the development process has been a subject of intense debate among academics and policy makers concerned with economic development of low income countries.

One view is marked by optimism for the economic potential of the sector. According to this view, the informal sector adapts technology on the basis of factor availability, generates more employment than would the formal sector, contributes to a more equitable distribution of income, and accomplishes all of the above without sacrificing the level of present or future output. It is further claimed that the informal sector relies on local resources, utilizes scarce factors efficiently, operates in a competitive market and meets basic needs of the majority of the urban population at affordable price and quality, facilitates the development of basic skills, and provides a conducive environment for innovative efforts.

Those who reject this view claim that the informal sector is dependent on the formal sector as well as on imports for its supply needs and upon large formal sector firms for marketing its products. Because of such dependent relationships, it is argued that the informal sector's ability to accumulate capital is severely limited and hence offers little prospect for future growth and development. Objections are also raised against the informal sector way of doing things on the ground of labour exploitation within the sector and of its supposed role in keeping the formal sector real wages low through the provision of low cost wage goods and by maintaining a reserve army of underemployed.

The main objective of this dissertation has been to assess

empirically these opposing viewpoints on the basis of a case study of the informal sector in Dacca. An integration of the modes of labour market and industrial organization analysis provides the theoretical framework for conducting this empirical investigation. Thus the labour force of the sector is analysed from a labour market perspective and enterprises in the sector are studied according to the method of industrial organization analysis. It is argued that knowledge of such labour market questions as the informal sector's role in job search and in absorbing secondary or other labourers with unfavourable personal characteristics and such industrial organization questions as market structure, market conditions, and market performance are essential for resolution of the debated issues.

A questionnaire survey of the informal sector in Dacca, carried out in 1979, provides the major data base. For some tests it was necessary to use data on the total urban and formal sector labour force, and on formal sector industries. These data were obtained mainly from the population census and census of manufacturing industries. Some qualitative evidence and experiences gathered during the field work have been utilized to complement the survey data. The survey generated a wide variety of data on the composition, functioning, linkages, and performance of enterprises and data on the personal characteristics, migration status, and economic background, attitudes, motivations, and job histories of the labour force. These data encompass 437 sampled enterprises and 790 individuals who were engaged in them.

Analysis of these data provides the following general conclusions. The informal sector is neither a secondary labour market nor a mere

absorber of residual labour in Dacca. Characterization of the sector by "ease of entry" and "barriers to entry" does not appear to be an accurate reflection of entry conditions faced by potential entrants to the sector. We observe varying degrees of entry difficulties with different activities in the sector. The sector's primary reliance on local resources appears undeniable. There is very limited evidence of the sector's direct dependence on imported products, raw materials or capital equipment. The imported materials used by the informal sector in many instances enter the sector for re-use after having served their respective purposes to the original importers. This seems to be a clear indication of the sector's role in economizing on foreign exchange.

Evidence on the adoption of technology, according to resource availability, is provided by the much lower capital-labour ratios for informal sector enterprises as compared with their counterparts in the formal sector. There is also strong evidence suggesting efficient utilization of capital within the informal sector. While labour productivity is moderately higher, capital productivity is substantially lower in the formal sector. As a result, capital-output ratios appear unfavourable for formal sector industries.

There is little evidence to suggest that the rate of generation of surplus is higher in the formal sector. Moreover, there are reasons to doubt that surplus generated by large formal sector industries will be productively reinvested within the country in the prevailing economic environment. In short, it does not appear that investment in the informal sector entails an employment-output trade-off at the present time or in the near future.

It also appears from the survey that the informal sector is suitable for unleashing human ingenuity. Its use of second-hand equipment, scrap materials, and a technology over which its users have command offer a congenial environment for innovation. The apprenticeship system within the sector helps to spread basic skills at low overhead costs.

The composition of goods and services sold by the informal sector is a clear illustration of the sector's role in meeting basic needs of urban dwellers. Of particular significance is the role of repairing activities in facilitating the use of scarce durable goods and capital equipment far beyond their normal life span.

On the question of exploitation, our evidence is not conclusive. There is clear evidence of labour exploitation within the informal sector and self-exploitation of the self-employed. Whether informal sector entrepreneurs are exploited by formal sector industries or whether the informal sector facilitates exploitation of the former's employees cannot be determined with our data.

Overall, the results support the optimistic view of the informal sector's role in the process of economic development. Labour abundance and extreme scarcity of material resources have served to increase the significance of the informal sector in Dacca. The survey results also point to the existence of two distinct groups in the sector: one with the potential for further growth and development and another with all the indications of providing merely a marginal living. Their proportions vary significantly and in a consistent pattern across the five activity groups in the survey.

PREFACE

There is a growing tendency among economists to argue that no real change can be made in the economies of low income countries without transformation of their socio-economic structure. Much of this view may be attributable to a genuine sense of desperation that arises from repeated failures of a wide variety of development policies and a sincere desire for rapid growth and development. One danger of such a view is that it amounts to abandoning the professional responsibility of economists to find ways and means for productively and economically utilizing all available resources, human and material. Another danger of this view is that it glosses over the environments of economic activities and the constraints faced by economic agents. Therefore, it is no wonder that "structural transformation" and "social change" are perceived as unreal and remote by the people for whom such change is felt to be necessary.

Moreover, it is not always clear what constitute the ingredients of structural change, how they might be instituted or the role economists are expected to play in bringing about desired change. Often it is forgotten that the task of changing social structure rests primarily with political leadership. Economists as political beings can of course contribute to any political programmes of social change. But when economists fail to focus on real economic issues, the general population tends to polarize on largely non-economic issues. To give a few examples from the experience of my own country, we have fought and won one battle for the preservation of our religious heritage and another bloody liberation war essentially for enriching our language and culture. Even after an apparent solution of the national question, we tend to polarize on issues

as the national flag, anthem, or whether we should be known as "Bangladeshis" or "Bangalees". One wonders why there is no polarization of view on land reform, what goods are to be produced, how they are to be produced or for whom such goods ought to be produced. It seems as long as economists fail to identify major economic issues and choices, people would continue to polarize on non-economic issues. As a consequence, real economic issues will never be addressed and so-called solutions of economic ills will be illusionary.

Apart from obvious personal self-interest, one motivating factor for this study has been the wish to see serious debate on immediate and urgent economic issues. The informal sector offers a clear alternative to production of goods and services by capital-intensive methods for the satisfaction of limited numbers of people. But this may entail foregoing high quality goods at the initial stage of the development process. A more disturbing element is the complete lack of social protection for labour in the informal sector. However, it is more sensible to suggest remedies to these and similar problems than ignoring the sector altogether or, at its worst, throwing these people into a wilderness by evicting them from their source of living. Interest in the sector can only be aroused if economists can show its economic potential. This requires dispassionate research into these activities and the people who are engaged in them.

This study is the outcome of such thoughts. In completing it I have incurred numerous debts to many institutions and individuals: the International Development Research Centre for a generous award which supported me and my family from the beginning of this project until its completion;

Allan Rix of IDRC for his warmth and prompt action in performing his part in steering the project to successful completion; S.V. Sethuraman, Georges Nihan and Iftikher Ahmed of the International Labour Office for providing me with a number of World Employment Programme working papers and questionnaires used in other informal sector studies; the Bangladesh Institute of Development Studies and its Chairman Dr. Manwar Hossain for giving me affiliation to the Institute as a Visiting Fellow during the field work and allowing me the use of its facilities; the Bangladesh Bureau of Statistics and Dr. Golam Rabbani, and the Centre for Urban Studies, University of Dacca and its director Prof. Nazrul Islam for providing me with helpful publications and reports of their respective institutions; the Department of Economics, University of Manitoba, for allocating me sufficient computer time.

I must also express my gratitude to the Jahangirnagar University for providing a long leave of absence for higher studies and research and the Department of Economics, University of Manitoba for giving me the opportunity of coming to Canada for this purpose. I am grateful to the Institute of Development Studies at the university of Sussex for giving me the opportunity to attend a study seminar on rural-urban migration and the Centre for Developing-Area Studies at McGill University for inviting me to give a seminar. I have greatly benefited from the comments I received in these seminars as well as in the economics department's seminar at the University of Manitoba and Jahangirnagar University. Particular mention must be made of Biplab Dasgupta of the IDS(Sussex), Rosalind E. Boyd of the Centre at McGill and Norm Cameron of the University of Manitoba.

I take this opportunity to express once again my sincere thanks to those several thousands informal business owners and operators who provided basic information on themselves and their enterprises during the enumeration phase of the survey and to those who were interviewed for the final questionnaire survey. This study could never have been completed without their cooperation and patience. For many the interview was an opportunity to tell their life story, for some it was a ray of hope in receiving assistance, others thought it was an opportune moment to draw attention to police harassments. I very much wish that this study somehow influences government policy so that their perception does not prove to be completely wrong. The research assistance of some conscientious students of Jahangirnagar and Dacca University was extremely useful for the quality of the data. In particular the work of Mushtque Ahmed, Chandi Das Shaha and M. Shahjahan is greatly appreciated. I also gratefully recall the guidance I received from Prof. Md. Ali Miah of Dacca University in designing the survey and selecting the sample. During the computer work I have been greatly benefited from friendly help of Prof. Ken McVicar, Department of Political Studies, University of Manitoba. Thanks are also due to Greg Mason, Kathy Norman, Bruce Jones and Maninder Bhatia for suggestions and help during the ups and downs of computer work.

Of my friends, discussion with Rizwan during the field work, Hatem while doing statistical analysis, and Sadeq through the period of writing have been useful.

Finally, apart from expressing the usual gratitude to my thesis committee, I wish to acknowledge my deep intellectual and personal debt

to Professors Henry Rempel and Richard Lobdell. Their warmth, concern, criticism, and advice over the years have been important in shaping my academic destiny and intellectual inclinations. Their time and patience have been invaluable for completion of this thesis. Prof. Tiwari's comments have been a source of inspiration during the final stage of the thesis. I must also express my gratitude to Prof. Albert Berry of the University of Toronto for enlightening me by his penetrating comments on the thesis as the external examiner.

To end, I am grateful to my wife and little daughter Sara for quietly enduring the loneliness during the progress of this thesis. Its completion shall make my family and well wishers happy but the man who would have been most happy, my father, could not live little longer to see it.

TABLE OF CONTENTS

	<u>Page</u>
ABSTRACT	iii
PREFACE	vii
LIST OF TABLES	xvi
EXPLANATORY NOTES	xxi
<u>Chapter</u>	
1 THE INFORMAL SECTOR AS A MODE OF ANALYSIS	1
Introduction	1
Approaches to Defining the Informal Sector	9
The Need to Integrate Industrial Organization and Labour	
Market Analysis	30
Summary of Issues, Hypotheses, and Questions	35
Informal Sector as a Means of Employment	38
Industrial Organization of the Informal Sector	41
A Brief Outline of the Thesis	43
2 METHODOLOGY AND SAMPLING PROCEDURE	47
Research Method	
Definition of the Informal Sector in Dacca	49
Sampling Technique	62
Sample Unit	62
Sample Frame	63
Selection of Areas	64
Stratification of the Frame	70
Sample Allocation	71
Administration of the Survey	77
Survey Response	78
Some Qualifications	80
3 CHARACTERISTICS OF THE INFORMAL SECTOR LABOUR FORCE	84
Employment Status of the Labour Force	87
Occupational Composition of the Informal Sector Labour	
Force	90
Demographic Characteristics	97
Female Participation in the Labour Force	97
Age Distribution of the Informal Sector Labour Force	98
Educational Characteristics of the Labour Force	107
Skill Level of the Labour Force	114
Secondary Workers in the Informal Sector Labour Force	116
Migratory Characteristics of the Informal Sector Labour	
Force	120
Natives and Migrants	120
Length of Stay in the City of Migrant Labourers	123
Land Ownership	130

	<u>Page</u>
Occupation Prior to Migration	135
Summary	137
4 THE INFORMAL SECTOR MARKET STRUCTURE	142
Introduction	142
Type of Activities in the Sample	145
Ownership of Enterprises	150
Determinants of Competitive Market Structure	152
The Role of Ease of Entry: Theoretical Basis	159
Identification of the Variables	159
Review of the Informal Sector Literature	162
The Role of Ease of Entry: The Dacca Evidence	168
Access to Capital	168
Acquisition of Skills	176
Need for Social Contacts	179
Role of Institutional Barriers	181
Problems of Location	183
Results Obtained on the Indirect Measures	187
Implications for Market Structure	196
5 BASIC SUPPLY AND DEMAND CONDITIONS IN THE INFORMAL SECTOR	201
Supply and Demand Conditions: Review of the Literature	203
The Need for a Study of Formal-Informal Sector Relationships	203
The Extent of the Formal-Informal Sector Relationships	205
The Nature of the Formal-Informal Sector Relationships	206
Supply Side Linkages	209
Demand Side Linkages	220
Supply and Demand Conditions: The Dacca Evidence	232
Results on Supply Side Linkages	232
Results on Demand Side Linkages	258
6 ECONOMIC PERFORMANCE OF THE INFORMAL SECTOR IN DACCA	274
Introduction	274
Performance Indicators	274
Key Measures Defined	276
Economic Characteristics of Informal Enterprises	279
Economic Characteristics of Manufacturing Industries	283
Comparative Performance of Informal and Formal Sector	289
Employment Generating Capacity	289
Comparative Productivity and Efficiency	292
Scope for Capital Accumulation	301
Scope for Innovation	311

	<u>Page</u>
Comparative Performance of the Informal Sector Labour Force	316
Level of Income	316
Distribution of Income	321
Income Compared with Alternative Labour Income	324
Scope for Upward Mobility in the Dacca Informal Sector Summary	334 342
7 CONCLUSIONS	346
SELECTED BIBLIOGRAPHY	373
APPENDIX	388
A Enumeration Schedule	389
B Activity Catalogue	390
C Survey Questionnaire	395
D Detailed Distribution of Enterprise Age	423
E Detailed Distribution of Capital Employed in the Enterprise	424

LIST OF TABLES

Table	Page
1.1 Proportion of Employment in the Informal Sector in some Primate Cities of Low Income Countries	7
1.2 Occupation of the Head of Squatter Household Heads in Dacca City	13
2.1 A Summary of Various Approaches to Defining the Informal Sector Empirically	50
2.2 Criteria Used in Selection of Survey Areas	66
2.3 Distribution by Activity Groups of Location-Specific Informal Economic Units in Sampling Frame within Each Area	72
2.4 Percentage Distribution by Employment Size Class of Informal Economic Units within Each Activity group	73
2.5 Summary of Stratification of Sample Frame and Sample Allocation to Each Stratum by Area, Size, and Activity group	74
2.6 Allocation of Sample and Sampling Fraction by Area, Activity, and Size group	75
2.7 Distribution of Total Sample Units by Size Classes among the All Five Activity Groups in the Final Sample	76
2.8 Survey Non-Response by the Major Sample Strata	79
3.1 Percentage Distribution of Informal Sector Labour Force by Employment Status	88
3.2 Employment Status of the Informal Sector and the Total Urban Labour Force	89
3.3 Occupational Distribution of the Informal Sector and the Total Urban Labour Force (Percentage)	91
3.4 Percentage Distribution of Informal Sector Labour Force across Major Occupation Groups by Type of Work	94
3.5 Percentage Distribution of Labour Force Engaged in Production Occupations in Selected Cities	96
3.6 Age Distribution of Informal Sector and Urban Total Labour Force (Percentage)	100
3.7 Age Difference of Informal Enterprise Head with Other Comparable Urban Groups (Percentage)	101

Table	Page
3.8 Age Difference Between the Informal Sector and the Total Urban Labour Force (Percentage)	103
3.9 Age of Informal Sector Labour Force by Employment Status	104
3.10 Percentage Distribution of Informal Sector Labour Force by Age and Employment Status	104
3.11 Age of Owners of Informal Enterprises by Occupation	106
3.12 Percentage Distribution of Informal Enterprise Owners by Major Age and Occupation groups	106
3.13 Comparative Educational Background of Informal, Formal, and Total Urban Labour Force (Percentage)	108
3.14 Cross-Tabulation of Educational Background and Present Occupation of Informal Sector Labour Force (Percentage)	109
3.15 Cross-Tabulation of Educational Background and Employment Status of Informal Sector Labour Force (Percentage)	110
3.16 Cross-Tabulation of Age and Education of Informal Sector Labour Force (Percentage)	111
3.17 Cross-Tabulation of Education and Major Age Groups of the Informal Sector Labour Force (Percentage)	113
3.18 Cross-Tabulation of Skill Level and Occupation of Informal Sector Labour Force (Percentage)	115
3.19 Cross-Tabulation of Age and Status in Household of the Informal Sector Labour Force (Percentage)	118
3.20 Proportion of Migrants in the Informal and Formal Sector Labour Force and in the Total City population	121
3.21 Percentage Distribution of Informal Sector Labour Force by Migration Status According to Occupation	122
3.22 Length of Stay in Dacca of the Informal Sector Migrant Labour Force by Employment Status	124
3.23 Cross-Tabulation of Length of Stay in the City and Employment Status of the Migrant Labour Force in the Informal Sector (Percentage)	124
3.24 Length of Stay in the City of (Migrant) Owners of Informal Enterprises by Occupation	126

Table	Page
3.25 Cross-Tabulation of Length of Stay in the City and Occupation of Migrant Owners of Informal Sector Labour Force (Percentage)	127
3.26 Length of Residence in the City and Skills Attained of the Migrant labour Force in the Informal Sector (Percentage)	129
3.27 Size Distribution of Owned Land of Migrant Families by Type of Labour Force (Percentage)	133
3.28 Size Distribution of Land Owned by Migrant Informal Sector Labour Force According to Occupation (Percentage)	134
3.29 Percentage Distribution of Migrant Labour Force in the Informal Sector Prior to Migration and by Present Occupation	136
4.1 Percentage Distribution of Informal Sector Enterprises in Sample by Activity Group	146
4.2 Percentage Distribution of Informal Sector Enterprises by Type of Ownership and by Activity Group	151
4.3 Summary Results on Measures of Ease or Barriers to Entry to Informal Sector by Activity Group	170
4.4 Summary Results on Indirect Measures of Difficulty to Entry to Informal Sector by Activity Group	188
4.5 Findings on Measures of Internal and External Competition of Informal Sector by Activity Group	198
5.1 Percentage of Capital Assets by Form in which they Occur among the Informal Sector Activity Groups	233
5.2 Summary Results on Sources of Major Supplies Used by Informal Enterprises	235
5.3 Percentage Distribution of Informal Trade Enterprises by Type of Goods Traded and their Domestic/Foreign Origin	240
5.4 Percentage Distribution of Informal Trade Enterprises by Type of Goods Traded and their Source of Purchase	241
5.5 Percentage Distribution of Informal Trade Enterprises by Type of Goods Traded and their Production Origin	243

Table	Page
5.6 Percentage Distribution of Informal Enterprises by Type of Major Raw Materials Used and their Domestic/Foreign Origin	245
5.7 Percentage Distribution of Informal Enterprises by Type of Major Raw Materials Used and their Source of Purchase	247
5.8 Percentage Distribution of Informal Enterprises by Type of Major Raw Materials and their Production Origin	248
5.9 Percentage Distribution of Informal Enterprises by Type of Equipment in Use and their Domestic/Foreign Origin	250
5.10 Percentage Distribution of Informal Enterprises According to Mode of Acquisition of their Basic Equipment	251
5.11 Percentage Distribution of Informal Enterprises by Type of Equipment Used and their Source of Purchase	253
5.12 Percentage Distribution of Informal Enterprises by Type of Equipment Used and their Production Origin	254
5.13 A Comparison of Mode of Acquisition of Equipment among Informal Producers in Dacca and Dakar	255
5.14 Mode of Acquisition of Skills among Owners of Informal Enterprises in Dacca by Activity Groups (Percentage Distribution)	256
5.15 A Comparison of Mode of Skill Acquisition among Owners of Informal Manufacturing Enterprises in Dacca and Dakar	257
5.16 Classification of Informal Enterprises According to the Needs they Meet	259
5.17 Informal Entrepreneurs' Evaluation on Price and Quality of Formal Sector Products	260
5.18 Percentage Distribution of Enterprises According to Principal Buyers of Informal Goods and Services by Activity Groups	261
5.19 Cross-Table of Average Monthly Income and Average Daily Work Hours of Informal Sector Workers	265
5.20 Cross-Table of Average Monthly Income and Average Daily Work Hours of Informal Enterprise Owners	265

Table	Page
5.21 Percentage Distribution of Informal Enterprises According to Sales to Consumers as well as Businesses	267
5.22 Evidence on Subcontracting among Informal Enterprises by Activity Group	268
6.1 Comparative Economic Characteristics of Major Activity Groups in Informal Sector	281
6.2 Structure of Manufacturing Industries in Bangladesh and Comparative Economic Characteristics by Types of Industries	287
6.3 Comparison of Employment Generating Scope of Informal and Formal Manufacturing Industries	290
6.4 Comparative Productivity and Economic Efficiency of Informal and Formal Sector Manufacturing Industries	294
6.5 Some Measures of Intensity of Work in Informal Enterprises and their Capacity Utilization	296
6.6 Capital-Labour and Capital-Value Added Ratios in Informal and Formal Sector Industries	299
6.7 Some Evidence on Informal Enterprises' Ability to Save and Invest	307
6.8 Enterprises Intending to Expand and Direction of Such Expansion and Improvement	309
6.9 Evidence on Innovative Ability of Informal Enterprises	315
6.10 Monthly Average Income of Self-Employed in Informal Sector Compared with Formal Sector Minimum Wage	317
6.11 Percentage Distribution of Self-Employed in Informal Sector According to their Monthly Income and Type of Activities	319
6.12 Percentage Distribution of Employees (Hired Labour) in Informal Sector According to their Monthly Income and Type of Activities	321
6.13 Evidence on Distribution of Income in the Informal Sector	322
6.14 A Comparison of Rural, Urban and Informal Sector Income	326

Table	Page
6.15 Attitudes and Motivation of Labour Force in Informal Sector Towards their Occupation	330
6.16 Attitudes and Motivation of Self-Employed in Informal Sector Towards their Occupation by Activity Group	331
6.17 Percentage Distribution of Self-Employed in Informal Sector According to Number of Job Histories (by Activity Group)	336
6.18 Percentage Distribution of Currently Self-Employed in Informal Sector According to their Employment Status in the Preceding Job	337
6.19 Employment Status by Age of the Informal Sector Labour Force (Percentage)	338
6.20 Income Profile (from job history) of Self-Employed in the Informal Sector	339
6.21 Income Profile (from job history) of Employees in the Informal Sector	341
7.1 Proportion of Informal Sector Enterprises Reflecting Marginal Characteristics by Activity Group (Percentage)	369
7.2 Proportion of Informal Sector Enterprises Reflecting Economic Potential by Activity Group (Percentage)	371

EXPLANATORY NOTES

Currency Equivalent

The official exchange rate between U.S. dollar and Bangladesh Taka (Tk.) was about \$1 = Tk. 16.5 in 1979 when the survey was carried out. Tk. exchanges with \$ in the market at about 25 percent below the official rate.

Abbreviations

BBS	Bangladesh Bureau of Statistics
BIDS	Bangladesh Institute of Development Studies
CMI	Census of Manufacturing Industries
CI	Cottage Industries
CUS	Centre for Urban Studies
IDS (Sussex)	Institute of Development Studies, University of Sussex
ILO	International Labour Office
IS	Informal Sector
ISIC	International Standard Industrial Classification
FS	Formal Sector

CHAPTER 1

THE INFORMAL SECTOR AS A MODE OF ANALYSIS

Introduction

The concept of informal sector is a relatively recent one. It is perhaps best understood within an historical context. Whereas industrialization preceded urbanization in the case of present day economically advanced countries, the nature of urbanization in the low income countries of today is significantly different. This is marked by rural to urban migration far in excess of the demand for labour by the modern industrial sector. This excess migration contrasts with prediction of the Lewis model (1954), which postulates that the transfer of 'surplus' labour from the 'rural subsistence sector' will be closely associated with the growth of employment in the 'urban industrial sector'. Hence, although the process of labour transfer is quite central, the Lewis model does not provide an adequate explanation of the extent of labour transfer that has been taking place in the low income countries today.

Several elaborations, refinements and modifications to the Lewis model have appeared since then, a prominent one being that of Fei and Ranis (1964). But the question of extent of labour transfer and their consequences were not addressed in these models. It is to his credit that Reynolds (1969) pointed out the emergence of a 'trade-service' sector in the cities of these countries as a response to the excess transfer of labour. Reynolds' description of the trade-service sector included "the multitude of people whom one sees thronging the city

streets, sidewalks and back alleys in the LDCs: the petty traders, street vendors, coolies and porters, small artisans, messengers, barbers, shoe-shine boys and personal servants" (1969:91). Reynolds showed some realism in recognizing such a sector in the urban economy. His description has remained a popular view of the informal sector. But further development of these ideas did not occur for some time.

Subsequently, attention focussed on the process of migration in an effort to explain the disproportionate rural to urban labour movements relative to the employment absorption capacity of the modern industrial sector. This produced a number of theoretical models exploring the rural-urban migration decision-making along with a number of valuable empirical studies on migrants and migratory behaviour. One of the most influential of these models has been that of Todaro (1969). The basic hypothesis in this model is that the supply of rural labour migrating to urban areas in a given period is governed by the differential between the discounted streams of expected urban and rural permanent real incomes. The most important implication of this, for our purpose, is that migration rates in excess of urban employment growth rates are not only possible but also rational even in the face of rising levels of urban unemployment. Todaro has thus provided an economic explanation of the present rate of migration which exceeds the number of modern sector jobs available at a point of time.

Since this process is seen as continuous, the next logical question is, in the absence of modern sector absorption, how do all these in-migrants survive? Todaro does not directly address this question. The answer, however, is not difficult to obtain, even for a casual observer

of a large city in a low income country. One may be overwhelmed by the ingenuity of human endeavours in carving out an occupation and by the diverse nature of making a living in these city streets. The 'informal sector' provides a useful analytical means for understanding such activity and thus comprehending both the nature and the extent of urbanization in present day low income nations. In particular, this approach has facilitated the separate analysis of that part of the urban labour force employed outside the modern sector. The earlier practice was to conceive of a 'traditional' sector within the urban economy. But it was soon realized that the economic activities of these people could not be conceptualized as traditional since their way of life related them to the modern sector. It was the 1972 ILO report on Kenya¹ (ILO, 1972) which formally identified informal sector activities on the basis of the 'way of doing things'. From then on the informal sector paradigm attracted a great deal of interest.

Another historical perspective to the emergence of the concept of informal sector is obtained from a brief look at the development experience of the last two decades in low income countries and the switch from one development strategy to another. While at the beginning of the 1960s strategies based on an assumed trade-off between economic growth and social justice were enthusiastically implemented in several countries, by the end of the decade it became clear that mindless pursuit of growth in GNP while ignoring the equity question was inappropriate in meeting the social priorities of these countries. It was found that despite remark-

¹ This report, prepared by the ILO Employment Mission to Kenya, is variously referred in the literature as the ILO-Kenya mission, the ILO-Kenya, the Kenya or simply the ILO report.

able growth rates in GNP, there has not been any visible reduction in poverty (Haq, 1976). To make it worse, interpersonal and interregional disparity widened. As a result social unrest developed in a number of countries which caused the fall of several so called strong governments. Even the emergence of Bangladesh as an independent nation may be partly attributed to the consequences of economic disparity and social injustice that resulted from vigorous pursuit of growth strategies while neglecting other economic priorities such as employment and distribution (see Haq, 1976; Sobhan and Ahmed, 1980). In light of these experiences, the chief architect of planning in Pakistan made a dramatic reversal of his original position on the desired strategy for development:

There exists a functional justification for inequality of income if it raises production for all and not consumption for a few.... The road to eventual equalities may inevitably lie through initial inequalities. (Haq, 1963:3)

It is time to stand economic theory on its head, since a rising growth rate is no guarantee against worsening poverty..... Divorce between production and distribution policies is false and dangerous: the distribution policies must be built into the very pattern and organization of production. (Haq, 1971:11-12)

Disillusionment with the growth strategies of the 1960's provoked rethinking in the whole approach to development and development economists started pointing out that the 'trickle down' mechanism does not necessarily work in the institutionally poor countries of the 'third world'. Therefore, the suggested approach was to reach the people directly instead of relying on indirect measures and policies aimed at the redistribution of benefits of growth. Providing jobs was thought to be one convenient way to bring the fruits of development to those who needed it most. The World Employment Programme at the ILO was created in 1969 to design, direct and give practical shape to this newly conceived

priority in development. Employment-oriented development strategies drew further impetus in low income countries from Dudley Seers's Colombia report that outlined a programme towards full employment (ILO, 1970). But still, employment was conceived of in its conventional sense. Soon it was realized that absorption of the rapidly increasing labour force in modern industrial employment was beyond the resource-cum-technological base of low income economies. As the need for achieving more employment and greater equity was increasingly appreciated, the idea of 'intermediate technology' or 'appropriate technology' (see Sussex Group, 1970) began to attract greater attention. Almost simultaneously, 'growth with distribution' (Chenery, et al, 1974), meeting 'basic needs' (ILO, 1977), and 'human resource development' (Haq, 1976 and Singer, 1977) emerged as favourite topics of international seminars.² It was hoped that with diffusion of these ideas, support for intermediate technology, distribution of gains from growth, meeting basic needs and development of human resource would become the centre-piece of ensuing development strategies for low income countries. As these new ideas required illustration as a viable strategy, references were sometimes made to historical examples of Japanese and Chinese experiences in industrial development through labour intensive and second rate, obsolete technology.³ But more often it was argued that an informal sector approach to development is strategically suitable for implementing the newly conceived priorities in development

² The Institute of Development Studies at the University of Sussex played a pivotal role in diffusing these ideas. Henceforth, this institute will be referred to as IDS (Sussex).

³ See Bhalla (1974), Sinclair (1978a:73), N. Islam (1978:48) and Haq (1976:23). For direct source on lessons offered by Japanese and Chinese experiences, in this respect, see Ishikawa (1976) and Riskin (1976).

as indicated above. Because of this possibility, the informal sector continues to draw interest among development policy makers.

The above discussion thus shows how both theoretical formulations of the process of development in the dual economy tradition and practical strategies of pursuing economic development led to the emergence and continuation of interest in the informal sector.

Although not explicitly dealt with in the literature, it seems that optimism for the potential development role of the informal sector is based on the view that this sector provides a unique opportunity for pursuing seriously and effectively the twin goals of employment and greater equity. One of the reasons for this optimism stems from the role of technology as a major determinant of employment and income distribution. Thus, optimistic views of the informal sector are at least partly based on a technological argument: this sector is characterised by low capital intensity and adapted technology, and consequently has the potential to generate more employment and a more equitable distribution of income through the generation of income for a significant proportion of the labour force in urban areas of low income countries.

Though the size of the sector varies according to the definition adopted and cities concerned, the empirical significance of this part of the urban economy can hardly be over-emphasized. As Table 1.1 shows, in the majority of cases 40-60 percent of the labour force in large cities of low income countries are engaged in activities which have variously been called 'traditional sector', 'trade-service sector', 'unenumerated sector', 'unorganized sector', and finally 'informal sector'.⁴

⁴ Details on various nomenclature and their definition follow in the next section.

Table 1.1 Proportion of Employment in the Informal Sector in some Primate Cities of Low Income Countries.

City	Percent of Total Urban Employment	Source
Dacca	57*	Our estimate
Calcutta	41**	Bose, 1974
Bombay	55	Senghaas - Knoblock, 1977
Karachi	69***	Guisinger and Irfan, 1980
Colombo	19	ILO, 1978
Jakarta	40	Moir, 1978
Nairobi	20	Senghaas - Knoblock, 1977
Kumasi	40	Aryee, 1977
Abidjan	31	Joshi, <u>et al</u> , 1974
Belo Horizonte	69	Senghaas - Knoblock, 1977
Lima	53	Senghaas - Knoblock, 1977
8 Peruvian cities	62	Senghaas - Knoblock, 1977

* Estimate for Dacca is based on occupational information provided in a household survey (Farouk and Ali, 1977:87). Informal sector employment is considered as the residual of 'salaried official, including technical and semi-government organizations', 'professions (salaried and self-employed', 'dependent on rent or transfer payment', and 'unemployed (including student)'. It should be noted that this estimate is based on a small survey of a "highly urban with slums" area of the city, and hence should be considered as a very rough approximation of the actual size of the sector for the whole city. No information could be obtained from the city municipality or census commission that would have been useful in making a more reliable estimate.

** Denotes employment in informal manufacturing. Since manufacturing is only one of several activity groups in informal sector, this figure in the table grossly understates the total size of Calcutta's informal sector.

*** To be accurate, this figure denotes the ratio of employees in informal sector firms to total employment in Pakistan. For the definition of informal sector firms see Table 2.1.

But until recently little was known about either these activities or the people who participate in them. As interest grew about the sector, more research was done and a number of publications appeared. This has contributed to distinguishing the informal sector from other parts of the urban economy and hence in clarifying what constitutes the informal sector. But some confusion still persists. As shall be argued in the next two sections, some of this confusion arises more from incomplete analysis rather than from an inherent conceptual problem as some have argued. Moreover, despite contributions from several related disciplines, no comprehensive study is yet available that attempts to carry out a systematic analysis of various issues that need to be resolved (or addressed) in order to assess the role of the sector in the overall development process. The gap in knowledge in this respect is particularly serious for Dacca, a rapidly growing metropolis.⁵ Except for some indirect evidence from studies on squatter settlements and one study on the urban poor, little is known about the informal activities in the city, although their vast presence is so obvious even to a casual observer.⁶

In an attempt to fill this gap, the present research attempts to contribute to the assessment of the development potential of the sector by empirically analysing the composition, functions and linkages of the sector in Dacca. Several problems need to be overcome in pursuing the research in this area. A major one is the 'elusiveness' of the concept

⁵ According to the 1974 Census, the population of Dacca has been growing at a rate of over 17 percent per annum between the intercensal period of 1961-1974 (see BBS, 1977:15). Although 1982 census results are not yet available, all indications suggest that the city has been growing at an unprecedented rate since independence in 1971.

⁶ Recently, the Bangladesh Institute of Development Studies (BIDS) has been conducting some exploratory surveys separately on rickshaw drivers, construction workers, and hawkers in the city. Reports are yet to be published.

itself and the consequent lack of consensus in the definition of the sector. In order to identify this conceptual problem and the approach that the present research shall adopt in overcoming this problem, a review of the related literature is provided in the next section.

Approaches to Defining the Informal Sector

Three broad approaches to defining the informal sector may be delineated. In one conception, people are the focus and they are distinguished from the rest of the urban labour force according to employment characteristics. In another conception, the activities of these people (more accurately enterprises⁷ in which they are engaged) are the focus and they are distinguished from the rest of urban economy according to enterprise-related characteristics. In yet another conception, the informal sector is simply equated with slums and squatters of urban metropolis.⁸

As a result of these alternative approaches, analysis of the informal sector has taken three different routes. Those who define the sector according to employment characteristics analyse the sector from a

⁷ Since some activities may be pursued in both the informal and formal sectors, it is misleading to define the informal sector in terms of activities instead of enterprises.

⁸ Mazumdar (1976), Merrick (1976), Souza and Tokman (1976), and Rempel (1980) are representative of the first approach. Writers in the second group includes McGee (1973a), Webb (1975), Friedmann and Sullivan (1974), Sethuraman (1976), House (1977), Nihan and Jourdain (1978), Davies (1979), and Gerry (1979). Peil (1976) and Drakakis - Smith (1976) may be considered representative of the view that tends to equate informal sector with slums and squatter settlement. Hart's (1973) seminal work, although based on survey of a slum area in Accra, distinguishes the sector by nature of employment and includes classification of activities.

labour market perspective. Those who define it according to characteristics of enterprise follow an industrial organization approach in analysing the sector, although it is mostly implicit in the analysis.⁹

Likewise, the writers who identified the informal sector with slums and squatter settlements tended to analyse the sector from a sociological perspective. Therefore, it is no surprise that issues such as 'culture of poverty' and 'peasant versus urban outlook' dominated the discussion in this approach.

Our classification of the existing literature on various approaches to defining the informal sector, although not identical is largely consistent with a similar grouping by Hackenberg:

[Informal sector] has acquired a number of divergent connotations that may be divided into two groups: (1) those that focus upon the 'non-western' characteristics of certain enterprises within the urban economy; (2) those that focus upon the characteristics of a 'class of workers' who are non-participants in the Westernized sector of the urban economy. (1980:412).

According to Hackenberg, the writers in the first group emphasize the "indigenous organizational features" of a substantial portion of the urban economy and writers in the second group perceive an "underclass of workers who are unassimilated by the firm-centered (corporate) component of the urban economy" (1980:413). These two groups of writers and their analyses coincide with the first two groups in our classification of the relevant literature. Hackenberg ignores the third group whom we identi-

⁹ Industrial organization approach implies analysis of market structure, supply and demand conditions and economic performance of the sector. These are defined in the introduction of Chapter 4. Despite the importance of knowing the industrial organization of the sector, no work has yet attempted to develop the elements of industrial organization of the sector in a systematic framework.

fied as those who tend to equate squatter populations with the informal sector. Although he does not discuss the matter at all, there seems to be a justification for ignoring the third group: Kuran (1978:21-22) argues strongly, with data from Turkish cities, against equating the informal sector with slums. These general remarks may be illustrated by reviewing particular individual studies.

The initial perception of the informal sector was the marginal livelihood of a horde of shoeshine boys, petty traders, pimps and prostitutes. But soon it came to light that these are simply the most obvious, by no means the most important, occupations in the informal sector (see IDS, 1973:3). However, in the absence of a clear definition, the concept remained hazy and boundaries were indistinct. The picture began to clear in 1971 when Keith Hart compiled a list of income earning opportunities among residents of a slum area in Accra in which he contrasted informal income earning opportunities with that of the formal sector (1973:66). The distinguishing characteristic used was wage-earning employment (formal) as against self-employment (informal).

Although Hart did not make it clear whether his designation of self-employment ruled out the possibility of wage employment, for critics it was a convenient point to launch criticism against the concept. For example, Davies (1979:88) claims that Hart's distinction does preclude the possibility of workers being hired by informal enterprises while in reality, Davies argues, hired labour is frequently employed by these enterprises. Therefore, he rejects Hart's wage-versus-self-employment criteria in defining the informal sector. Another aspect of Hart's description, as noted by Rempel and House (1978:163), is that it

is a description of informal activity in a slum. But as mentioned above, the validity of equating squatter settlements with informal sector has been questioned. Data on occupational composition of the squatter population in several cities of Turkey show that a substantial proportion (40-80 percent) of them are employed by formal sector employers such as factories, government offices and other public and private enterprises (Kuran, 1978:21-22). In the case of Dacca, similar data show that about one-quarter of squatter household heads are employed by government, although, as would probably be expected, all are in low grade positions (see Table 1.2).

It cannot be determined from Table 1.2 which other employment groups would belong to the formal sector. However, it can be expected that at least some percentage of those who are classified as shopkeepers/ businessmen, skilled/semi-skilled workers, and transport workers would belong to the formal sector. Thus the total proportion of squatter household heads employed in the formal sector in Dacca would be higher than the 25 percent employed by government. It is unlikely that the proportion will be as high as its corresponding proportions in Turkish cities. Nevertheless, the evidence provides legitimate warning against automatic identification of slums with the informal sector.¹⁰

Taking a somewhat different approach than that of Hart, the ILO report provided a new direction to the conception of the informal sector. As Rempel and House aptly point out, here the focus is on a sector of

¹⁰ In view of the above evidence it is not surprising to find a gradual shift of emphasis from squatter settlements to informal activities in later research on urban areas.

Table 1.2 Occupation of the Head of Squatter Household Heads in Dacca City

Occupation	Percentage
Lower class government employee	25
Shopkeeper/businessman	23
Transport worker	22
Day labour	15
Skilled/semi-skilled worker	7
Personal service	4
Others	4

SOURCE: Squatters in Bangladesh Cities, Centre for Urban Studies (CUS), The University of Dacca, 1976:66.

economic activity, not a community of people located in a particular place, although the report acknowledged that the informal sector in Kenya was strongly associated with the slum areas of the larger urban centers (Rempel and House, 1978:165). The report's main argument is that informal activities are not confined to particular occupations such as street hawking and domestic service, but include a wide variety of modern trades and crafts. The distinction between formal and informal enterprises in this case is drawn on the "way of doing things" in which the informal sector is characterized by:

- (1) ease of entry;
- (2) reliance on indigeneous resources;
- (3) family ownership of enterprises;

- (4) small-scale operation;
- (5) labour-intensive and adapted technology;
- (6) skills acquired outside the formal school system, and
- (7) unregulated and competitive markets.

The characteristics of the formal sector enterprises in similar activities are assumed to be obverse of these (ILO, 1972:6). In this view the sector is clearly conceived in terms of enterprises and they are distinguished from their counterparts in the formal sector according to some characteristics of these enterprises - their size and ownership, markets in which they operate, resources they utilize, technology they adapt and the ease or difficulty they face in starting such businesses.

The ILO report led to considerable debate about the validity and efficacy of these characteristics in defining the sector. Harold Lubell, although generally agreeing with the sectoral distinction of the urban economy, defines the sector more in a labour market perspective as he observes: "the informal sector constitutes the residual labour market of last resort, which persons enter as self-employed, low-income producers of marginal goods and services for lack of any other means of earning a livelihood" (Lubell, 1973:28). But he also admits that in metropolitan Calcutta, the informal sector is a reservoir of traditional and modern skills which can be made productive if effective demand for them is created.

Similarly Lisa Peattie's work (1974) on the informal sector of Bogota focuses on employment characteristics in defining the sector. According to her the informal sector is closely tied to the concept of a class of jobs characterized by easy entry, lack of formal educational

qualification, low wages, little job security and by being generally outside the system of social security benefits typical of the regular labour market (Peattie, 1974:2). Mazumdar lends support to this characterization of the informal sector and calls it the "unprotected sector". It is argued that employment in the formal sector is protected in the sense that wage-levels and working conditions in the sector are not available, in general, to all job seekers in the market. He points out that this kind of 'protection' may arise from the action of trade unions, of governments, or of both acting together (Mazumdar, 1976:655). As Sethuraman notes, the dichotomy here is clearly within the urban labour market rather than between the enterprises composing the urban economy (1976:71).

A similar focus on employment characteristics in defining the sector is found in Westley and Kabagambe. According to them the informal sector is distinguished from the formal sector largely in terms of employment characteristics such as the presence or absence of official recognition, trade union organization, taxation and relative security of employment (1977:2). Although generally critical of the concept, Bromley and Gerry (1979) agree that lack of security of employment and stability of income distinguishes the informal sector ('casual work' is the term that they use). They list a range of benefits such as minimum wage, regular working hours, fixed overtime payments, minimum notice requirement, paid holidays, sickness benefits, redundancy pay, life insurance, access to subsidized purchasing, and public housing arrangements that are not available to those who are employed in the informal sector. However, they suggest that it is important to distinguish 'situations' not only in

terms of the degree of job security and government regulated benefits accorded to workers, but also in terms of income and wealth and accumulation of capital (1979:8-10).

In contrast to this labour market perspective, Weeks, one of the authors of ILO report, and several others further developed the ILO emphasis on enterprise-related characteristics in drawing a formal-informal distinction. Although the ILO report made some mention of the relationship with government as a distinguishing mark between the informal and formal sectors, in the technical addendum to the Report (ILO, 1972:504-5), Weeks (1975) placed particular emphasis on the difference between the two sectors in the relationship that each has with the state. This is illustrated by his statement that the formal sector includes, in addition to government activity itself, those enterprises in the private sector which are "officially recognized, fostered, nurtured, and regulated by the state" (1975:3). This support and protection by government, he notes, is exemplified by such policy measures as tariff and quota protection for import substitution industries, import tax rebate on capital, and intermediate goods, tax holidays, low interest rates, selective monetary controls and licensing measures. Operations in the informal sector are characterized by an absence of such benefits, stresses Weeks. Thus while for Mazumdar government protection refers to the availability of certain social security benefits to individual participants of the labour force in the formal sector, for Weeks state protection and support accrue to enterprises in the formal sector.

Making it explicit at the outset that enterprises in the urban

economy, not individuals in its labour force, are being distinguished in identifying the formal and informal sectors, Sethuraman (1976:76) defines the latter as a residual of all enterprises in the urban economy excluding all public sector enterprises and 'large' industrial and commercial establishments in the private sector. In further illustrating the concept he observes that 'enterprise' in his definition includes any economic unit engaged in the production of goods and services whether or not it employs any one in addition to the proprietor. Thus, he suggests, a self-employed construction worker, a self-employed transport worker and a self-employed service worker (e.g., a shoeshine boy) all are treated as constituting an individual enterprise even though they hire no employees, own little or no capital, have no fixed business location and produce only services (1976:76). As to what constitutes a 'large' establishment, he seems to suggest that this is simply a matter of operationalizing the concept.¹¹

The use of enterprise characteristics as a basis of defining the informal sector is also adopted by Scott (1979). He argues that the major reason why informal activities should be analysed in terms of 'enterprise structure' rather than as 'categories of labour' is that the enterprise provides the institutional framework for the union of capital with labour. The significance of this union is that possession of capital, however small, permits these enterprises a certain autonomy compared to other working class groups in the urban labour force. In drawing the

¹¹ Sethuraman (1976) does address this question and has provided a procedure for empirically identifying the sector. The problem of defining the sector empirically is discussed in Chapter 2.

distinction between informal and formal enterprises, he suggests that the former is characterized by incomplete or non-separation of capital from labour, i.e., the owner of capital is also a direct producer (Scott, 1979:122). A similar emphasis on enterprise and elements of industrial organization appears in Davies: freedom of entry, scarcity of monopoly, indigeneous ownership, and non-institutional price setting are the important characteristics that define his model of informal sector (1979:89).

More recently a group of writers have described economic activity in informal sector as 'petty commodity production'.¹² For example, Moser states that "the vast majority of small-scale enterprises of the type described in the informal sector, fit into the category of petty commodity production" (1978:1057). In this approach urban economy is seen to be composed of 'dominant capitalist mode of production' and its 'subordinate petty commodity production' (see Gerry, 1979). It is assumed that petty commodity production is a transitional 'mode' between feudal and capitalist modes of production (Moser, 1978:1056-7).¹³ The essential features of this approach are not much different from the approach discussed before in which two sectors in the urban economy are distinguished on the basis of enterprise-related characteristics: in

¹² This group includes Moser, 1978; Davies, 1979; Scott, 1979; Gerry, 1979. Bienefield (1975) interchangeably uses both an informal sector and petty commodity production paradigm.

¹³ There is some disagreement among this group of writers as to the appropriateness of calling 'petty commodity production' a 'mode' or 'form' of production (see Davies, 1979:103).

both these conceptions enterprise is the basis of classification as well as the focus of analysis; market conditions in which these enterprises operate and the prospect of capital accumulation feature prominently in the discussion in both cases. However, a distinct preference for applying the analytical apparatuses of Marx's mode of production is observed in this group of writers who describe the informal sector as 'petty commodity production'.

Elkan disputes the appropriateness of applying Marx's notion of the mode of production to the informal sector. His disagreement is based on the argument that petty commodity production in Marx's scheme was supposed to be a survival of pre-capitalist modes of production while in the low income countries of today much of it is linked to capitalist development (Elkan, n.d.:3). Elkan, however, ignores the fact that in Marx's conception there is also a transitional state in which elements of pre-capitalist production may linger as capitalistic penetration occurs and grows. This possibility has been described eloquently by Baran (1969:250-255) in his thesis of an 'amalgam' of feudalism and capitalism in the present day low income economies.

Thus we find nothing historically wrong in using the terms 'capitalist mode of production' and 'petty commodity production' as an alternative to an informal-formal dichotomy of the urban economy. But it seems to us that it is merely an alternative portrait of the same economic situation. It is not clear why 'petty commodity production' is to be considered as a superior description of economic activities that are called informal sector by others. One argument that is usually provided

in favour of the former approach is that this method provides an alternative to the dual conception of a system. Alleging that 'neo-dualists' are championing the cause of the informal-formal dichotomy, Bromley and Gerry claim that such a dichotomy is wrong since the "two parts of the economy are inextricably connected with an unequal, exploitative relationship of domination and subordination" (1979:4).

Even without going into the question whether dualism serves any useful purpose,¹⁴ it can be argued that a 'petty commodity production approach' also is not free of dual ideas (i.e., the urban economy is conceived of as having two parts - a 'dominant capitalist mode of production' and a 'subordinate petty commodity production'). Similarly, it is unfair to allege that the informal-formal dichotomy is totally based on a rigid dualistic scheme. As Souza and Tokman note, distinguishing two sectors in the urban economy does not necessarily imply the adoption of a dualistic analytical approach that denies the existence of links between the two sectors (1976:2).

This notion of duality in the petty commodity production approach seems to be consistent with a recent statement of Gerry, one of the proponents of this approach, in which he seeks to clarify that his argument should not be interpreted as a wholesale rejection of duality,

¹⁴ See Hans Singer (1970, 1977) for the context in which dual conception is useful.

since he acknowledges significant differences between the sectors with respect to scales of production, modes of production, sources of capital accumulation and growth (Gerry, 1979:231).

Similar views, are evident among other critics (see Bienefeld, 1975 and Davies, 1979). While Bienefeld appears to have come to terms with the concept of the informal sector (1975:71), Davies focuses the debate on a logical perspective. He argues that an adequate definition of the informal sector must recognize that it differs from the formal sector because it represents a different mode of production. This difference in mode of production between the two sectors is evident, Davies argues, with respect to capital intensity, ownership of the means of production and the division of labour. But he disagrees with other critics who reject such a sectoral division, claiming that there is an "underlying unity" between parts of the total system. This allusion to underlying unity is a reference to Leys's arguments that tend to view workers of both the informal and formal sector as exploited by their respective employers (Leys, 1973:427). The unity is perceived as class solidarity of workers as well as of employers situated in two sectors. But this line of argument ignores the stratification among the 'exploiters' and the 'exploited' as put succinctly by Davies:

I do not think, however, that it is correct to imply, as Leys may be doing, that it is wrong to identify the informal sector as a separate sector. To do that would obscure the very real fact of stratification among the exploited. An implication of my model...is that there is a conflict of interest between the informal sector and those employed in the formal sector...it is a conflict which would

be ignored in a model in which the informal sector was not treated as a separate sector. (1979:102)

Some of the points in the above statement such as whether there is a conflict between the informal sector and those employed in the formal sector are merely hypotheses. But the basic point on the usefulness of the concept of informal sector in comprehending possible stratification is well illustrated in Davies's arguments.

Hackenberg goes further in defending the formal-informal dichotomy. He argues that there is a strategic advantage in this approach since "it preserves and precisely defines the dualistic nature of the urban economy" (1980:414). Moreover, he maintains, it (the informal-formal approach) does so without predetermining that one is subordinate to another or that one affords adequate living standards and another poverty and economic marginality. He then illustrates how this perspective can lead to empirical investigation of the debated issues.

Another line of critique argues that both sectors are found to be more heterogeneous than conceived of by the formal-informal dichotomy (see Breman, 1976). "This may mean that the whole sectoral approach would be open to the criticism that there is a continuum and that therefore the concept of informal sector becomes redundant" (Standing, 1977:37). Mazumdar, however, rejects this view by arguing that whether or not the urban economy represents a continuum is itself a subject of research. Then in defending the formal-informal division of the urban labour market for such research, Mazumdar argues that since casual empiricism suggests sharp differences between two types of employment, "the

methodology of economics can be applied successfully by operating with models which assumes that the labour market is split into two different sectors" (1977:15). Standing would agree with such a priori conceptual distinction only if it facilitates a policy oriented discussion of the "dynamic interactions" between the sectors and the changes that could be expected to follow specific developments (1977:37). Thus we observe that an apparently conceptual disagreement narrows down to a question that involves priority in analysis: for Standing the need is to examine dynamic interactions between the sectors.

Several writers stress that a disaggregated approach to the analysis of the informal sector is essential in comprehending its problems and prospects.¹⁵ Writers have offered alternative approaches to dividing the urban economy in general and the informal sector in particular. For example, Rempel and Lobdell suggest that the urban sector be divided into a number of distinct subsectors, since, they argue, the behavioural and production characteristics of these differ significantly.

...if there is any validity to a formal-informal dichotomy, a strong case can be made that the operation of urban labour markets in developing countries is sufficiently complex to warrant at least four categories - 'protected formal', 'non-protected formal', 'intermediate sector', and 'community of the poor' for meaningful analysis. (Rempel and Lobdell, 1976:112)

With respect to the formal sector firms, they hypothesize that one group, including major portions of the public sector, operate in a market

¹⁵ See, among others, Bienefeld (1975), Rempel and Lobdell (1976), Standing (1977), and Sinclair (1978a) all of whom emphasize disaggregation.

that is 'protected' while others operate under competitive conditions; hence, the two respective names - 'protected formal' and 'non-protected formal'. This facilitates study of the behavioural differences likely to exist between the two types of firms operating under different market structures. This may be considered as an improvement over Mazumdar's (1976) 'protected' sector which includes all formal sector employment¹⁶.

For our purpose, Rempel-Lobdell's categorization of the informal sector is more to the point. They suggest that this sector incorporates two different groups of people, both in terms of attitudes and motivation. The 'community of the poor' consists of those who view their current situation as temporary and hence lack motivation to seek informal activities with growth potential and, more importantly, lack the motivation to improve their lot in the future by investing more now in their current activity (1976:72). It seems those authors who believe in the 'marginality' thesis¹⁷ base their hypothesis on observations of this group which ekes out a subsistence with a growing sense of despair and hopelessness. Similarly those who see the informal sector as basically a "squatter problem" are really talking about this 'community of the poor.'

¹⁶ For details refer to the previous discussion of Mazumdar's distinction between informal and formal sector.

¹⁷ Discussed later in the chapter.

The second group within the informal sector are enterprising people who have consciously decided on a particular craft or skill or line of business with the intent of making that a means for an ongoing livelihood. Collectively this group has variously been called the 'intermediate sector' (Child, 1973 and Steel, 1976a) and more recently 'modern informal sector' (Nihan and Jourdain, 1978). It is likely that it is this subsector that led the ILO-Kenya mission to be so optimistic about the development potential of the informal sector.

Apart from its analytical value, the Rempel and Lobdell classification helps to explain why people hold such conflicting views on the informal sector. The confusion arises from not making the assumptions explicit and from drawing inferences for the informal sector as a whole on the basis of studying only one segment of it. For example, when analysis is based on the observations of the squatters, street hawkers, garbage collectors or the like in isolation, it is not surprising that one concludes pessimistically. On the other hand, optimism might be misplaced if conclusions are drawn with regard to the potentiality of the informal sector as a whole by extrapolating results based on some dynamic small-scale enterprises within the 'intermediate' or 'modern informal' sub-sector.

A similarly disaggregated approach to the study of urban economy appears in the previously cited article by Standing (1977) in which he sets out a "typology of sectors". He identifies a formal sector, which is divided into a 'core' and a 'periphery'; an 'informal sector'; and an 'irregular stagnant sector', which includes the scuffling unemployed and various fringe groups such as criminals, beggars, and the like (1977:37).

While this subdivision largely corresponds to that of Rempel and Lobdell, it seems to have prejudged the nature of the roles and interrelations between the subsectors that need to be established through research.

In short, the need for a finely divided spectrum of subsectors becomes clear from the above approaches to the study of the urban economy. For our purpose, it is the division of the informal sector and the basis of that division which is of immediate significance. The point was made above that in the absence of such a disaggregated approach, misleading conclusions could be reached with respect to the development potential of the sector. More specifically, findings on one segment of the sector cannot be used as a basis for drawing inferences about the informal sector as a whole. Therefore, without appropriate disaggregation, it becomes difficult to identify which parts of the informal sector have growth potential, which parts are irremediably doomed to eking out a subsistence standard of living, which parts are readily penetrated by newcomers, and finally, the differences in prospects and style of operations between families, firms and individuals therein (Sinclair, 1978a:83).

As to the appropriate subdivisions, it seems that dividing the enterprises by activity types and the participants in these enterprises by employment status is particularly suitable. Noting that the informal sector includes a large variety of people and activities, Bienefeld and Godfrey observe that it is "essential that the sector...be substantially disaggregated in such a way that its components become analytically significant and that each can be defined in a way which is statistically useful" (1975:8). They proposed a tripartite division; (1) activities

which produce tradeable commodities, (2) activities which involve the production of services connected with distribution, and (3) activities which involve personal services. In a separate article, Bienefeld (1975) analyses the informal sector in Tanzania under six occupational groups: (1) crafts and manufacture, (2) construction, (3) street-trading, (4) hotel and bar-keeping, (5) house rental, and (6) farming.

Similarly the ILO-Sudan mission argues that understanding of informal sector would be enhanced if it is viewed as a "heterogenous, multidimensional or multilayered phenomenon" (ILO, 1976:315). They observed four distinguishing subgroups in the Sudanese informal sector: (1) retail trade, (2) small manufacturing, (3) service and commercial establishments, and (4) petty vendors. Other ILO studies on informal sector since then seem to be generally following this lead. Sethuraman expands the division to five groups: (1) those who are engaged in production (2) those who are engaged in distribution, (3) self-employed construction workers, (4) self-employed transport workers, and (5) self-employed service worker (1976:76). Nihan narrows it down to three groups: (1) manufacturing, (2) services, and (3) building (1978:709).¹⁸ Since the latter is interested in investigating the potential of the 'modern informal sector', it is not surprising that he would exclude petty trade and other self-employed individuals such as construction and transport workers in his conception of the sector.

It is to be noted that in all the classifications so far described

¹⁸ Both Sethuraman and Nihan work with the World Employment Programme at the ILO and have been responsible for several city-studies sponsored by the ILO.

it is the informal enterprises that are being divided into subgroups. As we stressed previously, the informal sector is also seen as a collective of people. Therefore, it should be expected that, similar to grouping of enterprises by activity types as above, there would be a division of those who are employed in the sector according to their employment status. Regretably, relatively less attention has been given to division of the sector from this latter perspective thus reinforcing Leys's original complaint that the informal sector approach ignores a "vital divergence of interest... between the employers and the workers" within the sector (1973:427). Similarly, Breman observes that "any classification is...unacceptable, when it starts from the assumption that both owners...and the labourers whom they exploit should belong to the same social level" (1976:1940). While no one would deny the distinction between employers and employees, there is a mysterious silence in the mainstream literature concerning possible contrasting interests between these two groups. It is therefore very important that attention be given not only to types of enterprises that comprise the sector, but also to employment status of people working in those enterprises.

As to the appropriate divisions, Leys and Breman suggested an owner-worker distinction,¹⁹ an easy and obvious choice but for the informal sector it is an incomplete one since family labour constitutes an important component of the labour force in these enterprises. They can

¹⁹ Breman prefers to call owners and workers of informal sector respectively as 'petty bourgeoisie' and 'sub-proletariat.' Since these are concepts having connotations that require probing, it is better to avoid them in a priori divisions.

not be subsumed under 'owners' since family members may be involved who are not necessarily willing partners in the long hours of hard work; nor are their interests congruent with hired workers. Distinctions of a different nature may also be found among apprentices and other hired labour. Recently Bromley and Gerry have offered another perspective of classifying labour in the informal sector. The informal sector is seen in this perspective as 'casual work' consisting of four types: (1) short-term wage-work, (2) disguised wage-work, (3) dependent work, and (4) true self-employment (1979:5-6). Although these categories may be useful in revealing dependence of 'casual work' on outside sources, they do not illuminate the distinction between employers and employees within the informal sector. Moreover, these divisions cannot be made on an a priori basis, only empirical research can establish them.

To conclude, taking the last issue first, it appears that although suggested divisions differ depending on one's analytical priority, intellectual inclinations, and the geographical settings within which such classifications occur, all authorities agree on the need to divide the sector into meaningful sub-groups. We suggest that both enterprises and people working in them need to be classified; the former according to their type and the latter according to their employment status.²⁰ However, it was argued that such a division of the informal sector does not reflect any inherent weakness in the concept. The other major

²⁰ In our study all enterprises are divided into five activity groups (1. trade, 2. service, 3. manufacturing, 4. construction and 5. transport) and the participants in them into three principal employment groups (1. owners, 2. hired labour, 3. family labour). See Chapter 2 and 3 respectively for illustration of this divisions.

aspect that the above review sought to show is that both people and their activities need to be incorporated in the concept of the informal sector. It was then pointed out that once conceived this way, it would be necessary to analyse the informal sector from two perspectives: the labour force in the sector from a labour market standpoint and the economic enterprises in the sector from an industrial organization angle. In the next section, it is argued that for an overall assessment of the development potential of the sector, there is a real need to integrate both of these perspectives.

The Need to Integrate Industrial Organization and Labour Market Analysis

The discussion so far has concentrated on conceptual problems that arise from various approaches to defining the informal sector. In this discussion we tried to show that there are essentially two approaches to defining as well as analysing the sector. One approach distinguishes the sector by classifying people according to their employment characteristics and then analyses them from a labour market perspective. The other approach distinguishes the sector by classifying the economic enterprises according to enterprise-related characteristics and then analyses elements of industrial organization of these enterprises. Of course, as noted previously, the approach of most writers is not as explicit as we have portrayed them in our attempt to capture their theoretical underpinnings. This may have contributed to some confusion and ambiguities with regards to the concept of informal sector.

Nevertheless, it seems to us that some of these difficulties are

caused not so much by conceptual confusion as by an inadequacy in analysis of the various issues. To illustrate the point, let us consider the various criticisms of the concept that have been summarized conveniently by Sinclair (1978a:83-89) under the three headings of "aggregation, linkages, and dynamics" which he considers as "three major shortcomings of the informal sector concept" (1978a:89). Sinclair's first point is the informal sector is a highly aggregated concept and thus the analysis of any constituent part of the sector is impeded. We have already given considerable attention to this criticism in the second part of the previous section and have argued that this problem is essentially an analytical one which can be overcome in an adequate frame of analysis that would adopt a disaggregated approach.

The second alleged shortcoming of the concept is that "the relationships with others in the city economy is left unexplored" (Sinclair, 1978a:83). Clearly, this lack of analysis of the informal sector's relationship with other parts of the economy does not represent a conceptual problem; it merely says that attention has not been given to this aspect as much as Sinclair or some other scholars would like to see.²¹ This is essentially a matter of priority that an individual researcher attaches to a particular problem. For our part, we do recognize the importance of determining the nature and extent of both intersectoral and intrasectoral linkages for informal sector enter-

²¹ As Sinclair is well aware that Gerry, who originally launched this critique, has provided an analysis of the sector (he calls "petty commodity producers") particularly focussed on the informal sector's relationship with the rest of the economy for Dakar (see Gerry, 1974 and 1979).

prises.²²

The third shortcoming that Sinclair refers to is the "lack of a dynamic which can provide an understanding of how these enterprises are suppose to grow or fail" (1978a:83). Again, it is difficult to see how this represents a conceptual shortcoming, although hardly anyone would question the importance of such analysis. One reason for not finding much analysis of the dynamic issues may be attributed to dearth of longitudinal and historical data on the informal sector. This is understandable in view of the recent origin of the concept and the even more recent interest in research on it. In the absence of data required for appropriate dynamic analysis, comparative statics based on different typologies is a recognized second best method to address questions regarding changes (see Steel, 1977 and Sinclair, 1978b:10). In addition to applying this method, we seek to complement our investigation of the dynamic issues by examining the history of enterprises and job histories of the participants in the study. This indication of the method of analysis is intended to illustrate the point that limitations with regards to analysis do not reflect shortcoming in the concept, it merely underscores the need for refinement in analysis. Our argument above seems to be consistent with a recent observation of Hackenberg: "conceptual confusion regarding informal sector reflect the inadequacy of existing empirical formulations" (1980:415).

Therefore, it seems to be more important to formulate an adequate framework for empirical analysis rather than contribute to the debate on

²² The whole of Chapter 5 is devoted to this issue.

semantics. Conceptual confusion, if any, cannot be overcome by introducing new terms to the already existing long list²³ - all of which describe the same part of the urban economy that is supposed to reflect some common characteristics as discussed in the previous section.

Formulation of an adequate analytical framework assumes additional significance because there is yet to be a systematic attempt to bring together the various issues of the informal sector within a framework of well-established theory. Although elements of labour market and industrial organization analyses are traceable in the existing literature, often they are implicit despite their importance in providing theoretical

23 Examples of these various, often overlapping terms are: 'trade-service sector' (Reynolds, 1969); 'informal income opportunities' (Hart, 1973), 'informal sector' (ILO, 1972); 'intermediate sector' (Child, 1973 and Steel, 1976); 'community of the poor' (Gutkind, 1967 and Rempel, 1974); 'family-enterprise sector' (Friedmann and Sullivan, 1974); 'unprotected sector' (Peattie, 1974 and Mazumdar, 1976); 'unorganized sector' (Joshi, 1976 and Harriss, 1978); 'irregular sector' (Standing, 1977); 'petty commodity production' (Moser, 1978); 'casual work' (Bromley and Gerry, 1979); and 'non-plan activities' (Sarin, 1979). Several notes and clarifications seem to be in order about this list. First, it is not necessarily an exhaustive one. Second, it is to be noted that Hart's work was done in 1971, although published in 1973. Third, some difference is observed between Child and Steel in their respective definition of 'intermediate sector': while in the former, it denotes an intermediary between 'modern' and 'traditional' sector; in the latter, it is a low productivity sector lying between the formal and informal sector. Thus, 'intermediate sector' in their usages is not an alternative term to 'informal sector', rather it describes a group of enterprises that are assumed to be more productive and dynamic than those belonging to 'traditional' or 'informal' sector. Fourth, to be accurate, Rempel, Friedmann and Sullivan, and Standing each conceive the informal sector as consisting of two separate groups: 'community of the poor' and 'intermediate sector' in Rempel (1974); 'individual-enterprise' and 'family enterprise' in Friedmann and Sullivan (1974); and 'irregular sector' and 'informal sector' in Standing (1977).

underpinnings for empirical questions. This gap is particularly evident for questions requiring knowledge about industrial organization of the informal sector.²⁴ To contribute to overcoming this gap in knowledge, the present study seeks to provide an analysis of the informal sector through an empirical examination of the case of Dacca. Further, this study is built on a framework that integrates well-established disciplinary approaches of labour market and industrial organization analyses. The usefulness of such an analytical approach is clear if an assessment of the development potential of the informal sector is intended since this requires answering questions and resolving issues with reference to aspects of both labour market and industrial organization. To give an example, determination of the informal sector's role in job search and motivations of its participants is central to knowing if investment in productive assets is a distinct possibility or not.²⁵ If such investment does take place, the informal sector as a collective of economic enterprises take precedence over the informal sector as a collective of individual job seekers. Once the sector assumes the former character, determination of market structure, supply and demand conditions in which these enterprises operate and evaluation of their economic

24 This need is identified by Guisinger and Irfan who observe that "very little is known about....the industrial organization of this sector" (1980:423) and Harriss who stresses examination of "structure, conduct and performance of the market for capital and labour" in order to analyse the labour absorptive capacity of an economy (1978:1084).

25 Because, as discussed previously, such investment would be forthcoming if involvement in informal activities is not considered temporary by the participants while waiting for formal sector opportunities to open up.

performance takes on additional significance for the larger question of development potential of the sector.

In short, our arguments in the preceding few paragraphs together with our reasoning in the previous section has demonstrated how an integration of a labour market perspective with a mode of industrial organization analysis can contribute to clarifying conceptual confusion, overcoming analytical inadequacies, and assessing development potential of the informal sector. It seems to us that this analytical framework is a logical conclusion of our disaggregated approach which distinguishes informal enterprises and their participants which together constitute the sector, then divides them by activity type and employment status respectively. Thus analytical requirements as well as the practical need of assessing the development potential of the sector justify our arguments for the need to integrate labour market perspectives and industrial organization analysis in a single analytic framework. The issues and questions that form the contents of this integrated analysis are provided in the next section.

Summary of Issues, Hypotheses, and Questions²⁶

In outlining the main issues requiring empirical verification, it may be worthwhile to remind ourselves of the background out of which grew

²⁶ It is to be noted that the review of literature that forms the basis of this summary is not presented here. Since the process of developing and testing the theoretical propositions is often intimately interrelated and requires work back and forth between the theory and analyses (Clifton, 1978), it was decided to present the review along with empirical treatment of the issues in chapters dealing with them.

an initial interest in the informal sector. As discussed at the outset, development experience of the last two decades or so has offered several lessons to low income countries.²⁷ The principal one seems to be that these countries must strive for a development strategy that could ensure: (1) absorption of more labour to keep pace with an increase in labour force, (2) more equitable distribution of gains from development and growth, (3) adaption of technology that is appropriate to resource availability, (4) development of human resources through the spread of basic skills, and (5) provision of basic needs for all people. As the practicability of such a development strategy was being explored, informal sector started to draw greater attention from international agencies, national policy makers, and academics of several related disciplines. The initial work was almost exclusively optimistic (ILO, 1972; and Weeks, 1975), founded on the sector's perceived potential role in realizing the newly formulated priorities in development. However, it did not take long for a more critical examination to appear, which ranged from outright rejection (Leys, 1973; and Gerry, 1979) to cautious optimism (Rempel and House, 1977 and Tokman, 1978a).

To put the respective views briefly in a testable form, first, the optimistic view may be portrayed as hypothesizing: (1) the informal sector adapts technology on the basis of factor availability; (2) hence, the informal sector generates more employment than would the formal

²⁷ See Haq (1976) and Singer (1977).

sector; (3) hence, the informal sector contributes to a more equitable distribution of income; and (4) the informal sector can accomplish all of the above without sacrificing the level of output.

On the other hand, pessimists reject any development potential in the informal sector. Their argument is based on a global view of the international capitalist system. In this view, because of its dominant position, the 'metropolis' of the system, working through the multinational corporations, dictates what goods are to be produced, what technology is to be used, what level of capital accumulation is to take place, and the extent of indigenous capitalism to be allowed to grow in the peripheral area of this global system (Bienefeld, 1975). Although these arguments may have their own merits with respect to formal sector industries in low income countries, it is likely that these will have limited validity in the specific case of informal sector business and production. At any rate, these arguments and their implications for the informal sector cannot be determined unless they are put in a testable form. For this purpose, the pessimistic views on the informal sector may be portrayed to be hypothesizing: (1) the informal sector is dependent on the formal sector as well as on imported materials for its supply needs, (2) the informal sector is also dependent on the formal sector for marketing its output, (3) hence, its ability to accumulate capital is severely limited, (4) as a consequence, proletarianization, rather than a transition towards the growth of small indigenous capitalism, is the major feature of the informal sector.

Still others argue that the informal sector essentially consists of two groups: one group, is variously called 'community of the poor',

'individual-enterprise sector', 'irregular sector', 'dependent workers', or 'lumpen-proletariat'; the other group is described by different writers as 'intermediate sector', 'family-enterprise sector', 'modern informal sector', 'truly self-employed' or 'petty commodity producers'. Two alternative hypotheses are then offered in predicting the development potential of these two groups: the first group is hypothesized to have little scope to contribute to capital accumulation and the other group is hypothesized to be the dynamic part of informal sector with an ability to contribute to capital accumulation and further growth and development.

An important empirical question is to determine the relative proportion of these two groups in the sector. It is possible that optimists are assuming that the second group is the dominant group in the informal sector, while the pessimists suppose that the first group is in the majority. This illustrates how an apparently polarized view may be reduced to a simple empirical question, the answer to which facilitates resolution of issues. With a similar objective, we summarize below a number of questions, with reference to the informal sector as a means of employment and industrial organization of the sector, to be addressed to the hypotheses already outlined and the ones that are developed in the course of discussion of issues and analysis of data.

Informal Sector as a Means of Employment

The first question of interest from a labour market perspective is to see the empirical validity of several urban labour market models that predict the informal sector serves to absorb that portion of the labour

force with "unfavourable personal characteristics" (Tokman, 1978b:1195). Age, sex, and education selectivity appears central in Mazumdar's model of job search (1976:660). Similarly Rempel's model on urban labour market predicts that those who are educated have the possibility of going to "sheltered" employment while those who lack formal education are relegated to the "competitive" part of the urban labour market (1981: 168-171). Latin American data indicate that the young and the old, females, and the less skilled are disproportionately represented in the informal sector (Merrick, 1976:351). Given differences in urbanization and land-man ratios between Latin America and Asia in general and Bangladesh in particular,²⁸ it is possible that many from the prime-age group may also be forced to take refuge in the informal sector in the latter case. In view of this possibility the informal sector takes on additional significance in the case of Bangladesh.

In labour market models, a pervasive view is to see informal activities as a provider of means to subsist for new in-migrants who are assumed to be on the lookout for formal sector jobs.²⁹ At least three issues need to be tested to determine the validity of the above attributed role of the informal sector: first, whether recent migrants are the dominant group among the labour force in these activities; second, whether ease of entry truly characterizes the sector; third, whether the informal sector plays a buffer role in meeting subsistence needs between

²⁸ According to the 1974 Census only 9 percent of the total population in Bangladesh live in urban areas (see BBS, 1977:14), whereas the corresponding proportion for Latin American countries is 60 percent (Abu-Lughod and Hay, 1977:90).

²⁹ This literature is surveyed by Mazumdar (1977:18-19) and Rempel and Lobdell (1977:5-5).

migration and the search for formal sector jobs.

The importance of determining attitudes and motivations of participants in these activities was noted in our previous discussion. Questions raised in the preceding paragraph have a direct bearing on the formation of motivations and their implications for development prospects. If migrants get involved in informal activities while waiting for formal sector opportunities to open up, this will imply the absence of a segmented labour market and a stable labour force in the informal sector, which will, in turn, have implications for investment from current income for future gain (Rempel and House, 1977:177).

The hypothesis that views the informal sector as a secondary labour market (Mazumdar, 1976:660) will have similar implications. Therefore, it is important to determine if the labour force of the sector consists of those who are the main earners in the household or if their informal activity represents a second source of income.

Another dimension of the informal sector's role in urban labour market is to make available cheap labour. There is not much controversy here; but while some consider it as a boon for capital accumulation, others compare it to "primitive capital accumulation" referring to crude labour exploitation during early phases of the industrial revolution. Leys and several others argue that the informal sector represents a 'reserve army' of underemployed created by conscious policy of an 'urban oligarchy' in order to sustain wage exploitation of labour in the formal sector employment. The reserve army role of the informal sector is assumed to depress formal sector wages in two ways: first, acting as pure surplus labour visible in long queues at the factory gates; second,

keeping down the reproductive cost of labour by supplying low cost provisions to urban dwellers. In the Latin American literature, the term 'marginalized labour' is sometimes used to describe the labour force in the informal sector. For all practical purposes this has the same characteristics as the 'reserve army'. Although these ideas are not easily reducible to empirical questions, attempts will be made to identify the mechanism and possible source of labour exploitation and empirically verify the appropriateness of describing the labour force in the informal sector as a 'reserve army' or as 'marginalized labour'.

Industrial Organization of the Informal Sector

One aspect of an industrial organization approach is to provide basic information about type of enterprises that comprise the informal sector, their ownership, capital employed and sources of capital financing. In addition, our proposed approach requires information with respect to market structure, supply and demand conditions and overall performance of the enterprises.

Although no systematic work has been done to determine the market structure of the informal sector, there has been polarization of views on one of the determinants of market structure, namely, entry conditions. While, the "ease of entry" hypothesis is fundamental to ILO views on the informal sector, critics have postulated significant "barriers to entry" for prospective entrants to the informal sector. The empirical validity of each hypothesis is tested in Chapter 4. In addition, other determinants of market structure are explored and their implications for

competitiveness are discussed.

Perhaps the most important and complex question is the nature and extent of relationship between informal and other enterprises in the city or the rest of the economy. While the ILO view recommends strengthening the relationships between the informal and other sectors (ILO, 1972:229-231), serious issues have been raised concerning a postulated "dominant-subordinate" relationship between the informal and formal sectors (Bromley, 1978a:1037). This issue is examined in a supply and demand framework. To determine the informal sector's supply side dependence, questions regarding origin of goods sold, raw materials used, and capital equipment employed in the sector, need to be answered. On the demand side, questions are raised and explored concerning the principal buyers of informal sector goods and services.

Finally, with respect to economic performance, it is important to gather data on labour productivity, efficiency, ability to innovate and ability to generate surplus. Since performance indicators are meaningful only in a comparative sense, it is essential to compare economic performance between the informal and formal sector enterprises. Since the role of the informal sector in income distribution is considered as one of the most positive elements, distribution of income among various activity and employment groups in the sector need to be ascertained.

Similar to performance of enterprises, it is important to determine the performance of the participating labour force in these enterprises. For this purpose, labour income in the informal sector need to be compared with alternative labour income available in the economy. This comparison would also assist in determining the validity of the informal

sector being considered as a last resort for job seekers in the urban labour market. As further evidence of economic performance, the scope of upward mobility is examined by looking at data on job history and income profile.

A Brief Outline of the Thesis

The principal aim of this study is to make an assessment of the development potential of the informal sector on the basis of a case study of Dacca. The thesis that is developed in the course of this study formulates an analytical framework that integrates labour market perspectives and the mode of industrial organization analysis in studying the informal sector. It is argued that such a framework is essential to place the informal sector debate in general in its logical perspective and, more specifically, to overcome conceptual confusion and facilitate assessment of the basic question - the development potential of the sector. For development of this thesis and making the said assessment, it was necessary, first, to formulate an analytical framework that would serve as the theoretical underpinnings for the overall study; second, to formulate empirical questions relevant for the assessment; third, to prepare the data required for answering these questions; fourth, to analyse these data; and finally, to draw inferences from them.

A sample survey of informal sector in Dacca forms the basic data source in answering the questions raised. The enterprise, along with its participant(s), formed the sampling unit of the survey. Enterprise-related information provided by owners of enterprises

constituted the data base for answering questions with reference to the industrial organization of the sector. Similarly employment-related information of the labour force provided by the participants constituted the data base for answering questions with regards to the labour market perspective of the informal sector. The procedure and sampling technique of this survey is described in Chapter 2.

In addition, secondary data regarding formal sector employment and industries complement the basic data base. In Chapters 3-6 these data are analysed as we seek to answer questions that were posed in Chapter 1. The analysis in these chapters is presented along with a review of relevant literature. The objective is to facilitate development of theoretical propositions and their empirical verifications as the analysis proceeds, working back and forth between theoretical positions and empirical implications.

Chapter 3 first provides an analysis of the informal sector labour force by investigating their personal, employment, occupational, and migration characteristics. A specific attempt is made to determine the validity of the hypothesis that the informal sector consists of people with "unfavourable personal characteristics". Since this hypothesis has implications for what is to be expected about the motivations of participating labour, considerable attention is given to this question. In this regard, efforts are made to see if unfavourable 'personal' characteristics of the sector's labour force are better explained by their unfavourable economic and family background. Access to land and other economic opportunities of migrant labour force of the sector are examined with this in view.

Chapter 4 first introduces the context in which an industrial organization analysis is useful for analysing the informal sector and describes the contents of this mode of analysis and explains the terms used for the purpose. Then the chapter seeks to determine the market structure of the sector. The determinants of market structure are discussed with particular emphasis on the role of ease of entry. From a review of the informal sector literature, variables that are associated with "ease of entry" or "barriers to entry" hypotheses are identified. Then they are measured with our survey data to verify the validity of the two hypotheses. Implications of the results on market structure are then discussed.

Chapter 5 explores the nature and extent of the relationships between informal and other sectors of the economy. This is conducted in a supply-demand framework seeking to examine 'dependence' of the informal sector on both the supply and demand sides. From a review of literature, the linkages on both sides of business operations are identified. These are then tested empirically with our survey data and their implications for 'subordination' and 'exploitation' are discussed.

Having illustrated the market conditions in which informal enterprises operate in the preceding two chapters, Chapter 6 assesses these enterprises and their participants. Employment generation, factor productivity, efficiency, distribution of income, ability to innovate and generate surplus are utilized as indicators in making this assessment. Individual earnings of the labour force are compared with alternative labour income in the economy to assess performance of the people employed in these enterprises. Scope for upward mobility is explored to assess

life performance of these people. Along with this two-pronged assessment of the sector, i.e., evaluation of performance of enterprises and their participants, the chapter provides analysis of data on attitudes and motivations of various groups within the informal sector labour force. In this way, the chapter brings together the labour market perspective and elements of industrial organization in making the overall assessment of economic performance of the informal sector.

Finally, some overall conclusions are discussed in Chapter 7 by drawing together the findings and results of the study.

CHAPTER 2

METHODOLOGY AND SAMPLING PROCEDURE

Research Method

The modelling of the informal sector has not developed to a level that would enable one to identify the theories regarding the sector in a manner so that they can be represented in a set of equations with clearly defined variables that can be subjected conveniently to empirical testing. Consequently, the methodology adopted here is: first to trace the various theoretical positions in the literature; second, to formulate potentially testable hypotheses; and finally, to subject these hypotheses to empirical testing via appropriate statistical tests.

The literature survey and the derivation of such hypotheses proceeds in two stages. At an initial stage, several major hypotheses having import for the development potential of the sector are developed in Chapter 1 from a discussion of broader issues in the informal sector debate. Later as the analysis proceeds, these are broken down to a sub-set of hypotheses in order to facilitate the empirical testing. At this stage, literature review is utilized to specify the variables that are associated with respective hypotheses.

For the testing of these hypotheses, it was necessary to obtain a wide variety of data on informal sector enterprises, participants and other related issues. A survey of the informal sector in Dacca was carried out in 1979 to generate these data. Thus the research method of this study takes on an inductive rather than deductive approach.

The survey provides micro level data on both labour force and enterprises in the following specific areas:

1. The Labour Force: Their personal characteristics, education, skills, migratory and occupational background, job histories and occupational mobilities, reasons for involvement in the current activities, income earned and saved and motivations for continuing; activities of the family members, position in the household, and income and expenditure pattern of the household.
2. The Enterprises: Their locations, ownerships, scales of operation, and histories; the type of goods and services produced; capital employed and sources of funding; the labour inputs, their recruitment, wage levels and turnover; technology adopted, type of tools and equipment and raw materials used in the production process; the nature of the market and competition faced; their linkages with the rest of the economy for supplies as well as marketing output; expenditures and revenues, constraints in operating and likely expansion; and future prospects.

The survey questionnaire does not provide macro level data necessary to examine the process of informal sector growth or for an evaluation of comparative labour force characteristics and economic performance of the informal and formal sector. This information was drawn from secondary sources including government publications on population censuses, Census of Manufacturing Industries, and statistical reports of the Bureau of Statistics and some other published and unpublished research materials.

With this note on the general approach of the research, the attention is now turned to the sampling procedure for the questionnaire survey that forms the core of this study. In this regard, the first requisite is to define the informal sector empirically in order to identify the population of the survey.

Definition of the Informal Sector in Dacca

Various approaches to the definition of the informal sector, at a conceptual level, were reviewed in Chapter 1. It appeared from that review that most writers tend to define it by referring to some employment or enterprise-related characteristics. A listing of those characteristics, however, serves little purpose when the concern is to define the sector in a form suitable for empirical analysis. This is because most of those characteristics such as ease of entry or lack of job protection, cannot be visually verified for a particular enterprise and hence do not offer much guidance in deciding if it is to be included in a survey.¹

Probably due to this problem in operationalizing the characteristics-based definition of the informal sector, the general tendency among empirical researchers is to define it by a certain size of enterprise, usually measured by number of persons employed. Table 2.1 summarizes empirical definitions adopted by a number of writers. As the table shows, the cut-off line for defining the informal sector is drawn at

¹ For discussions of problems associated with the identification of informal sector empirically see Sethuraman, 1976; Mazumdar, 1977; and Fowler, 1978.

Table 2.1 A Summary of Various Approaches to Defining the Informal Sector Empirically

Denoted As	City/Area	Defined As	Author
Informal Sector	Nairobi	All firms excluded from official statistical enumeration	ILO, 1972
Informal Commerce	Calcutta	Trading enterprises employing up to 4 persons	Bose, 1974
Informal Manufacturing	Calcutta	Manufacturing enterprises with less than 10 employees	Bose, 1974
Traditional Sector	Colombia	Enterprises with fewer than 5 workers	Berry, 1975b
Urban Traditional Sector	Peru	Establishments with less than 4 workers	Webb, 1975
Unorganized Sector	Bombay	Enterprises having fewer than 25 workers	Joshi and Joshi, 1976
Unprotected Sector	--	Residual of all private enterprises after excluding the "large" enterprises whose pay and working conditions of work are protected	Mazumdar, 1976
Informal Sector	Belo Horizonte	All establishments which do not contribute to social security arrangements and domestic workers	Merrick, 1976
Informal Sector	Latin America	All those engaged in domestic service, casual labourers, the self-employed and employers, white-collar & blue-collar, and family workers in enterprises with a total staff of not more than 4 persons	Souza and Tokman, 1976
Informal Sector	Ghana	Enterprises having fewer than 5 workers	Sethuraman, 1977a
Informal Sector	Nairobi	Enterprises with less than 5 employees or those with more than 5 but which operate in semi-permanent or temporary premises	House, 1977

Table 2.1 Continued

Denoted As	City/Area	Defined As	Author
Informal Sector	Kenya	People working in a non-permanent work place	Harvie, 1977
Unorganized Sector	South India	Residual of 'industries' having more than 10 workers with electricity, or more than 20 workers without electricity	Harriss, 1978
Informal Sector	Colombo	Enterprises with less than 5 employees	ILO, 1978
Informal Manufacturing	Kumasi (Ghana)	Enterprises not employing more than 10 persons on full time basis and operating in a structure or on a fixed recognizable location	Aryee, 1977
Informal Sector	Pakistan	All non-industrial establishments with fewer than 20 workers, and industrial establishments with fewer than 10 workers	Guisinger and Irfan, 1980

enterprises employing 5, 10 or 20 workers per unit, depending on the coverage of government data collection machinery or rules and regulations governing economic activities in respective countries. One justification given for such a choice is the assumed relationship between small size and attributed characteristics of informal sector (Mazumdar, 1977:17). But often the choice of size criterion reflects availability of a distinguishing mark provided by government regulations on the registration and enumeration of economic concerns. Such a choice, as admitted by Guisinger and Irfan, is "dictated by the availability of data and not theory" (1980:413).

In the present research also, the size of enterprise, measured by number of persons employed, was initially thought to be appropriate for

defining the population of the survey. But, during the initial period of field work, it became apparent that using size as a sole criterion to determine the "informality" of an enterprise could be misleading. The first problem arose in rationalizing the choice of a particular enterprise size. If the informal sector is to be identified with enterprises which are not enumerated, as many researchers do for empirical purposes, it seemed that enterprises with fewer than 10 employees could appropriately be used as a basis for defining the population of the survey since the Factories Act requires enterprises with 10 or more workers to report to and register with the Inspector General of Factories.² It was clear, however, that the use of this criterion would include in the informal sector all trading, transport, and most of the service and construction enterprises in the city, and also probably in the country as a whole. Such a definition would, therefore, bring into the fold of the informal sector businesses housed in even the most fashionable shopping centres in the city or services such as travel and export-import clearing agencies. Similarly, services of professional groups such as doctors and lawyers also cannot be eliminated if no additional criteria are applied.

2 To be accurate, "the government has legal sanction for collecting information from factories as defined under section 2(j) and 5(1) of the Factories Act, 1934 or section 2(f) of the Factories Act, 1965" (BBS, 1978a:i). Section 2(j) denotes those manufacturing units which employ 20 or more workers without power; section 5(1) refers to those units which employ 10 or more workers with or without power. Section 2(f) is a simple modification of section 5(1) in order to exclude mines subject to the operation of the Mines Act, 1923. These three sections together suggest that all manufacturing units employing 10 or more workers are liable to register and provide statistics on their operation.

Even in the case of manufacturing, the sector for which the Factories Act is relevant, use of employment as a criterion would locate in the informal sector a large number of modern workshops which resemble formal sector factories in their organization, degree of mechanization, and working conditions. Lumping these enterprises together with a street hawker, a rickshaw driver, a brick-breaker, a lock and key repairer or an artisan - some of the typical groups in the informal sector - was not considered appropriate. Setting the limit to an arbitrary number of five or less would have eliminated some of these essentially formal sector firms, but would have left out many enterprises with informal sector characteristics such as unclear legal status, low labour skills and capital requirements, primary reliance on indigenous resources or scrap materials, and relative ease of entry.

A related problem arises because such a definition cannot distinguish between the informal sector and the long-prevailing notions of small-scale or cottage industries. For instance, in Bangladesh, small-scale industries (SSIs) are officially defined as enterprises with fixed assets of up to Tk. 2.5 million, which implicitly includes enterprises employing less than 10 workers since enterprises of above that size are defined as medium and large industries, together referred as CMI's.³

³ Large and medium industries refer to manufacturing units covered under sections 2(j) and 5(1) of the Factories Act as explained before. CMIs stand for Census of Manufacturing Industries, so called because annual censuses are taken of these industries. An ambiguity arising out of these official definitions of SSIs and CMIs should be noted. While the former is defined by size of capital employed, the latter is designated by size of employment per enterprise. This may lead to some overlap between the two broad groups, particularly between small and medium industries. For comparative economic characteristics of these groups of industries see Table 6.2 in Chapter 6.

Thus if employment size of enterprise alone is used in identifying informal sector, the concept itself becomes superfluous since enterprises that would follow from such a definition are already denoted as SSIs. However, that the concept of informal sector is not superfluous is illustrated by the simple historical fact that the other concept, (i.e., 'small-scale enterprise') was never utilized to enquire into the kinds of activities that are currently being addressed in the informal sector literature. Small-scale enterprise, at least in Bangladesh, has traditionally been used to refer to those business activities which were below the firms that were organized into a factory system; it was not meant to include those enterprises which are identified in this study as belonging to the informal sector.⁴

The picture is further complicated by the fact that some of the small-scale industries are registered and others are not (see BBS, 1978b). If we are to include the unregistered enterprises in the informal sector, as would be expected, by separating out the registered ones, it is not possible to do that by referring to size since both types, i.e., registered as well as unregistered, are of similar size by

⁴ This is illustrated by the substantial difference between small-scale industries (registered) and manufacturing enterprises in our sample in their economic characteristics. For instance, average size of the former group of enterprises exceeds that of the latter by a factor of almost 10 or 3, depending on whether fixed assets or labour employed per enterprise is utilized in the measurement (see Tables 6.1 and 6.2 for data on comparative economic characteristics of relevant groups of enterprises). This, together with the definition of a factory as cited before, indicate that enterprises in this study belong too far below their counterparts in the factory system as well as below those of the officially defined small-scale industries. This strengthens the point made here that the informal sector is different from small scale enterprises.

definition, known as small-scale enterprises employing fixed assets of the Tk. 2.5 million or 10 workers per unit.

All this provides a clear warning against unqualified identification of the informal sector with small-scale enterprises. Although size of an enterprise provides an initial demarcation between the informal and formal sectors, further screening is necessary to exclude enterprises which would belong to the formal sector, notwithstanding their small size, for reasons such as their registered status. Since normally enterprises of a certain size are required to be registered, one may think that the choice of that particular size as a criterion would be sufficient. This is however not so because there are enterprises which are not registered despite their legal requirement, and there are professional services such as those of doctors and lawyers which are required to be registered no matter how small their practices may be.

In this respect, Sethuraman (1976:81) provides a useful direction by suggesting some multiple criteria for identifying informal sector enterprises. But several of his criteria are neither necessary conditions for inclusion in the informal sector nor do they facilitate its identification. That is: (1) the enterprise distributes output directly to the consumer, (2) members of the household of the head of the enterprise work in it, and (3) it does not observe fixed hours of operation. These are not necessary conditions because there are no a priori reasons to exclude an enterprise from the informal sector if it works on contract as opposed to dealing directly with final consumers, or if it observes some fixed

working hours, or if members of the owner's household do not work in it. Moreover, one easily finds instances of large and modern firms which deal directly with consumers, do not necessarily observe fixed hours or holidays and in which members of the owner's household are employed. Even if one ignores this problem by assuming that such cases will be exceptional, the basic problem remains because application of these criteria requires considerable information about the functioning of an enterprise and hence such criteria are ineffective for identifying the population of enterprises for survey purposes.

Therefore, it is important that identification criteria meet two requirements: first, these need to flow from a basic definition and second, they should be applicable without much prior knowledge if they are to offer guidance for identifying the enterprises of interest. With this in view, the informal sector is defined in this study first, at the conceptual level, to include all enterprises which are not officially regulated and which operate outside the incentive system offered by the state and its institutions. In contrast, enterprises which enjoy official recognition, protection and support are defined as formal sector enterprises. No such support or protection is available to informal sector enterprises. At best, these enterprises are tolerated but the norm is to subject their operators to routine harrassment or pursue overt and covert policy with the aim to reduce or eliminate these "unauthorized economic activities" altogether.⁵ At the empirical level, the informal sector in Dacca is defined to comprise those economic enterprises which employ less than 10 persons (including the owner) per unit and which

simultaneously satisfy one or more of the following conditions:

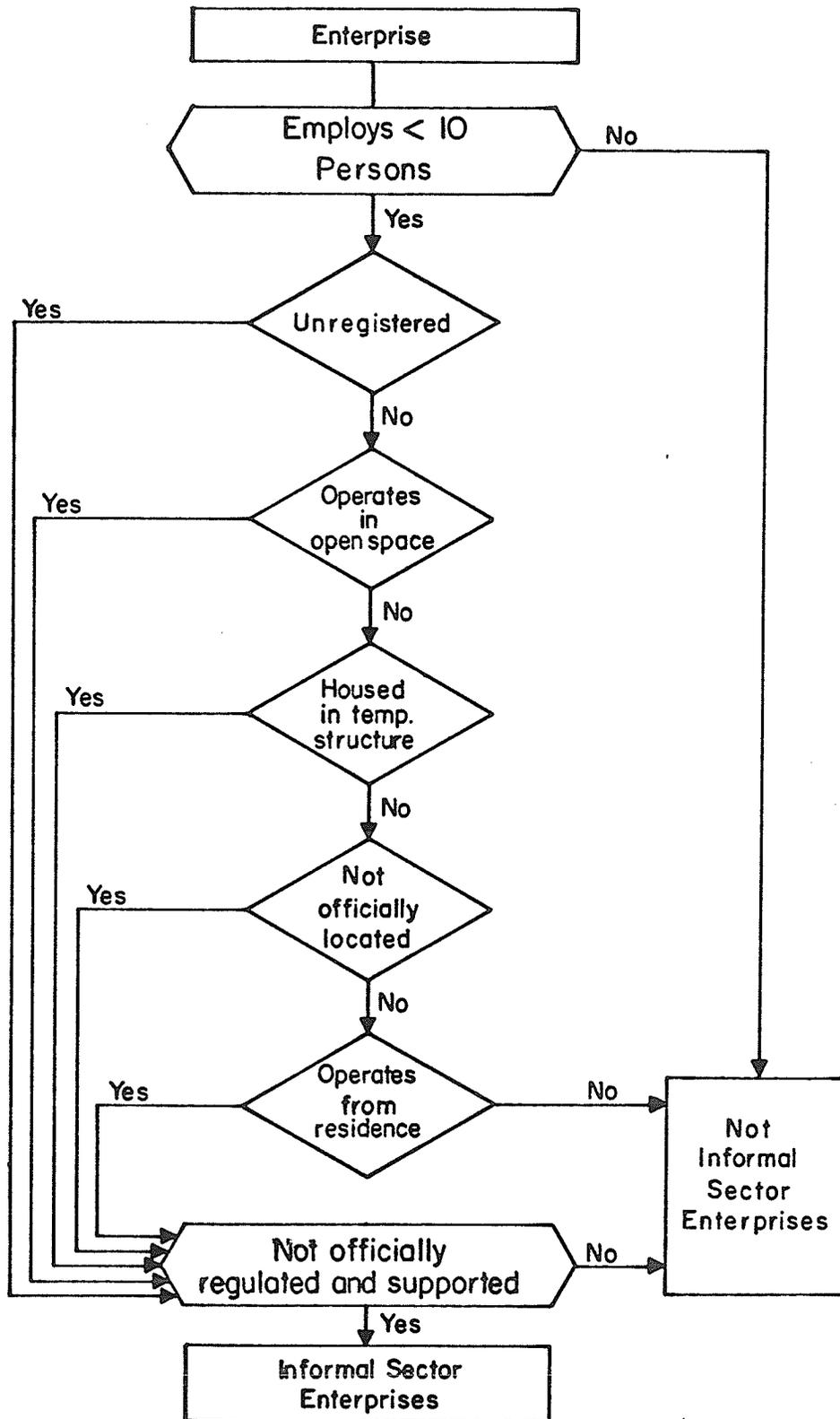
1. It operates in open premises;
2. It is housed in a temporary or semi-permanent structure;
3. It does not operate from spaces assigned by government, municipality or private organizers of officially recognized market-places;
4. It operates from residences, or backyard; and
5. It is not registered.⁶

The above conditions, which provide a set of criteria for identifying informal enterprises, are portrayed in Chart 2.1. We argue that the particular size of these enterprises, the nature of premises or type of structure from which they operate, and their legal status (in not being registered or not even having a license/permit) are natural consequences to adjust to personal risk and the hostile attitudes of

⁵ Reports on harassment of hawkers, rickshaw drivers, and handcart pullers frequently appear in the newspapers and magazines. In addition, various subtle policies are directed either to restrict new entry or make these activities obsolete by a host of policy favouring "modernization". The policy towards rickshaw drivers illustrates the case: increased imports of auto rickshaws and strict enforcement of traffic laws in recent years are specifically directed against further growth of rickshaws in the city.

⁶ This refers to registration under the Factories Act, the Shops and Establishments Act or professional groups' regulatory acts. This should not be confused with having a 'trade license', 'permit for hawking' or a license for driving rickshaw. These licenses are given by the City under its by-laws. An informal enterprise as defined in this study may or may not have such a license but it is certainly not registered under the Acts noted above.

Chart 2.1 Decision Model for Identifying Informal Sector Enterprises in Dacca City



dominant groups in society as reflected in government's policies.

To elaborate, let us first consider the criterion of size. Since expansion of an enterprise beyond a certain size would certainly draw attention of the authorities entrusted with implementing the relevant Acts, some types of informal enterprises prefer to remain within certain size limits.⁷ Similarly, since most of these enterprises do not operate within the provision of the city plan, businesses tend to operate either from open premises or structures that are considered temporary so that immediate action from law-enforcing agencies can be avoided. None is allowed to erect a permanent structure unless authorized by the City. In this respect, it does not matter whether one owns the land from which the business is operated. In any case, it is unlikely that an owner of an informal business would own the land, and thus the question of building a permanent structure does not arise. For similar reasons, an enterprise may be forced to operate from a residence. If the nature of the activity permits, operation from the backyard or residence allows one to avoid the constant threat of harassment, eviction, or demolition.

Business operation from an officially allocated premise or structure is considered a privileged position because it facilitates access to many opportunities and to protection by government. Therefore, by definition, such operations are excluded from the informal sector. For similar reasons, registered enterprises are excluded. Although these enterprises are required to submit employment, income and other related statistics on

⁷ This should not be interpreted as a denial of other potent factors, such as capital, as constraints on expansion.

a routine basis, these obligations do not outweigh the privileges that accrue by virtue of being registered. These privileges include access to credit, export-import entitlements, rationed quotas of scarce materials, and public utilities such as water, gas, and electricity. Consequently, some types of informal enterprise would only be too happy to be registered with the government. Although having a trade license, permit for hawking or license for driving rickshaw does not qualify one for comparable support or privileges, it may save one from harassment by police, inspectors, 'mobile courts' and local touts masquerading as law-enforcement officers. But, obtaining such licenses or permits is not easy. Therefore many informal enterprises operate 'illegally'. It should be clear that in many cases their illegal status is not by choice; rather it reflects the reluctance of government or its institutions to legitimize such economic ventures.

In short, it seems that the specific physical features and legal status that we have portrayed in identifying an informal sector enterprise do flow from the basic definition of the sector, used for this study, in which the informal sector is seen as a collective of economic enterprises that operate without government recognition, protection, and support. One advantage of portraying the informal sector in the above manner is that it does not lead one to equate the recent innovation of the concept of the informal sector in development literature with that of a long-prevailing notion of small businesses. In addition, our portrayal of the sector provides a set of criteria that can be applied for survey purpose without much prior knowledge. In fact, except the one on registration, other criteria are applicable from mere visual observation

of an enterprise. For many enterprises whether it is registered or not may not even have to be asked. Still, to be certain, information on registration can be known by a simple query.

One weakness of this approach to identifying the relevant enterprises is the absence of a single, clear-cut criterion that easily and conveniently distinguishes informal sector enterprises from their counterparts in the formal sector. As a result, elements of judgement may enter in the actual application of these criteria.⁸ But such considerations need to be weighed against the limited applicability of using 'small-scale enterprises' as a proxy for informal sector. Overall, instead of mixing up these two concepts, our approach preserves the relevance and usefulness of the latter.

Sampling Technique

Because of heterogeneity of informal sector enterprises with regard to activity type, location, and size, a stratified random sampling technique was thought to be more suitable for sampling purposes. Before the actual stratification could be undertaken, the sample unit, sampling frame, and stratification variables, had to be defined, the details of which are given below.

⁸ In our case, this problem was remedied or significantly reduced by training the investigators in an intensive seminar on the concept and basic characteristics of the sector. They were provided the chart setting out the criteria (See Figure 2.1) and were taken on field rounds for practical application of these criteria to identify the relevant units.

Sample Unit

The sampling unit of the survey was the enterprise, defined quite broadly to include all business operations from which someone was trying to make a living. This could either be in the form of an individual selling his only possession, labour power, mostly without any capital, e.g., a rickshaw driver or a construction worker; or in the form of an economic unit in which labour and capital were being combined in some type of institutional setting, no matter how rudimentary its form, e.g., a repair workshop or a tailor shop.

In cases where in addition to the owner, the enterprise had workers, whether unpaid family members or employed labour, the unit with all its participants was considered the sampling unit. Defined this way, it was possible to integrate enquiries on the enterprise, its owner and worker(s), and their respective households in a single survey design. Instead of conducting three separate surveys, one on enterprise, another on the labour force, and a third on the households involved in the enterprise, each dealt separately in a 'uni-subject survey', this 'multi-subject survey' (Murty, 1967:504) was preferred for its operational efficiency, both in cost and administrative terms.

The questions on the enterprise were put to the head of the enterprise. This could either be the owner himself or, in his absence, the operator who was running the enterprise on behalf of the owner. Labour force data were obtained by directly asking both the owner and the worker(s). Similarly, respective relevant household information was obtained by asking owners as well as workers.

Sample Frame

In carrying out the survey, a major decision had to be taken with respect to the sampling frame. Neither the Census Commission nor the City Administration could provide relevant information which could be utilized in constructing a sampling frame. Selection of samples without reference to any sampling frame was deemed unsatisfactory for subsequent statistical tests. The decision taken, therefore, was to create a frame for the study. Ideally, an exhaustive listing of all economic activities in the informal sector of Dacca would have constituted the sampling frame. But, within the limited resources available for this study that could not be undertaken. The alternative, considered to be both acceptable and practicable, was to select a few major areas of Dacca in which economic activities of interest to the study were concentrated and then to prepare a complete listing within each area of those activities which fit the criteria defining the informal sector.

Selection of Areas

Since the sampling frame was prepared on the basis of a list of appropriate economic activities, the area boundaries were defined by the concentration of such activities rather than by geographic delimitations of the city. The method adopted was, therefore, to locate these concentration zones in the city and then to select a suitable number of them for the survey. By extensive tours of the city, with the assistance of experienced residents and the investigators of the project, these concentrations were first identified. Seven of these areas were ultimately selected throughout the city as indicated in Figure 2.1.

In the selection process some stratification criteria were applied; in particular, (1) land use patterns of the city, and (2) the concentration of specific type of activities. With respect to land use patterns, areas were selected from commercial and residential districts, from both the old town and the new town, and from the city centre and suburbs. With respect to specific type of activities, concentrations of trade, service and manufacturing - the three industrial divisions of all activities in the sampling frame - were also considered in the area selection.

The basic criteria underlying the selection of a particular area for study are summarized in Table 2.2. The area names that follow are the popular names, by which the people identify those locations, and do not correspond to the geographic division of the city by wards, used for electoral and city administrative purposes.

Table 2.2 Criteria Used in Selection Survey Areas

Area Code	Name of Area	Stratification Criteria	
		By Land Use Division	By Activity Concentration
1.	Gulistan-Baitul Mukarrom	Within C.B.D.*	Petty Trade
2.	New Market	Residential** (middle-income)	Petty Trade
3.	Central Jail Area	Old Town	Manufacturing
4.	Dolaikhal	Old Town	Repair Works
5.	Mirpur	City Suburb	Handicrafts
6.	Rayerbazar	Residential (low-income)	Handicrafts
7.	Mouchak - Rampura	Along Highway	Repair Works

*C.B.D. denotes Central Business District or downtown of the city

** The reference here is to the surrounding areas of the market.

Please refer to the text for description on area characteristics.

Gulistan - Baitul Mukarrom

Selected as simultaneously representating the Central Business District (C.B.D.) and a concentration of street hawking, this area is located in the city centre. Enumeration in this area provided the single largest block of enterprises, (1,589 out of a total of 4,418 of all areas). Out of this 1,589, 89 percent were engaged in selling goods of one kind or another.

Located near to many government and private offices, the stadium, various venue of political meetings, the central city mosque, and the terminal point of bus routes, this area enjoys an excellent opportunity for access to customers consisting of low-income formal sector employees, bus passengers, games and sports fans, and the like.

Almost all of these activities operate from open space, street pavement and vacant premises around the modern shopping squares in the area. The area vibrates in activities all day and business continues until late evening. It appears to be the most crowded street hawking zone of the city.

New Market

Centrally located around middle income residential areas of Azimpur, Dhanmondi, Elephant Road and Nilkhet, this area represents another substantial concentration of informal economic activities in the city. As in the case of Gulistan-Baitul Mukarrom, New Market is characterized by a marked concentration in petty trade. Of the 777 enterprises listed in this area, 91 percent are in trade. The New Market proper is, in fact, a supermarket. The activities included in the list operated in and around this main market. The Katcha Bazar and the 'Hawkers' Markets' were not included, since these are government, municipal or officially recognized private marketplaces.

Central Jail Area

Situated in the older part of the city, this area was selected as representative of both the old city and an area of artisanal production.

It appears to be a zone characterized by varied production activities that require technical skill. The enumeration results, however, show that only 19 percent of the 695 activities listed in the area may be classified as manufacturing. If repair works are included, the total proportion of activities requiring mechanical work, is 42 percent. The remaining 58 percent were engaged in trade, even though this is an area of apparent concentration in manufacturing activities. This pattern re-occurs in other areas of the survey, indicating the predominance of trade within the informal sector of Dacca.

Dolaikhal

Located in a small district between the Nawabpur Road in the west and Narinda Road in the east, this area represents a concentration of various repairing services. Reclaiming scrap metals, engines, and tyres from worn out vehicles and other machinery, and salvaging wood and tin from packing cases, the entrepreneurs here rebuild and repair vehicles and other machinery and their parts. Welders, painters, blacksmiths and other metal workers are found making or repairing a variety of household items, mostly utilizing second-hand materials. During the survey it was found that these entrepreneurs also function as suppliers and collectors of scrap items, particularly metal and rejected tyres, to and from other informal sector operators throughout the city.

Trade however, remains the predominant activity, claiming 65 percent of the total of 306 enterprises enumerated in the area. Manufacturing (25%) and services (10%) account for the remainder.

Mirpur

This area was selected to represent a city suburb. The survey coverage, however, was limited to Section 10 and 11 of the area. This area is notable for handiwork in 'benarasee sari' and craftsmanship in carpet making. The background of a significant number of people in the area distinguishes them from other migrants in the city. This difference exists because this area was formerly an exclusive zone of non-Bengalees who migrated to the then East Pakistan from India after partition of the sub-continent in 1947. Since independence of Bangladesh in 1971, the non-Bengalees have been plunged into an uncertain situation, because of their allegiance to Pakistan. Some have already left Bangladesh, others are in a transitory situation waiting to be patriated to Pakistan. Meanwhile, job and ownership change along with outmigration are adversely affecting the traditional enterprises of the area.

Rayerbazar

Selected to represent a low-income residential zone, 248 enterprises were enumerated within this area, including traditional crafts and artisans such as potters and goldsmiths. This used to be predominantly a Hindu area. Among other factors such as competition from modern ceramic industries and jewelleries, the steady outmigration of Hindus to India since 1947 has eroded the significance of these crafts, both in employment and output terms.

Mouchak - Rampura

The principle reason for selecting this area was to include in the

survey a belt along a highway within the city boundary. The enumeration here was limited to a small cluster of repairing activities, located between the Mouchak market and Rampura television station. The explicit intent was to get representation of some typical activities such as automobile repairs that concentrate along the highways. Nonetheless, out of a total of 79 enterprises enumerated only about half were found to be repairing in nature.

The enumeration was accomplished by completing for each enterprise a brief schedule collecting basic information which was later utilized for the stratification of the master frame. Although one of the criteria in area selection was to represent specific activity groups, the enumeration included all activities in the selected zone.

Table 2.3 shows the distribution of these enterprises in the areas of selection by activity group.

Stratification of the Frame

The enumeration provided a list of 4,418 enterprises which was then stratified. The three principal stratification variables were area, activity group, and size, measured by number of persons employed. Stratification by area was of course inherent in the enumeration procedure, as described above. To a lesser extent, area selection also reflected division of the enterprises by activity type. But the final stratification by activity type was based upon the enumeration results. For stratification of enterprises according to activity, these were classified into three groups - trade, service, and manufacturing - closely

following the International Standard Industrial Classification of all economic activities.¹⁰

Size, defined by number of persons working in the enterprise, was the third stratification variable. The three size classes used for this purpose were: (1) one person enterprise, (2) two person enterprise, and (3) enterprises with three and more participants. Table 2.4 shows this distribution within each activity group.

This stratification procedure generates 63 strata in total (7 areas x 3 activity groups x 3 size classes = 63).

A random sample was then drawn from each of these 63 strata for detailed study.

Sample Allocation

The sample drawn from each strata was determined by (1) the relative homogeneity within a stratum, (2) the cost of interviewing, and (3) the need for a suitable sample size from strata of particular interest to the study. For example, proportional allocation of the sample would have generated a needlessly large number of enterprises from a relatively homogenous groups such as street hawkers who, although they sell diverse type of goods, are not likely to vary widely in their economic characteristics (e.g. capital used, income earned and scale of operation). In

¹⁰ For a comprehensive picture on the varied nature of the activities and their industrial grouping see Table 4.1 in Chapter 4 and Appendix B on Activity Catalogue.

Table 2.3 Distribution by Activity Groups* of Location-Specific Informal Economic Units in Sampling Frame within Each Area

Area	Enterprises by Type of Activity			
	Trade	Service	Manufacturing	Total
Gulistan-Baitul Mukarrom	1,412 (88.9)	140 (8.8)	37 (2.3)	1,589 (100)
New Market	707 (91.0)	64 (8.2)	6 (0.8)	777 (100)
Central Jail Area	403 (58.0)	158 (22.7)	134 (19.3)	695 (100)
Dolaikhal	200 (65.4)	29 (9.5)	77 (25.2)	306 (100)
Mirpur Section 10 & 11	394 (54.4)	150 (20.7)	180 (24.9)	724 (100)
Rayerbazar	112 (45.2)	65 (26.2)	71 (28.6)	248 (100)
Mouchak - Rampura	4 (5.1)	39 (49.4)	36 (45.6)	79 (100)
Total	312.32 (73.2)	645 (14.6)	541 (12.3)	4,418 (100)

Figures in parentheses show percentage distribution.

* For classification of enterprises by activity types see Chapter 4 and Appendix B.

contrast, such an allocation would have produced very few enterprises engaged in manufacturing or services; consequently, the sampling error would be high thus precluding separate analysis of these industry groups. Thus in order to achieve a balanced sample size from each industrial group, the sample proportion was determined in the following order: 5 percent from trade, 10 percent from service, and 20 percent from manufacturing.

Table 2.4 Percentage Distribution by Employment Size Class of Informal Economic Units within Each Activity Group

Activity Group	One Person Unit	Two Person Unit	Unit with Three Persons or more	Total
Trade	2,085 (65.5)	797 (24.7)	350 (10.8)	3,232 (100)
Service	353 (54.7)	146 (22.6)	146 (22.6)	645 (100)
Manufacturing	112 (20.7)	111 (20.52)	318 (58.8)	541 (100)
Total	2,550 (57.7)	1,054 (23.9)	814 (18.4)	4,418 (100)

A sample size of 337 resulted from this procedure thus providing an overall sample proportion of 8 percent. A summary of the master frame with its stratification and the corresponding sample allocation to each stratum is provided in Table 2.5. The actual sampling fraction is shown by area, activity and size group in Table 2.6.

Sampling of construction and transport activities represents a major departure from the above sampling technique. Since these activities are not location-specific, they could not be included in the basic frame which was constructed on an area-based enumeration. Since inclusion of these activities was important because of their significance in the informal sector, an alternative procedure had to be found for sampling these two activities. Two separate samples for construction and transport activities each of size 50, were randomly selected from different parts of the city.

With the addition of 50 units each from construction and from

Table 2.5 Summary of Stratification of Sample Frame and Sample Allocation to Each Stratum* by Area, Size, and Activity Group

Area	ACTIVITY GROUP															Area Total
	Trade				Service				Manufacturing				Total			
	by Size**			Total	by Size**			Total	by Size**			Total				
	Size 1 (1)	Size 2 (2)	Size 3 (3)		Size 1 (4)	Size 2 (5)	Size 3 (6)		Size 1 (7)	Size 2 (8)	Size 3 (9)			Size 1 (10)	Size 2 (11)	
Gulistan-Baitul Mukarrom	1,130 58	229 11	53 2	1,412 71	129 13	7 1	4 1	140 15	29 6	4 1	4 1	37 8	1,589 94			
New Market	447 22	185 9	75 4	707 35	60 6	3 1	1 -	64 7	5 1	0 -	1 -	6 -	777 43			
Central Jail Area	193 10	125 6	85 5	403 21	53 5	56 7	49 4	158 16	21 4	40 8	73 14	134 26	695 63			
Dolaikhal	45 3	92 5	63 3	200 11	3 -	8 1	18 2	29 3	1 -	8 2	68 13	77 15	306 29			
Mirpur Section 10 & 11	225 11	124 6	45 2	394 19	80 8	44 4	26 3	150 15	45 9	37 8	98 19	180 36	724 70			
Rayerbazar	43 2	40 2	29 2	112 6	24 2	18 2	23 2	65 6	10 2	15 3	46 9	71 14	248 26			
Mouchak - Rampura	2 -	2 -	0 -	4 -	4 1	10 1	25 2	39 4	1 -	7 2	28 6	36 8	79 12			
Grand Total	2,085 106	797 39	350 18	3,232 163	353 35	146 17	146 14	645 66	112 22	111 24	318 62	541 108	4,418 337			

* Top figure in each box represents the number of units belonging to a stratum and the figure immediate below shows the corresponding selected sample size.

** Size 1 = One person unit, Size 2 = Two person unit, Size 3 = Units with three persons or more.

Table 2.6 Allocation of Sample and Sampling Fraction by Area, Activity and Size Group

Stratum	Total Sample Frame Units	Sample Units	Sampling Fraction
<u>Area</u>			
Gulistan - Baitul Mukarrom	1,589	94	5.9
New Market	777	43	5.5
Central Jail Area	695	63	9.1
Dolaikhal	306	29	9.5
Mirpur	724	70	9.7
Rayerbazar	248	26	10.5
Mouchak - Rampura	79	12	15.2
<u>Activity Group</u>			
Trade	3,232	163	5.0
Service	645	66	10.2
Manufacturing	541	108	20.0
<u>Size Group</u>			
One-Person Unit	2,550	163	6.4
Two-Person Unit	1,054	80	7.6
Units with Three Persons or more	814	94	11.5
Total	4,418	337	7.6

transport, the total sample size for the survey rose to 437. This changed the proportional distribution of the total sample among activity as well as size groups. The final distribution is shown in Table 2.7.

Table 2.7 Distribution of Total Sample Units by Size Classes among the All Five Activity Groups in the Final Sample

Activity Group	One Person Unit	Two Person Unit	Unit with Three Persons or more	Total
Trade	106 (65.0)	39 (23.9)	18 (11.0)	163 (100)
Service	35 (53.0)	17 (25.8)	14 (21.2)	66 (100)
Manufacturing	22 (20.4)	24 (22.2)	62 (67.0)	108 (100)
Construction	49 (98.0)	--	1 (2.0)	50 (100)
Transport	43 (86.0)	6 (12.0)	1 (2.0)	50 (100)
Total	255 (58.4)	86 (19.7)	96 (22.0)	437 (100)

Figures in parentheses show percentage distribution of units by size classes among the five activity groups in the final sample.

The head¹¹ of these 437 sample economic units provided data on the enterprise. Data on the participants' personal characteristics, migration and job history, were obtained by interviewing 790 people, of which 437 were the same persons who provided information on the enter-

¹¹ The head is defined to be either the owner or in his absence the operator of an enterprise.

prise. The remaining 353 were workers in these enterprises.¹² They would either be family labour or hired labour.

The actual survey administration and interview method are described in the next section.

Administration of the Survey

During field work affiliation with the Bangladesh Institute of Development Studies was useful for the opportunity to interact with local researchers and for maintaining a central office to coordinate the work of the project. Seven full-time investigators worked during the enumeration phase and five during the final interviewing for the questionnaire survey. In recruiting investigators, economics or other social science students were preferred, special attention was paid to their abilities to persuade, to undertake painstaking work, and if necessary to function in inhospitable situations. They were directly trained and supervised by the author.

As a result of a pilot survey, some changes were made both in the format of the initial questionnaire and in the language of some questions. For example, it was found appropriate to put the questions on workers directly to them, instead of asking owners to supply such information. A copy of the final questionnaire is provided in the Appendix C. The questionnaire was completed by the personal interview method at the

¹² A maximum of 5 persons including the owner were interviewed from each enterprise. Thus although interviewing was not exhaustive of all persons engaged in one enterprise, it did not introduce any significant bias since only 18 enterprises (out of 437) had more than 5 persons engaged in them.

workplace. Interviewers filled out the answer of each question on the basis of information provided by the owner and worker(s).

In an attempt to control non-sampling errors arising out of different interpretations by different interviewers, terms and concepts were explained and defined. Notes and instructions were given either in the questionnaire or along with it. Clarifications of doubts and ambiguities raised by interviewers were dealt with in group meetings designed to maintain uniformity in procedures. Completed questionnaires were checked daily to ensure that all questions were completed and that responses were internally consistent. Apparent defects were remedied in consultation with the interviewers or by cross-checks. Some questionnaires were returned and the interviewers were asked to seek clarification directly from the respondents. In a few cases, complete rejection of the questionnaire was necessary and the interview had to be conducted again.

Survey Response

In such a survey the incidence of non-response is expected to be substantial. This could happen either because of difficulties in finding the sample units after two or three months (the intervening period between the work for the sample frame and the final interviewing) or because of refusal to answer questions for a variety of reasons. A reserve sample list was, therefore, prepared in order to replace those cases which could not be interviewed either because of non-cooperation in answering the questions or because these units could not be found. As Table 2.8 shows, 57 cases had to be replaced with units from the reserve list, which implies a 83 percent response rate in the survey.

Table 2.8 Survey Non-Response by the Major Sample Strata*

Stratum	No. included in sample (1)	No. taken from reserve (2)	Percentage of non-response (3)
Trade 1	106	13	12
Trade 2	39	6	15
Trade 3	18	5	28
Service 1	35	5	14
Service 2	17	4	24
Service 3	14	4	29
Manufacturing 1	22	7	23
Manufacturing 2	24	3	13
Manufacturing 3	62	10	16
Total	337	57	17
All Trade	163	24	15
All Service	66	13	20
All Manufacturing	108	20	16
Total	337	57	17
Size 1	163	25	14
Size 2	80	13	16
Size 3	94	19	20
Total	337	57	17

* 1, 2, 3 represents employment size classes, e.g., Trade 1 means one person unit and so on.

A 17 percent non-response rate was not considered serious in view of the nature of the activities surveyed and no systematic bias was observed. But it was revealing to find that the highest non-response rate (20%) came from the relatively larger enterprises, not the ones which were difficult to locate. A plausible explanation for this might be reluctance on the part of relatively large enterprises to answer questions from fear of income tax and municipal regulations, although the point was repeatedly made that the research had nothing to do with any government administrative agency.

Some Qualifications

The sampling procedure adopted was basically intended to reduce sampling and non-sampling errors in the survey results. An additional note seems to be in order concerning several methodological deficiencies that became evident as the project developed, the ways in which some of them were resolved and others which could not be dealt with satisfactorily within the scope of the study.

First, even after the pre-test, the final questionnaire contained vocabulary which appeared to be remote to respondents, living a life distant from educated lifestyle and thoughts. To the extent respondents had difficulties in understanding and replying to those types of questions, biases may have entered the study. The scope of such bias is unknown. But since the questionnaires were administered by a small group of well-trained interviewers, closely supervised by the author, it can reasonably be expected that the same questions measured the same variables in all cases. The interviewers were particularly advised to explain the

questions with patience and to establish a friendly relationship in order to earn the confidence of the respondents.

Second, some variables could not be measured quantitatively, even though their importance was recognized at the initial stage of the survey. For example, the exact proportion of linkages with other sectors of the economy could not be determined because of the lack of precise data on quantities of purchases by their sources and sales by their buyers. The best that could be done was to ascertain the major sources from which these supplies were obtained and principal customers to whom these were sold.

Finally, a number of factors may limit the generalizability of the results:

(1) The sampling frame used was a partial one in the sense that the enumeration of informal sector activity was not inclusive of the whole city. Only certain areas of the city were selected for the survey. The frame itself, therefore, might more appropriately be called a 'master sample'. There is no reason, however, to doubt seriously the representativeness of the city, since the selection of the areas were based on a careful stratification of the city.

(2) Since the selected areas represent concentrated pockets of informal sector activities, the survey missed less concentrated informal sector enterprises scattered throughout the city. For the same reason, mobile hawkers who go around residential areas could not be included. Domestic servants, beggars and prostitutes were also excluded from the survey coverage.

(3) The survey areas were more "street-oriented", and as a result, the survey probably missed those enterprises which were located off the

street or within residences. To overcome this limitation, interviewers were frequently advised to enumerate all units within the circumference of the selected area and not to limit their work to the main streets only.

(4) In spite of careful procedures followed in listing the enterprises, identification problems can hardly be overemphasized. Again, one need not be too concerned about this. The field research provided a unique advantage for overcoming some definitional problems by close observation. Although not a very strong argument analytically, it was not too difficult to recognize enterprises of interest simply on their visual characteristics.

(5) Another defect lay in the sampling procedure for construction and transport activities. Since no reference could be made to any sampling frame, strict randomness of the samples may not have been attained. On the positive side, the relative homogeneity of these units minimized the sampling problem of these units.

(6) Drawing inferences for the national economy would be further constrained by the fact that the problem was examined more at a micro-level. The methodology adopted was not adequate to examine some of the impacts of the national and international economies on the past, present and future growth of the activities in study.

Despite these limitations, the survey on informal sector activity in Dacca City provided, for the first time, enough data to analyse the composition, functioning, and interrelationship of these activities with other sectors of the economy. In addition, 790 people, interviewed from the basic sample units of 437 enterprises, supplied information on their

personal characteristics, income and job history, migratory background, and attitudes to work and urban life. The results of the survey in general and the specific use of the data for the objectives set forth in Chapter 1 are presented in Chapters 3-6.

CHAPTER 3
CHARACTERISTICS OF THE INFORMAL SECTOR LABOUR FORCE

Our discussion of issues in the informal sector debate in Chapter 1 generated several hypotheses. One set of hypotheses refers to the labour market of the sector. In this perspective informal sector is assigned a buffer role in absorbing a segment of the urban labour force. The hypotheses which seek to explain this role of the informal sector may be presented as follows:

H1.1 The informal sector acts as a provider of income earning opportunities to job seekers with unfavourable personal characteristics, i.e., these who are young or old, females, less educated, less skilled.

H1.2 The informal sector acts as a secondary labour market either as a means of employment for family members or as a source of a second income.

H1.3 The informal sector offers a means to subsist for recent-migrants who are drawn to the urban labour market either due to 'push' or 'pull' factors.

H1.4 Whether recent migrant or not, involvement in informal activity represents a stop-gap arrangement for its participant(s) while waiting for a formal sector job opportunity to open up.

H1.5 The informal sector acts as a supplier of cheap labour based on labour exploitation.

H1.6 By implication of all the above, income from participation in informal activity compares unfavourably with alternative income available elsewhere in the economy especially in the formal sector.

In addition to providing a general profile of the informal sector labour force, the specific objective of this chapter is to test the first three of the above hypotheses. The fourth one, i.e., the one on labour exploitation, is tested in Chapter 5 along with a presentation of evidence on intersectoral linkages between the informal and formal sector. Testing of the last two hypotheses is left for Chapter 6 since comparative labour income available in different sectors of the economy is discussed in that chapter as part of the attempt to assess performance of informal sector enterprises.

For the present purpose, our survey data on (1) employment status and occupational composition, (2) demographic characteristics such as age and sex, (3) educational background and skills acquired, and (4) migration background of the informal sector labour force are utilized. Where possible, the survey findings are compared with similar data for formal sector and/or total urban labour force.

Data on the informal sector labour force derive from the questionnaire responses of 790 individuals who were interviewed from the 437 enterprises sampled. Included are the owners¹ of 437 sampled units and

1 Throughout the study 'owners' means the heads of the sampled enterprises who are the owner-cum-operator of these enterprises. Some heads, 35 transport workers who do not own their vehicles and 49 construction workers, are not owners in the usual sense of ownership of means of earning, except of course their labour power. They are nonetheless treated as owners because first, like owners their income is not fixed and second, unlike workers they are not under any contracted obligations. It is to be noted that unless specified otherwise, the terms 'head', 'owner', 'self-employed', 'own-account worker', and 'operator' denote the same 437 individuals who either owned the respective enterprise or were in charge of it.

353 workers² from those enterprises. Since formal sector activities were not surveyed, comparable data on this sector were collected from secondary sources, the major one being the 1974 census reports. Where comparable census data are not available, other sources are used. Several clarifications on this aspect of the data need to be made. For one, the usual qualifications about census data are applicable. More constraining was the absence of city level data in available census reports.³ Regional distribution of census data is mostly given by 'division', 'district'⁴, and rural and urban classification. This aggregation conceals vital city level information that would be appropriately compared with the survey data. This limitation is serious when testing some hypotheses which require comparable data for both sectors. This was partially overcome by using proxies for formal sector data. For example, Dacca district urban figures are used as proxies for city

2 Among the workers are included three working partners of the enterprises. Where analysis calls for strict separation between owners and workers, they are included with owners.

3 This is unfortunate because data are collected at the city level. The Census Commission probably does not see the need for compilation of data for cities separately. An attempt was made to obtain access to raw data but was not successful.

4 Division and district refer to geographical division of the country into various administrative units. As of 1977, the country is divided into 4 divisions, 19 districts, 65 subdivisions, 465 'thanas' (police station), 4,350 unions, and 68,018 villages (BBS, 1978c:68).

figures when census data for the city alone are not available.⁵ In a few instances data from various research publications are utilized. One such useful publication (Farouk and Ali, 1977) was based on a survey on the "hardworking poor" in Bangladesh which included a city union⁶ representing a cross-section of city household heads. Some city level data were constructed from the figures contained in that study. The same publication covered an industrial belt, adjacent to the city, the data of which were useful for comparing the informal sector labour force with that of modern sector factory workers. Two other notable secondary sources are some publications of the Centre for Urban Studies (CUS, 1976 and 1979) and the Bangladesh Institute of Development Studies (Chaudhury, 1977 and 1978). While the first source provided useful data on squatter settlements and urban poor in Bangladesh cities including Dacca, some data available on migration were obtained from the second source.

Employment Status of the Labour Force

First, the categories of labour are identified by employment status. As Table 3.1 shows, the proportions of family and hired labour in the

5 Dacca district extends much beyond the metropolitan area of Dacca City. Thus these proxies do not accurately reflect actual city figures. However, utilization of Dacca district's urban figures has enabled approximations for the city as closely as possible within the general data constraint (note that Dacca City is vast compared to all urban areas of the district - in fact, it accounts for 75 percent of the total urban population of the district).

6 A union is, as noted above, one of the 4,350 small administrative units in the country. It plays a pivotal role in local government administration.

sample are 19 and 25 percent respectively. The remaining 56 percent are the heads of the sampled enterprises which include three cases of joint partnership.

Table 3.1 Percentage Distribution of Informal Sector Labour Force* by Employment Status

Employment Status	Number	Percent
Enterprise heads	437	55.3
Partners	3	0.4
Hired labour	200	25.3
Family labour	150	19.0
Total	790	100.0

* Unless otherwise specified, "informal sector labour force" throughout this study includes all 790 individuals in the survey.

For several reasons some modifications are necessary in the above classification of the labour force. First, as noted in footnote 2, 'owners' are the heads of 437 sampled units which include construction workers (who are hired on a daily basis) and transport workers (who do not own their vehicle). These two groups can be termed as "short-term wage" and "dependent workers" respectively.⁷ For compatibility with census data, it is necessary to group these two categories with hired labour.

⁷ See Bromley and Gerry (1979:5-6) for such categories of self-employed.

Second, self-employed (i.e., own-account workers) are distinguished from owners who employ one or more remunerated worker(s). Owners in the sample are, therefore, divided into 'self-employed' and 'employers' after the exclusion of 49 construction and 35 transport workers. The latter two groups are included in the category of hired labour. These new categories do not necessarily better describe employment status of the various groups of informal sector labour force. It is done with the sole objective of comparability with census data on the total urban labour force. Table 3.2 gives the distribution, by employment status, of the labour force in the informal sector and the total urban labour force. Comparison of family labour proportions in the two columns reveals that the informal sector has almost four times more family labour than is the case in the total labour force.

Table 3.2 Employment Status of the Informal Sector and the Total Urban Labour Force

Employment Status	Percentage of Informal Sector Labour Force	Percentage of Total Urban Labour Force*	Deviation of col.1 from col.2
Self-employed	32.5	30.6	+ 1.9
Employers	12.5	6.8	+ 5.7
Hired Labour	36.0	57.7	-21.7
Family Labour	19.0	4.9	+14.1
Total	100.0 (790)	100.0 (1,022,060)	-

* Total urban labour force data refer to non-agricultural male labour force of urban area of Dacca district as enumerated in the national census of 1974 (see BBS, 1977:541).

Table 3.2 also shows that in the informal sector there is proportionately less hired labour than in the total urban labour force. The proportion of self-employed in the informal sector appears to be only marginally above that of the total labour force. That the proportion of employers in the informal sector labour force is relatively higher than their corresponding proportion among total urban labour force indicates that the sector is marked by petty producers. The figures of hired labour in the two columns illustrate the point. Among the total urban labour force approximately 7 percent are employers who employ almost 58 percent of urban labour force, while 13 percent of the informal sector labour force are employers who account for employment of 36 percent of the sector's labour force. This should not, however, be taken as an index of employment potential of either sector; it only indicates the scale of operation, defined by number of workers, within the two segments of the urban economy. Again, the contrast, however, did not come out fully since comparison was made with total urban labour force, not with the formal sector.

Occupational Composition of the Informal Sector Labour Force

Occupational category may also be used to classify the labour force. Again for comparability with the census data, the Census Report's classification of occupations is followed.⁸ Admittedly, this classification

⁸ In this classification all occupations are grouped into 7 groups: (1) Professional and Technical (2) Administrative and Management, (3) Clerical, (4) Sales, (5) Services, (6) Agriculture, (7) Production and Transport. This classification, as acknowledged in the Census Report (see BBS, 1977:62), is based on the International Standard classification of Occupations, 1966 (ISCO 1966).

may not reveal the occupational peculiarities of the informal sector. To overcome this a less aggregated occupational distribution is provided after the initial comparison with the total urban labour force occupation is carried out.

Table 3.3 Occupational Distribution of the Informal Sector and the Total Urban Labour Force (Percentage)

Major Occupation Group	Informal Sector Labour Force	Total Urban Labour Force*
Professional	-	5.0
Administrative	-	1.3
Clerical	-	5.6
Sales	31.3	20.6
Service	14.7	7.0
Production	40.0	60.5**
Construction	54.0 [6.7	
Transport	[7.3	
	100.0 (790)	100.0 (1,022,060)

* Data on total labour force refer to 1974 census data of non-agricultural occupations of Dacca district male employment (BBS, 1977:541).

** This figure represents combined proportion of production and transport. The Census Report does not provide separate figures for production construction and transport.

Sales workers, most of whom are street sellers, account for 31 percent of the labour force engaged in informal sector occupations. The

corresponding figure for the total urban labour force is less than 21 percent. Similarly, relatively a higher proportion of informal sector labour force is engaged in service occupations (two to one compared to the total urban labour force). In contrast, production, construction and transport together account for 54 percent of the informal sector labour force; the corresponding figure for the total urban labour force is 61 percent. Although these figures do corroborate a relative dominance of trade-service occupations in the informal sector, they contradict the popular notion that the informal sector is basically a trade-service sector. The figures in the table suggest that well below half of informal sector employment is accounted by trade-service occupations. Although such an outcome may be partly due to the under-representation of trade in our sample⁹, an important reason for smaller employment in trade and service activities is the presence of very large number of minuscule operations in these activities unlike the case of manufacturing.¹⁰

Overall, in contradistinction with the general impression, the table shows that 54 percent of the informal sector labour force are "production workers" as defined in the formal sector data. In addition, it is to be noted that 15 percent are service workers, most of whom are repair workers as shown in Table 3.4, who play a useful capital and foreign-ex-

⁹ See the discussion on choice of sample allocation to the various strata in the survey in Chapter 2.

¹⁰ In fact, two-thirds of trade enterprises are one person operations as compared to one-fifth of manufacturing enterprises (see Tables 2.4 and 2.7 in Chapter 2).

change saving role in the economy.¹¹

As mentioned above, these categories of occupations are too aggregative and do not capture the specialty of informal sector occupations. The occupational composition of the sector is better revealed in Table 3.4 which provides a more detailed distribution of occupations within major occupation groups. As can be seen from this table, street sellers account for 78 percent of the sales workers whereas 9 percent deal in buying and selling old scraps. Sixty-five percent of the service workers are repairers - from lock and key repairers to automobile mechanics. Shoe-shine boys account for about 5 percent of the service group.

The distribution is relatively less disparate among the occupations within production worker group. Metal workers account for about 29 percent of the group, followed by tailors with 21 percent. Spinners, weavers, and knitters account for some 17 percent of informal production occupations. Furniture makers and shoe makers account for 10 and 9 percent respectively. Among construction workers, earth diggers and movers dominate the group with 38 percent. A sizeable proportion (23 percent) work as helpers to masons. Brick breakers account for another 13 percent. Most of these construction occupations require little skill. Compared to this, carpenters, painters, masons and plumbers all of whom are skilled, together account for about one-quarter of construction occupations. Forty-three percent of the transport workers in the sample

¹¹ Several tables in Chapter 5 (e.g., Tables 5.2 and 5.13) provide evidence showing considerable use of second-hand materials and the role of repair works in prolonging use of imported items beyond their normal life span.

Table 3.4 Percentage Distribution of Informal Sector Labour Force across Major Occupation Groups by Type of Work

Occupation	Percent
1. Sales:	
i) Street sellers	78.1
ii) Restaurants and tea stalls operators	12.6
iii) Buyers and sellers of scraps	9.3
Total	100.0 (247)
2. Service:	
i) Repair workers	64.7
ii) Barbers/hairdressers	12.9
iii) Decorators	7.8
iv) Shoe-shine boys	5.2
v) 'Artists' (sign board writers)	2.6
vi) Book binders	2.6
vii) Pavement typists	1.7
viii) 'Hakims/Kabiraj' (medicine men)	0.9
ix) Miscellaneous	1.7
Total	100.0 (116)
3. Production:	
i) Metal workers (tool makers, welders, blacksmiths, etc.)	29.1
ii) Tailors and Upholsterers	20.6
iii) Spinners, weavers, knitters	17.4
iv) Furniture/makers	10.4
v) Shoe makers and other leather workers	8.5
vi) Printers	4.1
vii) Food and beverage processors	3.4
viii) Paper packets and paperboard makers	3.2
ix) Potters	1.9
x) Indigenous medicines	0.6
Total	100.0 (316)
4. Construction:	
i) Earth cutters/diggers	37.7
ii) Mason helpers	22.6
iii) Brick breakers	13.2
iv) Carpenters	13.2
v) Painters	5.7
vi) Masons	3.8
vii) Plumbers	3.8
Total	100.0 (53)
5. Transport:*	
i) Rickshaw drivers	43.1
ii) Hand cart drivers	31.0
iii) "Tempo" (rebuilt autorickshaw) driver	17.4
iv) Bullock cart drivers	8.6
Total	100.0 (58)
Total of all groups	100.0 (790)

* The distribution of occupations within transport workers may not reflect the proportion in the population since samples were selected on a quota basis for this group.

are rickshaw drivers, who dominate the informal transport system. Handcart pullers and 'tempos' respectively account for 31 and 17 percent of the total sample of transport.

These data on occupational composition are remarkably similar to findings of other informal sector studies. For example, Freetown data show that employment in retail trade and restaurants account for 77 and 23 percent respectively of those who are employed in informal trade. The corresponding figures for Dacca are 78 and 13 percent. Similarly, data on the informal sector in Accra show repair services account for half of informal employment in service occupations (Sethuraman, 1977a:7). The corresponding figure for Dacca is 65 percent. More data are available for comparison of informal production occupations for several cities across the continents which show quite uniform dominance of metal workers, tailors, furniture makers, and shoemakers among informal producers in all studies (see Table 3.5). Dacca appears to be different only in terms of a sizeable employment in weaving and spinning (17 percent), which, however, is not surprising in view of the city's long tradition in these crafts.

The other notable point about the composition of informal sector occupations is the time-honoured role of each of them in meeting human needs. The range of these occupations make the informal sector almost a modern equivalent of old "self-sufficient village system" as Marx observed of pre-colonial Indian society.

Table 3.5 Percentage Distribution of Labour Force Engaged in Production Occupations in Selected Cities

Occupation	Dacca	Calcutta	Nairobi	Dakar	Kingston*
Metal Workers	29.1	28.9	12.7	22.3	12.2
Tailors/Wearing Apparel	20.6	-	44.9**	24.5	39.8***
Furniture-makers	10.4	8.2	22.3	28.1	23.7
Shoemakers/ Leather Workers	8.5	4.1	5.2	25.2	-
Spinners/Weavers (Textiles)	17.4	6.7	1.1	-	-
Printing	4.1	2.0	-	-	-
Food and Beverage	3.4	9.5	-	-	9.3
Others	6.5	40.6	13.8		15.0
Total	100.0 (790)	100.0 (2,540)	100.0 (3,033)	100.0 (278)	100.0 (5,074)

SOURCE: For Calcutta see (Bose, 1974:4.6), Nairobi (Harvie, 1977:83), Dakar (Gerry, 1979:249), and Kingston (Davies, et al, 1979:52).

* Kingston data refer to employment in "small-scale, non-farm enterprises".

** Includes workers engaged in wearing apparel which includes dressmaking and shoemaking.

***The figure corresponds to employment in "wearing apparel except footwear".

Demographic Characteristics

Female Participation in the Labour Force

Unlike the usual picture in other low income countries (see Merrick, 1976; Mazumdar, 1976; and Souza and Tokman, 1976), the proportion of females in the informal sector labour force in Dacca is very low. Only 3 out of 790 participants in the sector were found to be females and none of them were owners. This means that none of the 437 sample enterprises was headed by a female. It should, however, be noted that our survey did not include some occupations such as domestic services in which females are expected to be many in number. Nevertheless, the very low overall participation of females in the labour force is evident from other data. According to the 1974 census, only 4 percent of urban women are engaged in non- agricultural occupations. For the country as a whole less than one percent of the female population are engaged in non-agricultural activities (Chaudhury, 1977:182).

In view of this low female participation in the labour force as a whole, it is not surprising that female employment in Dacca's informal sector is found to be so small. The omitted occupations are not likely to alter this basic characteristic of the sector's labour force in Dacca.¹² The above finding, however, contrasts sharply with most findings in other low income countries. This is particularly so for

¹² Because of the nearly 100 percent male composition of informal sector labour force, data for males have been used throughout whenever census data are used for any comparison with our survey results.

Latin American countries (see Merrick, 1976; and Souza and Tokman, 1976). Reporting Merrick's data on Belo Horizonte and Peru, Mazumdar claims that female workers are disproportionately represented in the informal sector (1976:660). Much higher rate of female employment in the informal than in the formal sector in several Latin American cities is also reported in Souza and Tokman (1976:362).

The precise reasons for very low female participation in the labour force in Bangladesh have not been elaborated in any study. One article notes that these reasons are "complex and varied and are embedded in the socio-cultural system of the society" (Chaudhury, 1977:154). Although for a predominantly agricultural economy like Bangladesh with its vast Muslim population one would expect low female participation in the labour force, nevertheless it is surprising that economic needs have not forced many more women into the job market.¹³

Age Distribution of the Informal Sector Labour Force

One hypothesis that appears frequently in the informal sector literature associates participants in the sector with certain "unfavourable personal characteristics". That is, the people in the sector are very young or old, females, less skilled, less educated and recent migrants (Merrick, 1976:351; Mazumdar, 1976:660). Most of the available evidence lends support to this characterization (e.g., Mazumdar, 1976; Sethuraman, 1977b).

¹³ Although no precise information is yet available, the general impression is that greater number of women are entering the labour market. Even if true, this must be proceeding very sluggishly as suggested by our data and the 1974 census.

Since with respect to sex, Dacca's labour force is found to be atypical, evaluation of the hypothesis on its sex dimension was not attempted. Age is one variable which is less likely to vary widely with cross-cultural differences. Age is, therefore, considered to be more appropriate in a partial testing of the hypothesis of "unfavourable personal characteristics". Hence it is examined in some detail.

The median age of the labour force in the sample was 25 and the mean was only 26 years. In absolute terms, this gives the first indication that the informal sector labour force is dominated by the relatively young. For comparative purposes, the age distribution of the informal sector labour force is tabulated with that of the total urban labour force in Table 3.6. About 68 percent of the sample were found to be less than 30 years in age. The table provides information that about 47 percent of the informal sector labour force are below the age of 25. The corresponding figure for the total urban labour force is only 28 percent. If the cut-off line is raised to the age of 35 years, age-difference widens by a margin of 21 percent; i.e., while over 80 percent of the informal sector labour force is found to be below 35 years of age, in the total urban labour force 59 percent are below that age mark. The relatively low age of the informal sector labour force thus is clearly borne out by the data.

The other part of the hypothesis that the very old would also be disproportionately represented in informal sector, however, cannot be confirmed in the data. Rather in each age group, from that of 35-44, the proportion of the total urban labour force consistently exceeds that of

Table 3.6 Age Distribution of Informal Sector and Urban Total Labour Force (Percentage)

Age in Years	Informal Sector Labour Force	Total Urban Labour Force*
10 - 14	7.9	4.6
15 - 19	14.4	8.8
20 - 24	24.4	14.8
25 - 34	33.7	31.2
35 - 44	14.8	21.8
45 - 54	3.2	11.6
55 - 64	1.6	4.9
65 and over	1.0	2.3
Total	100.0 (790)	100.0 (721,514)

* Total urban labour force data refer to census data on Dacca district urban male employment figures (see BBS, 1977:355).

the informal sector. The expected attributes of unfavourable personal characteristics among the informal sector labour force are, therefore, ambiguous, at least with reference to age. Similar results are observed when an age comparison is made among heads of informal enterprises and other relevant groups (see Table 3.7). This shows that 51 percent of the heads of informal activity are below the age of 30. This confirms that not many very old people are found among owners, either absolutely or relatively, when compared with other city groups. Thus those "disadvant-

aged" on account of old age are not found in any great number in the informal sector labour force. Similarly, the overall age difference between the informal sector and urban total labour force diminishes when the age data are examined for prime age groups. As Table 3.8 shows, the proportional difference between the informal sector labour force and the

Table 3.7 Age Difference of Informal Enterprise Head with Other Comparable Urban Groups (Percentage)

Age in Years	Informal Enterprise Head	Average Urban Household Head	Modern Factory Worker	Squatter Household Head
Under 30	51	28	26	26
30 - 34	18	21	14	14
35 - 39	12	12	17	16
40 - 44	12	13	17	17
45 - 49	4	11	10	10
50 and over	4	16	16	17
Total	100.0 (437)	100.0 (100)	100.0 (100)	100.0 (191)

SOURCE: Figures on average household head and modern factory worker are obtained from Farouk and Ali (1977:81) and those of squatter household head are obtained from CUS (1976:61).

labour force in the prime working age category of 25-44 years is small indeed. The difference between the two types of labour is 4 percent

only. However, it is to be noted that the observed difference between the two groups of labour force is statistically significant at 0.01 level of chi-square test.

In short, compared to the total urban labour force, the informal sector has more young but fewer old persons in its labour force. Since both young and old age are associated with "unfavourable personal characteristics", this finding does not lend itself to acceptance or rejection of the hypothesis that the informal sector is comprised of a labour force marked by unfavourable personal characteristics. An inspection of the difference in prime age categories between the two groups does not remove this ambiguity. Although this difference is statistically significant, the absolute margin of the difference is very small indeed. However, given the large proportion of the young (i.e., under 25) in the informal sector in conjunction with relatively few of prime age, it is likely that the hypothesis in question has some validity. But to be certain, it is important to look for variables which have greater explanatory power in identifying unfavourable characteristics.

Before we proceed to that search, several other issues need to be discussed. It is interesting to ask if the hypothesis of "unfavourable personal characteristics" even in terms of age has greater relevance for particular groups or occupations within the informal sector. For this purpose, let us first turn to the age difference between owners and workers in the sample: As would probably be expected, the latter group are found to be much younger than the former. Compared to an average age

Table 3.8 Age Difference Between the Informal Sector and the Total Urban Labour Force (Percentage)

Age in Years	Informal Sector Labour Force	Total Urban Labour Force
Under 25	46.7	28.2
25 - 44	48.5	53.0
45 and over	5.8	18.8
Total	100.0 (790)	100.0 (721,514)

Chi-square = 181.59, df = 2
 Level of significance = 0.01
 $\phi^2 = 0.23$

* As in Table 3.5, total urban labour force here represents census data on Dacca district urban male employment figures (see BBS, 1977:355).

of 30 for the owners, the average age of workers is only 21 years (see Table 3.9). This indication in age difference between owners and workers is mirrored in the distribution of the age variable by employment status. As can be seen from Table 3.10, 72 percent of the workforce are below the age of 25. The corresponding figure for owners is only about 27 percent. If the age mark is raised to 30, the wide difference in age between owners and workers still persists. These differences in age distribution between the two groups of the labour force are statistically significant at the 0.01 level of a chi-square test. The table also reveals that 16 percent of the workforce could be considered as child labour, i.e., below 15 years age.¹⁴

¹⁴ When only hired labour was considered, this proportion drops slightly to 13 percent.

Table 3.9 Age of Informal Sector Labour Force by Employment Status

Age in Years	Employment Status		Total Informal Sector Labour Force
	Owner	Worker	
Mean	30.4	21.0	26.0
Median	29.0	20.0	25.0

Test-statistic $z = 24.98$

Level of significance of the difference in means between owners and workers = 0.01

Table 3.10 Percentage Distribution of Informal Sector Labour Force by Age and Employment Status

Age in Years	Employment Status		Total
	Owner	Worker	
Under 15	0.9	16.4	7.85 (62)
15 - 19	5.9	24.9	14.4 (114)
20 - 24	19.7	30.3	24.4 (193)
25 - 29	24.0	17.2	21.0 (166)
30 - 34	17.9	6.2	12.7 (100)
35 - 39	11.9	1.7	7.3 (58)
40 - 44	11.9	2.0	7.5 (59)
45 - 49	3.9	0.3	2.3 (18)
50 and over	3.9	0.9	2.5 (20)
Total	100.0 (437)	100.0 (353)	100.0 (790)

Chi-square = 214.38, df = 8,
Level of significance = 0.01
 $\phi^2 = 0.52$

The above findings appear to be consistent with several pieces of evidence reported in Rempel (1980:9) which suggest that a disproportionate number of self-employed (i.e., owner in our sample) are older. Our data also suggest that workers are much younger than the owners. Therefore, the hypothesis of unfavourable personal characteristics has greater validity for employees than the self-employed in the informal sector.

To see if any pattern can be observed in age difference across the occupation groups in the sample, the age characteristics of owners are further examined in the next two tables. Workers are excluded because construction and transport groups have very few of them in their labour force. Both averages and distributions of age across the major occupation groups suggest that production and construction are the two extremes with respect to the age of the self-employed. As shown in Table 3.11, compared to an average age of 36 of those self-employed in production, their counterparts in construction average only 21 years of age. The distribution of the variable in Table 3.12 confirms the contrast in age between those who are engaged in production and construction. As this table shows, the highest and lowest proportion of the relatively young (see age bracket under 25) are found respectively in production and construction (48% vs. 7%). It is also interesting to observe that compared to 50 percent of construction, 79 percent of owners in production belong to the prime age bracket of 25-44.¹⁵ Transport operators have the highest proportion in this age bracket (82%). Hard physical

¹⁵ These results have significant implications for relative ease or difficulty of access to these occupations which are discussed in Chapter 4.

Table 3.11 Age of Owners of Informal Enterprises by Occupation

Age in Years	Occupation					Total
	Sales	Service	Production	Construction	Transport	
Mean	28.5	28.8	35.7	25.8	31.7	30.4
Median	26.0	26.5	33.5	25	30	29

Table 3.12 Percentage Distribution of Informal Enterprise Owners by Major Age and Occupation Groups

Age in Years	Occupation					Total
	Sales	Service	Production	Construction	Transport	
Under 25	36.8	27.3	7.4	48.0	12.0	26.5 (116)
25 - 44	56.4	66.7	78.7	50.0	82.0	65.7 (287)
45 and over	6.8	6.0	13.9	2.0	6.0	7.8 (34)
Total	100.0 (163)	100.0 (66)	100.0 (108)	100.0 (50)	100.0 (50)	100.0 (437)

Chi-square = 50.9, df = 8
 Level of significance = 0.01
 $\phi^2 = 0.24$

labour that goes with peddling rickshaws or pushing and pulling hand carts for long hours, largely precludes the very young or very old from work in informal transport system. The minimum age requirement for driving license is another factor which keeps the relatively young from work in this kind of occupation. Therefore it is not surprising that

the lowest proportion of those under age 25 (12%) is to be found in transport occupations. Despite health risks and legal restrictions, some who are very young and very old continue to work in this type of work in informal transport activities.

Educational Characteristics of the Labour Force

If evidence on the informal sector labour force in Dacca on sex and age are ambiguous in accepting or rejecting the "unfavourable personal characteristics" hypothesis, education is one variable which clearly shows that the informal sector labour force is less "advantaged" than their counterparts in the formal sector. Table 3.13 shows that 31 percent of the sector's participants have never been to school. The corresponding figure for a small sample drawn from a subset of the formal sector is only 2 percent. Moreover, while about 17 percent of the informal sector labour force had attained education above primary level, among the formal sector labour the proportion that have attained that level of schooling is five times higher (89%). Again, while 50 percent of the formal sector labour force acquired education of higher secondary level and above, the corresponding figure for the informal sector is negligible (1%). These differences in education among the two groups are significant at the .01 level, using a chi-square test.

To see the relationship between level of education and occupation, the variables are cross-tabulated in Table 3.14. As can be seen in this table, construction workers are the ones who have least education: 68% have never been to school. For each level of education, the figures consistently show poor educational background of the persons engaged in

Table 3.13 Comparative Educational Background of Informal, Formal, and Total Urban Labour Force (Percentage)

Educational Background	Informal Sector Labour Force	Formal Sector Labour Force*	Total Urban Labour Force**
No Schooling	31.2	2.2	45.9
Primary	52.0	8.7	17.4
Secondary	15.7	39.0	25.1
Higher Secondary and above	0.9	50.0	11.6
Total	100.0 (790)	100.0 (46)	100.0 (915,793)

Chi-square = 905.2, df = 6
 Level of significance = 0.01
 Cramer's V = 0.02***

* Formal sector labour force data are obtained from a small sample of migrants "who are working in government offices, mills and factories ranging from the position of peons to high officials and executives" (Chaudhury, 1978:10).

** Data on the total urban labour force are 1974 census data and refer to Dacca district urban male labour force (10 years old and over). See BBS (1977:264).

***Admittedly this indicates a very weak relationship between the row and column categories in the table. It is, however, noteworthy that the association is observed very strong when the test is limited to, what matters most, a comparison between informal and formal sector alone leaving out the total urban labour force column. (Chi-square = 754.8, df = 3, level of significance = 0.01 and $\phi^2 = 0.90$).

construction activities. It will be recalled that these are the people who are of younger age. Transport and sales workers fare about equally

Table 3.14 Cross-Tabulation of Educational Background and Present Occupation of Informal Sector Labour Force (Percentage)

Educa- tional Back- ground	Occupation Group					Total
	Sales	Service	Production	Construction	Transport	
No Schooling	34.4	27.6	23.4	67.9	34.5	31.3 (247)
Primary	55.1	47.4	54.1	26.4	60.3	52.0 (411)
Secondary	10.1	22.4	21.2	5.7	5.2	15.7 (124)
Higher Secondary and above	0.4	2.6	1.3	0.0	0.0	1.0 (8)
Total	100.0 (247)	100.0 (116)	100.0 (316)	100.0 (53)	100.0 (58)	100.0 (790)

Chi-square = 44.37*, df = 4*

Level of significance = 0.01

Cramer's V = 0.24

* For a valid chi-square test, education data were grouped in two categories: 'no schooling' and 'primary and above'.

in lack of attainment of education. Similarly, production and service workers appear to be of comparable background in education and fare better than the other three groups.

The difference between owners and workers in education appears to be modest but significant. As Table 3.15 shows, workers fare quite well in each level of education except higher secondary and above. Since only 7 owners out of 437 have that level of education, much significance may not be attached to it.

The figures in the table thus suggest that workers have a slight

Table 3.15 Cross-Tabulation of Educational Background and Employment Status of Informal Sector Labour Force (Percentage)

Educational Background	Employment Status		Total Informal Sector Labour Force
	Owner	Worker	
No Schooling	33.9	28.1	31.3 (247)
Primary	51.9	52.1	52.0 (411)
Secondary	12.6	19.6	15.7 (124)
Higher Secondary and above	1.6	0.3	1.0 (8)
Total	100.0 (437)	100.0 (353)	100.0 (790)

Chi-square = 5.84*, df = 2,
Level of significance = 0.10
 $\phi^2 = 0.09$

* For a valid chi-square test, the education group, higher secondary and above, was collapsed with secondary level.

edge over owners in education. This, seen in conjunction with the previous findings that workers are much younger in age than owners, provides an indication that education is spreading over time, although sluggishly as the moderate difference in education between owners and workers indicate.

A more direct test of improvement in education is seen if there is some association between age and education. With expanding educational facilities, the young are expected to benefit relatively more. The cross-tabulation of the two variables in Table 3.16 provides the percentage distribution of education separately for each age group for the total informal sector labour force.

The proportion of the labour force with no schooling is observed to be much higher for both younger and older age groups. The table shows that about 68 percent of the labour force aged below 15 years have never been to school. Similarly, the corresponding figure for the age group, 50-54, is 57 percent. The results for the older age group are easier to explain. After all, spread of education is a more recent event and the

Table 3.16 Cross-Tabulation of Age and Education of Informal Sector Labour Force (Percentage)

Age in Years	Background in Education				Total
	No Schooling	Primary	Secondary	Higher Secondary and above	
Under 15	67.7	25.8	6.5	0.0	100.0 (62)
15 - 19	35.1	51.8	13.2	0.0	100.0 (114)
20 - 24	31.6	51.8	16.1	0.5	100.0 (193)
25 - 29	21.1	53.0	23.5	2.4	100.0 (166)
30 - 34	24.0	63.0	11.0	2.0	100.0 (100)
35 - 39	25.9	55.2	17.2	1.7	100.0 (58)
40 - 44	25.4	57.6	16.9	0.0	100.0 (59)
45 - 49	33.3	50.0	16.7	0.0	100.0 (18)
50 - 54	57.1	28.6	14.3	0.0	100.0 (7)
55 and over	38.5	61.5	0.0	0.0	100.0 (13)
Total	31.3 (247)	52.0 (411)	15.7 (124)	1.0 (8)	100.0 (790)

older are less likely to benefit from this. But, on the same account it would be reasonably expected that the young would benefit from expanding educational facilities. It is, therefore, surprising that among the young, we observe the highest proportion who have never been to school. The reasons for this outcome are not readily available. On the basis of similar findings, the author of the ILO study on the Jakarta informal sector has advanced the hypothesis that "it may be that this is due to the fact that males with relatively more education do not enter the labour force until at somewhat older ages. If this is so the percentages with no schooling among the younger age groups will automatically be higher" (Moir, 1978:29). This appears to be a plausible explanation. However, this can be explained also in terms of the "unfavourable characteristics" hypothesis that has been discussed before; a greater proportion of the young labour force could have originated from an unfavourable family background. If this suggestion has any validity, unfavourable characteristics, as manifested in education and age, are merely the consequences of some inherent disadvantages. The ultimate explanatory variables are to be found in the unfavourable socio-economic variables of the family from which these young children originate rather in their personal characteristics. These can be the children who probably were orphans or who had limited economic support for educational purposes. This question will be pursued later in our discussion of access to land.

The results of Table 3.16 are summarized in Table 3.17 by collapsing the age distribution into three major age groups. As this table shows, the middle age group, 25-44, are better educated than the other two

groups. About 39 percent of the labour force aged less than 25 years have never been to school compared to 24 percent of the age group, 25-45. At other levels of education also, the prime age group fares better than the rest.

Table 3.17 Cross-Tabulation of Education and Major Age Groups of the Informal Sector Labour Force (Percentage)

Age Group	No Schooling	Primary	Secondary and above	Total
Under 25	38.8	47.4	13.8	100.0 (369)
25 - 44	23.2	56.7	20.1	100.0 (383)
45 and over	39.5	50.0	10.5	100.0 (38)
Total	31.3 (247)	52.0 (411)	16.6 (132)	100.0 (790)

Chi-square = 23.80, df = 4
 Level of significance = 0.01
 Cramer's V = 0.12

The findings on education thus quite unambiguously show that the informal sector labour force lacks formal education: only 17 percent of these people had gone beyond the primary level of education, i.e., five years of schooling. Further analyses of the data show that education varies significantly by age and occupation: the prime age group and those engaged in production have a relatively better educational background and the old and those engaged in construction have the lowest education. The difference in education between owners and workers,

however, is found to be small, the latter having a slight edge over the former.

Skill Level of the Labour Force

Since lack of formal education is a predominant feature of the participants in the informal sector, any opportunity for human capital development of these people rests on the general provision of skill acquisition in these activities. But that is an issue which requires separate treatment. For our present purpose it is important to ascertain whether lack of skills constitutes an unfavourable characteristic of the informal sector labour force.

As can be seen from Table 3.18, level of skills¹⁶ varies significantly across the five occupation groups in the sample. About two-thirds of those engaged in production and service possess considerable skills. In addition sizeable proportions of the participants in these two occupations are apprentices (31% in production and 22% in service), which indicates the potential for skill acquisition and development with-

16 Skill here is defined in a mechanical sense and thus precludes accounting for entrepreneurial and managerial abilities. Thus all repair workers, metal workers, blacksmiths, goldsmiths, tailors, shoemakers, spinners, weavers, knitters, carpenters, masons, plumbers who require some technical dexterity in their work were classified as skilled and those who work under them as learners or trainees were categorized as apprentices. Drivers of 'tempos' and rickshaws, construction workers such as painters and mason helpers and cooks in restaurants who require short training were classified as semi-skilled. Street sellers who did not produce the items they sell and construction workers engaged in cutting and removing earth and brick-breakers were considered unskilled. However, in classifying those who were involved currently in non-technical work, a question was asked if they had any previous skill background. If so, they were classified accordingly.

in the informal sector. This is corroborated by the evidence which shows that most of the currently skilled people also learned their skills within the informal sector.¹⁷

Table 3.18 Cross-Tabulation of Skill Level and Occupation of Informal Sector Labour Force (Percentage)

Level of Skills	Occupation Group					Total
	Sales	Service	Production	Construction	Transport	
Skilled	8.5	69.9	65.2	22.6	39.7	43.4 (343)
Apprentices	1.2	21.6	31.0	15.1	0.0	17.0 (134)
Semi-skilled	-	-	0.6	15.1	58.5	5.2 (41)
Unskilled	90.3	8.6	3.2	47.2	6.9	34.4 (343)
Total	31.3 (247)	14.7 (116)	40.0 (316)	6.7 (53)	7.3 (58)	100.0 (790)

Chi-square = 538.68*, df = 4*
 Level of significance = 0.01
 Cramer's V = 0.57

* For the chi-square test, skill categories, 'apprentices' and 'semi-skilled' were collapsed with 'skilled'.

Despite this silver lining, the overall picture on skills is less impressive. This is due to the fact that sales, construction, and transport together account for over 60 percent of the total labour force, many of whom possess little skills. Nevertheless, the summation of skilled,

¹⁷ For evidence in this respect see Table 5.4 in Chapter 5.

semi-skilled and apprentices put the majority (56 %) of the informal sector labour force in a skill-potential situation.

On the basis of evidence presented so far, it is now possible to make some remarks regarding the hypothesis that seeks to explain the role of the informal sector as an absorber of labour with unfavourable personal characteristics. Although our data in general are consistent with this hypothesis, the age and sex compositions of the labour force in Dacca's informal sector tend to militate against the general trend. However, the reasons for few females and the dominance of prime age group in the informal sector labour force of Dacca are not difficult to uncover. The former is explained by the very low female participation in the labour force as a whole. For the latter, one only need be reminded of the acute scarcity of economic opportunities in the overall economy that creates a situation in which informal income earning opportunities offer the only solace not only to the young and the old, but manifestly also to those who are prime candidates (in terms of age) in the labour market. Thus the limited applicability of the hypothesis to the Dacca informal sector does not suggest that its labour force is more favourably endowed; rather, it is another manifestation of the overall condition of the Bangladesh economy.

Secondary Workers in the Informal Sector Labour Force

Another hypothesis prevalent in the literature is that secondary workers dominate the informal sector labour force. This hypothesis draws support from the particular age and sex characteristics of the labour

force that have been found in several studies.¹⁸ Because females and young workers are found in high proportions, it is suggested that many of the participants would be secondary workers (Mazumdar, 1976:660). The evidence in our sample is substantially different from the above position. While Mazumdar cites Merrick's data on Belo Horizonte (Merrick, 1976), which shows prime-age male heads constitute a mere 15 percent of informal sector workers, in our sample the corresponding figure is 78 percent.

Since females in the labour force are generally assumed to be one of the two main sources of secondary workers in the total labour force and because women are almost non-existent in our sample, the number of secondary workers cannot be expected to be high. The other source of secondary workers is assumed to be the young in the labour force. Since 47 percent of the labour force in the sample are below the age of 25, it might be expected that a sizeable number of secondary workers would be found in the labour force. The evidence does indicate that a larger proportion of the young can be considered as secondary workers since 64 percent of the young age group (below 25 years) are not the head of the household from which they come (see Table 3.19). But even among the young participants, 36 percent are found to be heads of households; they can hardly be expected to be secondary workers. The findings of our sample are, however, not unique. Souza and Tokman claim, on the basis of Latin American data, "... there was not shown to be any concentration

18 See Merrick (1976:351), and Souza and Tokman (1976:362) for Latin American and Sethuraman (1977:346) for African data showing a high concentration of younger and older workers. Latin American data also show a substantial number of females in the informal labour force. For some contrary evidence, mostly from Asia, see Moir (1978:26) for Jakarta and Guisinger and Irfan (1980:416) for Rawalpindi.

of secondary manpower in the informal sector" (1976:363).

Table 3.19 Cross-Tabulation of Age and Status in Household of the Informal Sector Labour Force (Percentage)

Age Group	Status in Household		Total
	Head	Non-Head	
Under 25	36.0	64.0	100.0 (369)
25 - 49	78.3	21.7	100.0 (401)
50 and over	95.0	5.0	100.0 (20)
Total	59.0 (466)	41.0 (324)	100.0 (790)

Chi-square = 152.87, df=2,
Level of significance = 0.01
 $\phi^2 = 0.44$

Another line of investigating secondary workers in the informal labour force is to obtain evidence on the number of income-earning members in the household. For instance, Rempel (1980:15) distinguishes two components of secondary workers: first, family members who get an opportunity to participate in the informal activity of the head of family and second, those workers who supplement the household's income through employment elsewhere.

On the first, we have seen that 19 percent of the labour force in the sample was family labour. Similar evidence was obtained from a question on the number of earning/working members in the household. Twenty percent of owner households reported that they had a second (or

more) working/earning member in the family, who were working either in the owner's business or elsewhere. This indicates that secondary earners in the households are not many. The other type of secondary workers are those participants in the informal sector who also work elsewhere to supplement their income. Answers to a question regarding involvement in any other work provide evidence on this type of secondary workers. Approximately 93 percent of the labour force said they were not doing any other work, i.e., only 7 percent were involved in some other activities, which were specified as business (2%), work in similar enterprise (3%). Ten people (1%) said they were working in the formal sector. Thus, apart from family labour, this 7 percent is an additional component of secondary workers in the labour force.

Overall, our sample provides a clear indication that the informal sector in Dacca acts as a secondary labour market only in a limited sense. Very few in the sample considered their income from informal activity as a second source of income. Similarly, few admit that they have any other alternative income. Twenty percent of the owner households reported that their family members were involved in their enterprise; for this group, the informal sector may act as a secondary labour market. Forty one percent of the labour force who are not head of their households may also be considered as secondary labour in some sense, because it is likely that they complement the income of their respective households by participating in informal activities. Nevertheless, the fact remains that for the vast majority, involvement in informal activity represents the only source of income. Therefore, labour market models based on the hypothesis that the informal sector acts as a secondary labour market has very limited application in the Dacca informal sector.

Migratory Characteristics of the Informal Sector Labour Force

Natives and Migrants

As pointed out in Chapter 1, the association between migration and growth of the informal sector labour force emerges directly from the Todaro model in the sense that each new formal sector job induces a multiple number of new migrants to the city. As a consequence, recent immigrants swell the labour force. It is hypothesized that the informal sector provides subsistence income while these recent migrants engage in job search. Testing this hypothesis requires answering three questions: first, whether recent migrants are the dominant group in informal activities; second, whether ease of entry truly characterizes the sector; third, whether the participants in the informal sector consider their involvement in these activities temporary. Of these questions, the first is addressed in this chapter. The other two are treated at a later stage.

Since data on the length of stay in the city are not available for the total urban labour force or for the formal sector, it seems to be worthwhile to glance at the comparative proportions of natives and migrants in the informal and formal sector labour force and the total city population. As can be seen from Table 3.20, migrants, i.e., who were not born in the city, represent 76 percent of the informal sector labour force. The corresponding figures for the formal sector and total city population are 37 and 61 percent respectively.

Next, to see if there exists any significant variation in absorbing migrants within different occupations in the informal sector, Table 3.21 provides the occupational distribution by migrant status. The variation

Table 3.20 Proportion of Migrants in the Informal and Formal Sector Labour Force and in the Total City Population

Migration Status	Informal Sector	Formal Sector*	Total City Population
Migrants (not born in Dacca City)	76.3	37.4	61.3
Non-Migrants (born in Dacca City)	23.7	62.6	38.7
Total	100.0 (790)	100.0 (582)	100.0 (1,679,572)

SOURCE: For total city figures see CUS (1976:16). Formal sector data are obtained from Chaudhury (1977:158).

* These proportions are based on a small sample drawn from a subset of the formal sector.

is found significant at the 0.01 level, using a chi-square test. As the table shows, construction workers appear to be the most attainable occupation for migrants since 96 percent of workers in construction are found to be migrants. The second highest concentration of migrants is observed in transport (90%), closely followed by sales (86%). Compared to this, the proportions of migrants in production and service are relatively less, 65 and 70 percent respectively. The preponderance of migrants in construction, transport and sales is not difficult to explain, if one remembers the occupational distribution within each of these occupations. First, construction workers are virtually casual labour and in many instances they respond from rural areas to signals of immediate construction work in the city. Sometimes contractors hire them directly from rural areas. Similarly, rickshaw drivers, who dominate the informal transport system, require minimal skills and no capital, if they are ready to rent another's vehicle. Vehicle availability does not seem

Table 3.21 Percentage Distribution of Informal Sector Labour Force by Migration Status According to Occupation

Migration Status	Occupation Group					Total
	Sales	Service	Production	Construction	Transport	
Migrants (not born in Dacca City)	86.2	69.8	65.2	96.2	89.7	76.3 (603)
Non-Migrants (born in Dacca City)	13.8	30.2	34.8	3.8	10.3	23.7 (187)
Total	100.0 (247)	100.0 (116)	100.0 (316)	100.0 (53)	100.0 (58)	100.0 (790)

Chi-square = 55.14, df = 4
 Level of significance = 0.01
 $\phi^2 = 0.26$

to be a difficulty. The number of rickshaws have been growing at a rapid rate in recent years because of high demand for transport. Since this offers a good opportunity to earn profit, investors make available increasing numbers of rickshaws despite municipal restrictions on further increases of rickshaws in the city.¹⁹ Street sellers, who dominate sales occupations, also can obtain a means of earning a livelihood with only limited capital and skills. Given the nature of these three occupations (construction, transport and sales workers), it is suggested here that these are relatively easy-entry occupations. Whether this is so is examined in Chapter 4.

¹⁹ For some evidence on the growth and history of rickshaws in Dacca City, see BIDS (1979).

Service and production occupations require certain skills and hence a period of apprenticeship; as well some capital for tools and raw materials are required. From the proportions of non-migrants in production (35%) and service (30%), the two highest figures, it appears that city natives probably have an edge over migrants in these two occupations.

The above discussion leads to another hypothesis. Since those who were born in the city were found in greater proportions in occupations which require greater skills, it is suggested that with time spent in the city the skills of the labour force tend to increase. In order to investigate this, along with our basic query regarding recent migrants in the informal sector, data on length of stay in the city are examined below for those who were not born in Dacca.

Length of Stay in the City of Migrant Labourers

Both averages and distribution of length of residence indicate that most of the migrants in the informal labour force have been living in the city for a limited period. The average duration is found to be 8 years, and the median is 5 years (see Table 3.22). Distribution of this variable shows that 70 percent of the sample labour force have lived in the city for less than 10 years.²⁰ If recent migrants are defined as those who have lived in the city for less than 5 years, the proportion of recent migrants exceeds 44 percent of the total informal sector labour

²⁰ It is interesting to note that the corresponding proportion for less than 8 years is 60 percent. This time period coincides with the liberation of the country in late 1971. Since then the city changed to a national capital from a provincial one. Although data are scanty, available indicators suggest that the city has been rapidly growing since its elevation to the new status. See CUS (1976) for some data on the city's growth.

Table 3.22 Length of Stay in Dacca of the Informal Sector Migrant Labour Force by Employment Status

Years in Dacca	Employment Status		Total Migrants in Informal Sector
	Owner	Worker	
Mean	9.8	5.3	8.0
Median	7.0	3.0	5.0

Table 3.23 Cross-Tabulation of Length of Stay in the City and Employment Status of the Migrant Labour Force in the Informal Sector (Percentage)

Years in Dacca	Employment Status		Total
	Owner	Worker	
< 5	31.3	63.8	44.3 (266)
5 - 9	29.9	20.0	26.0 (156)
10 - 14	15.8	6.3	12.0 (72)
15 and above	23.0	10.0	17.8 (107)
Total	100.0 (361)	100.0 (240)	100.0 (601)

Chi-square = 64.37, df = 3
 Level of significance = 0.01
 $\phi^2 = 0.33$

force. Since owners are expected to have lived in the city for a longer time, this variable is cross-tabulated by owners and by workers in Table 3.23. While workers are found in much greater proportion (64%) among recent migrants, the proportion of owners consistently exceed that of

workers in all periods of duration greater than five-years. These differences between owners and workers are significant at the 0.01 level of a chi-square test.

Similar differences are found between owners and workers when the averages are considered. While the owners have lived in the city for about 10 years on average, the average length of workers' residency in the city is five years; the respective median years are 7 and 3. These results are similar to those of other informal sector studies (e.g., see Webb, 1975). One possible explanation is that it takes time for an employee to become self-employed (or an owner). Moreover, because of the time lag involved in bringing family members (who account for 43% of workers in the informal sector) to the city, owners are expected to be senior to workers in length of residence in the city.

Next, turning to see if any particular occupation is dominated by recent migrants, it is found that those self-employed in construction again contrasts with those in production. Compared to an average of 6 years for the former, people in the latter group have lived in Dacca twice that long (see Table 3.24). Averages for other occupations are as follow: service (10 years), trade (9 years), transport (8 years), and construction (6 years). These figures show a definite pattern that places the five occupation groups in the sample in the following ranked order: production (1), service (2), sales (3), transport (4), and construction (5). Consistency in this pattern is shown in a cross-tabulation of length of residence with occupation which shows a statistically significant relationship between the two variables at the

Table 3.24 Length of Stay in the City of (Migrant) Owners of Informal Enterprises by Occupation

Years in Dacca	Occupation					Total
	Sales	Service	Production	Construction	Transport	
Mean	9.2	10.2	13.6	5.9	8.4	9.8
Median	6.0	8.3	10.0	4.0	6.3	7

0.01 level of a chi-square test. Table 3.25 provides these results which show that 56 percent of the people in construction are recent migrants who have lived in the city for less than 5 years. The corresponding figure for production is only 15 percent. Proportions of recent migrants in the other three groups are also not large: 23 percent in service, 32 percent in sales, and 41 percent in transport. Thus contrary to the predictions of some urban labour market models (see Mazumdar, 1976) and evidence from some other countries (see Merrick, 1976 for Latin American; Bienefeld, 1975 for Tanzania), Dacca data unambiguously show that owners of informal establishments are not predominantly recent migrants. In fact, as can be seen from the same table, a very large proportion of informal enterprise owners have lived in the city for more than five years: 85 percent in case of production, 77 percent for service, 68 percent for sales, 59 percent for transport, and 44 percent for construction. Again, the contrast between production and construction groups and the overall rank order of all five groups are maintained.

Turning to the impacts of duration in the city, in general, urban exposure is associated with several positive impacts such as awareness of

Table 3.25 Cross-Tabulation of Length of Stay in the City and Occupation of Migrant Owners of Informal Sector Labour Force (Percentage)

Years in Dacca	Occupation Group					Total
	Sales	Service	Production	Construction	Transport	
< 5	32.2	22.7	14.7	56.2	40.9	31.3 (113)
5 - 9	32.9	34.1	28.0	22.9	27.3	29.9 (108)
10 - 14	16.8	15.9	17.1	10.4	15.9	15.8 (57)
15 and above	18.2	27.3	30.2	10.4	15.9	23.0 (83)
Total	100.0 (143)	100.0 (44)	100.0 (82)	100.0 (48)	100.0 (44)	100.0 (361)

Chi-square = 84.83, df = 12
 Level of significance = 0.001
 Cramer's V = 0.24

individual rights, material needs, modern values (see Hoselitz, 1953 and 1955; Jacobs 1969; Sveikanskas, 1975).²¹ One line of empirical verification of these views is to examine if there exists any correlation between number of years spent in the city and the socio-economic level achieved. In our sample, for example, income and period lived in city are found to be positively correlated although the relationship is only a moderate one ($r = 0.27$). The relationship, however, is significant at the 0.01 level. This result thus has some indicative value. For a more definitive conclusion, determinants of income and upward mobility need to be specified and measured; some attempts in that direction are taken up

²¹ For opposite views see Walter (1973) and Ward (1969)

in Chapter 6.

For the present, we test one simple hypothesis that was advanced in concluding the previous section. This hypothesis emerged out of the finding that the city born informal sector labour force appeared to be more skilled than their fellow participants who originate from rural areas. If this is true, it is reasonable to deduce that an increase in length of residence in city leads to an increase in skill position of informal sector participants. For total city residents, level of education is likely to be the variable which has a greater chance of capturing the positive impacts of living in city. Since obtaining formal education is out of reach for most of informal sector participants, for the first generation at least, skill acquisition while working is one variable, in human capital terms, that seems to be appropriate for examining the impacts, if any, of length of residence in city. With this in view, these two variables are cross-tabulated in Table 3.26.

The relationship was examined for the migrant labour force who originated from rural areas. That is, the city-born and non-Benglee (who migrated from India) participants were excluded from the sample. The results in the table indicated a significant relationship between the variables at the 0.01 level of a chi-square test. Although the strength of the relationship is not high ($\phi^2 = 0.21$), the table does show that the proportion of skilled labour exceeds that of unskilled as the length of residence in the city increases.²²

22 We would like to admit of a possible bias in this and other results in this section because of inherent problem of using those migrants who stayed and not being able to account for who left. It is likely that those with skills have had a higher probability of staying in the city while the less skilled have had a higher propensity to leave.

Table 3.26 Length of Residence in the City and Skills Attained of the Migrant Labour Force in the Informal Sector (Percentage)

Years in City	Skills Attained		Total
	Skilled	Unskilled	
< 1	35.0	65.0	100.0 (20)
1 - 4	37.3	62.7	100.0 (158)
5 - 9	54.0	46.0	100.0 (137)
10 - 14	55.6	44.4	100.0 (54)
15 - 19	64.3	35.7	100.0 (28)
20 and above	65.7	34.3	100.0 (35)
Total	48.8 (211)	51.1 (221)	100.0 (432)

Chi-square = 19.0, df = 5
 Level of significance = 0.01
 Cramer's V = 0.21

Among the recent arrivals, the proportion of unskilled is as high as 65 percent. With time spent in the city this proportion declines steadily. The difference in skill level appears to be marginal between those who have lived in the city less than one year and those who have lived in the city less than five years. However, when the length of residence exceeds five years, the proportion of unskilled drops to 46 percent from the original 65%.²³ From the above finding it is concluded that some

²³ For interest, experimentations were done in a similar line, once with owners and one using production and service occupations combined as proxy for skill level. In both cases, results similar to those provided in Table 3.26 were obtained.

human capital development, as manifested in increased skills, does occur among the sector's participants through their opportunity to stay and work in the city. That the proportion of unskilled does not fall at the same pace as between the period 5-9 years could be because some occupations require relatively less skill. For example, a greater proportion of sales, construction and transport workers continue to remain unskilled no matter how long they have lived in city.²⁴ Skill, as previously pointed out, is defined in a mechanical sense. Therefore the above finding does not preclude the possibility of improvement in entrepreneurial ability or the like as duration of stay increases.

Land Ownership

Previously it was suggested that there are likely to be underlying determinants behind the apparently unfavourable personal characteristics that are associated with the informal labour force. Here we examine ownership of land as such a determinant. A very low land-man ratio combined with limited non-agricultural employment opportunities in rural areas makes land ownership highly significant in determining access to other avenues for self-improvement. For instance, access to education is determined, primarily, by immediate family access to land.

²⁴ The skill level for various occupation groups was provided earlier in Table 3.18.

In view of this, the hypothesis offered here is that there are two distinct groups of migrants who move to an urban labour market for different reasons and from different circumstances. Migrants with access to land appear to have better education and they move to the city in search of a better life and a job. These are the people who have been variously called "pull" migrants. In contrast, migrants who have limited or no access to land, or have little education, are the ones who migrate to the city for mere survival. Clearly these are the "push" migrants in the sense that they do not have a rural option of farming or employment. Because of their general impoverishment they cannot undertake self-improvement in human capital terms (education, health) to compete or qualify for most formal sector jobs. Therefore, it seems reasonable to expect that it is the "push" migrants who are forced into the urban informal sector. In fact, evidence is pouring in, particularly from Asia, to the effect that "limited access for sizeable numbers to economic resources in rural areas forces some rural people to urban informal activity" (Rempel, 1980:18). Rempel cites several studies which confirm this trend.

Turning to our findings, while landlessness in rural Bangladesh varies from 11 to 33 percent according to the definition adopted (see BBS, 1978c:121), the proportion of landless among rural migrants in the informal labour force is 52 percent (see Table 3.27). This clearly indicates that landlessness among the migrant labour force of the informal sector is much higher than the rural average. When non-migrants are included in the sample, the proportion of those who do not possess any land rises to 64 percent.

To see if there exists any variation between migrants in general and migrants in the informal sector with reference to access to land, the distribution of landholding among the two groups is presented in Table 3.27. The data for migrants in general refer to rural-urban migrant families. For comparability, therefore, family labour and non-Bengalee migrants from India were excluded from our sample. While 52 percent of migrants in the informal labour force are landless, the proportion for migrants in general is much lower (37%). Similarly, while only 26 percent of the informal labour force have more than one acre of land, among total migrants 44 percent have more than one acre of land.

The difference in landholding is even wider between the migrant labour force of the informal and the formal sector. As the same table (3.27) shows, 52 percent of the informal sector labour force is landless, while for the formal sector it is only 15 percent. The same point is illustrated by the fact that while 52 percent of formal sector migrant labour force have more than 2.5 acres of land, the corresponding figure for the informal sector is only 6 percent.

The results so far clearly indicate that a disproportionate number of the informal sector labour force come from an unfavourable landholding status relative to both total migrants and migrants in the formal sector. This then supports the hypothesis that "push" migrants, as defined by absence of access to land, are forced into the informal sector and the "pull" migrants are more mobile upwards into the formal sector.

The above hypothesis derives additional support from the results of significant variation in landholding background of the labour force in the sample and among the various informal sector occupations. From

Table 3.27 Size Distribution of Owned Land of Migrant Families by Type of Labour Force (Percentage)

Size Group of Land in Acres	Type of Labour Force		
	Informal Sector Migrant*	All Migrant**	Formal Sector Migrant
Zero (landless)	51.5	37.0	15.2
< 0.50	10.2	8.6	4.3
0.50 - 0.99	12.3	11.1	15.2
1.00 - 2.49	19.9	12.3	13.0
2.50 and above	6.1	30.9	52.2
Total	100.0 (462)	100.0 (81)	100.0 (46)

Chi-square = 109.39, df = 8
 Level of significance = 0.01
 Cramer's V = 0.30

* Non-Bengalee migrants from India in the sample are excluded as comparable data in the table represent landholdings for migrant families originating from rural Bangladesh. Also excluded is family labour to avoid double counting of joint holdings by different members of same family.

** All migrants and formal sector figures represent data for 'migrant families' and 'service holders' obtained from Chaudhury (1978:9-10). Service holders denote "those who are working in government offices, private firms, mills and factories ranging from the position of peons to high officials and executives" (Chaudhury, 1978:10).

cross-tabulation of landholding and occupation in Table 3.28, it is found that 71 percent of migrant construction workers have no land. The corresponding proportions for sales, service and production groups are approximately 50 percent. Assuming that construction workers belong to the lowest segment of the hierarchy of informal occupations, this again indi-

Table 3.28 Size Distribution of Land Owned by Migrant Informal Sector Labour Force* According to Occupation

Size Group of Land in Acres	Occupation					Total
	Sales	Service	Production	Construction	Transport	
Landless	50.3	49.2	51.5	70.6	37.8	51.5 (238)
0.01-0.49	11.6	11.9	5.2	11.8	15.6	10.2 (47)
0.50-0.99	16.2	10.2	6.0	15.7	15.6	12.3 (57)
1.00-2.49	16.2	22.0	26.9	2.0	31.1	19.9 (92)
2.50 and above	5.8	6.8	10.4	0.0	0.0	20.7 (45)
Total	100.0 (173)	100.0 (59)	100.0 (134)	100.0 (51)	100.0 (45)	100.0 (462)

Chi-square = 20.77**, df = 4**
 Level of significance = 0.01
 Cramer's V = 0.19

* Excludes migrants from India and family labour in the sample.

** For the chi-square test, sales, construction, and transport formed one group and service and production the other.

cates that the least resource endowed migrants end up with the least rewarding occupations at the urban end. Thus what was found true between two sectors of the urban economy also tends to be true among occupations within the informal sector. At first sight, it may however be surprising that the proportion of landless is lowest among transport workers, the occupation which was expected to be next to construction workers in terms of landholding background. The explanation of this is not known. However, if the near landless (i.e., those holding less than one-half acre

of land) is considered, in lieu of zero holding, the proportion of transport workers who have less than half an acre of land rises to 54 percent. But then the corresponding figure for construction workers jumps, to almost 83 percent. Only beyond the holding size of about 2.5 acres, do the two groups show similar results, no one in either group has any land at that size, which brings back the fact that the two groups move in the same direction in many respects.

Occupation Prior to Migration

Similar results are found when occupation prior to migration are analysed for the migrant labour force in the informal sector. Table 3.29 provides the percentage distribution pre-migration work categories cross classified by migrants' current occupations. As the table shows, 33 percent of construction workers were farm workers (agricultural labour) prior to migration. Transport workers closely follow with a proportion of 19 percent against the proportions of 11 percent for sales, 5 percent for production and 4 percent for service workers. Assuming that farm workers are those who have no land and are most disadvantaged in rural areas, this again indicates that in the urban labour market they are not only forced into the informal sector, they are, in fact, found in the two least rewarding occupations of the sector.²⁵

The same conclusion emerges in a comparison of the proportion of migrants in each occupation who were students prior to migration. Assuming that student "occupation" prior to migration indicates that they are

²⁵ For evidence on earning of various occupations in the sample see Table 6.13 in Chapter 6.

the migrants who are relatively better off, then, it is to be expected that the least number of students will be found within construction and transport workers. The table shows that only 6 percent of construction and about 8 percent of transport workers were students before their migration. The results thus consistently show that "push" migrants enter the urban informal sector labour market through the low status and low-earning occupations of the sector.

Table 3.29 Percentage Distribution of Migrant Labour Force in the Informal Sector Prior to Migration and by Present Occupation

Occupation Prior to Migration	Present Occupation					Total
	Sales	Service	Production	Construction	Transport	
Family Worker	33.5	39.2	22.9	31.4	51.9	32.1 (192)
Student	13.7	25.3	22.4	5.9	7.7	17.0 (102)
Business	23.6	3.8	9.3	5.9	3.9	12.9 (77)
Farm Worker	11.3	3.8	5.4	33.3	19.2	10.9 (65)
Artisans	0.9	16.5	21.0	3.9	0.0	10.0 (60)
Farming	6.1	2.5	3.4	11.8	7.7	5.3 (32)
Minor	3.8	2.5	7.8	2.0	7.7	5.2 (31)
Wage Employees	2.8	3.8	4.9	5.9	0.0	3.7 (22)
Unemployed	4.3	2.5	2.9	0.0	2.0	3.0 (18)
Total	100.0 (212)	100.0 (79)	100.0 (205)	100.0 (51)	100.0 (31)	100.0 (599)

The table also shows that a small proportion of the informal sector labour force were farming (5%) prior to migration. The reasons why so small a fraction were farming prior to migration is evident if one recalls that 52 percent had no land which they could farm. The higher than average proportion in farming for construction and transport workers, 12 and 8 percent respectively, should not, however, be taken as an index of land ownership. Farming may be identified as an occupation if cultivation occurs on another person's land on the basis of share-cropping system, which is widely prevalent in agriculture in the country. Since more direct evidence conclusively showed that the labour force in construction and transport had the least amount of land, the figures on farming can only be explained in the above terms.

Summary

On the basis of information provided in this chapter, it seems much attention has been given, in recent models of urban labour absorption, to the unfavourable personal characteristics of the informal sector labour force but little to the possible underlying determinants of such unfavourable configuration. Our survey data suggest that in Dacca informal sector employment is not limited to the absorption of the young and the old, females or recent migrants. Neither do they show dominance of secondary labour in the sector.

The age- and sex-composition is found to be significantly different from what is predicted in these models and their supporting evidence derived from several informal sector studies, mainly on Latin American

cities. Presence of very few females in the sample is not surprising in view of the very low female participation in the country's non-agricultural labour force. Similarly the average age of 30 for owners in the sample does not indicate that a disproportionate number of young people will be found in the informal sector labour force in Dacca. In fact, the majority of owners belong to the prime age group, 25-44 (66%). The dominance of this age group also holds across the all the occupation groups in the sample (the proportions vary from 50% to 82%). Only among the sample of workers is a smaller percentage in the prime age bracket found (27%). In the total labour force, which include owners as well as workers, nearly half belong to this age group.

However, when age is compared with other groups of the urban economy, it is clear that the informal sector has relatively more young participants than other comparable groups: while half of the owners in the sample is under 30 years of age, the corresponding proportion for the average urban household head is 28, modern factory worker 26 and squatter household head 26. Nevertheless, that 66 percent of owners belong to the age group 25-44 clearly refutes the hypothesis that seeks to explain the informal sector as an absorber of the young and the old.

In contrast to the data on age and sex, education data completely agree with the hypothesis since it is clear that the informal sector has a very high proportion of labourers with little formal education in absolute as well as relative terms. Skills data also provide a similar indication. Many in the total sample have limited technical skills; the exceptions are those engaged in production and service occupations where a larger proportion are skilled. However, it does not invalidate the

essential elements of the hypothesis since most of those skills, as will be seen in Chapter 5, are acquired through participation in the informal sector. Therefore, it is likely that at the point of entry even a larger proportion (than at the time of survey) of the informal sector labour force were unskilled. Therefore, the hypothesis of unfavourable personal characteristics has greater validity with regards to education and skills than age and sex.

In Dacca the informal sector is not found to be a secondary labour market. Thus the popular notion that many participate in informal activity to complement household income cannot be substantiated by our sample. One-fifth of the labour force who are family labour and 7 per cent who have a second income are the only clear sign of secondary labour in the sector. Another component of secondary labour may be traced in the absentee owners because their investment in the informal sector may represent a second source of income. The ownership question is discussed in Chapter 4 which shows that, except in transport, not a single case could be identified in which the operator was not the owner. For transport, the proportion of absentee owners was high (58%). This could be even higher for rickshaw drivers because many of them do not own the vehicle they drive. Overall, absentee owners, however, do not constitute a significant component of secondary labour in the informal sector.

The hypothesis with regards to absorption of recent migrants also is not particularly relevant for the Dacca informal sector. The proportion of migrants who have lived in the city for less than 5 years is 44 percent. The corresponding proportion for owners is even lower - 41 percent. Average duration of stay in the city for owners is 10 years,

and for the total informal sector labour force is 8 years. Since comparable data for the formal sector or for the total urban labour force are not available, the hypothesis could not be tested fully.

From the above evidence, it is clear that the maintained hypotheses on which the recent models of urban labour markets have been based are of limited applicability for Dacca. In view of this an alternative hypothesis was advanced suggesting that, instead of personal characteristics, the economic and social background of the migrant's family would determine whether he would be relegated to the informal segment of the urban labour force or elevated to the formal portion. A complete test of this hypothesis requires special attention that would seek to establish the family, economic and social background of the migrants and their influence on their education and skills achieved, age at which they are compelled to seek employment and reasons for their migration with a specific attempt to isolate "push" and "pull" factors.

With the data available to us, only a partial test was performed by investigating the ownership of land which was considered a good index of the social and economic background of rural migrants in the informal sector. Results of the test show that land ownership is a clear determinant of whether a migrant would be found in informal or formal sector. Our evidence shows that landlessness is more than three times higher in the informal labour force than in the formal sector. In contrast, the proportion of those who own 2.50 acres or more land is eight times higher in the formal sector labour force than its informal counterpart. Thus our data do show a very unfavourable background of the migrant labour in the informal sector. It is possible that the unfavourable personal characteristics are largely determined by absence of access

to resources such as land. For our purpose of assessing the labour absorptive role of the informal sector and its consequences for the development process, however, the important question is whether participation in informal economic activities provides an opportunity for those who do not have much access to resources and privileges. This question assumes additional significance in light of our findings in this chapter that the informal sector is not merely a secondary labour market or provider of employment to the young or the old.

CHAPTER 4

THE INFORMAL SECTOR MARKET STRUCTURE

Introduction

As described in Chapter 1, two complementary theoretical approaches to the study of the informal sector involve a labour market and an industrial organization perspective. In the first, the informal sector is seen as a labour market phenomenon and its modelling seeks to determine the role of the sector in job search and to predict the type of labour likely to be relegated to the informal part of an urban economy. The second perspective seeks to determine the nature of the market in which the enterprises of the informal sector operate and to assess their economic performance.

So far, our empirical investigation has been limited to testing a set of hypotheses relating to the first perspective. The results of this exercise, as reported in the previous chapter, indicate that many of the participants in the informal sector are disadvantaged in terms of their education, skill, and economic background. For our purpose it is more important to determine if participation in informal activities provides an opportunity to its participants to transform these disadvantages into potential advantages.¹ This question assumes additional significance

¹ Participation in the informal sector may be a potential advantage in the sense that it offers an opportunity to learn a skill and earn an income for the poor in the society. It may prove to be an advantage to the poor since people from better social standings shy away from these activities, even in the face of genuine hardships, because of the low esteem of these jobs.

because it is not only the young, the old or secondary labour for whom the informal sector provides an income earning opportunity. As our findings in the previous chapter show, many prime age individuals and principal earners in the households enter the informal sector in Dacca. This is probably because of the overall situation in the job market characterized by an excess labour supply.

Whether the informal sector can offer an opportunity of self-improvement to those who lack formal education and skills, urban experience, and strong family or economic background hinges on conditions of entry to the sector. As will be seen in this chapter, such an ease of entry hypothesis is central to the postulated role of the informal sector in absorbing labour in the primate cities of low income countries. Because of the importance of this hypothesis, considerable attention is paid to its testing with our survey data. Since entry conditions have implications for market structure which in turn has welfare implications for society depending on whether it is a competitive one or not, the ease of entry hypothesis is examined under the broader framework of informal sector market structure.

A second crucial question is whether participation in the informal sector, which presumably arises out of a desperate situation, facilitates crude labour exploitation by dominant groups in society; does it represent a means for the fruitful utilization of available labour, indigenous resources, second-hand tools and equipment, and scrap materials; is the informal sector to be considered a supplier of basic needs at a low cost to urban lower income groups; and is it a mechanism to hold down the formal sector wage by lowering the reproductive cost of labour? Additional issues concern the nature and extent of the relationship between the informal and formal sectors. These questions need to be

examined in a supply and demand framework so that relationships on both sides of market operations can be clearly identified.

Finally, the fundamental question is whether the informal sector can generate employment at a lower cost by adopting labour intensive technology without sacrificing current as well as future output. A related question is whether the informal sector offers a prospect of growth of indigeneous capitalist production or instead represents the process of proletarianization of small businesses, producers, and artisans. Answering these questions requires assessment of the overall performance of enterprises by examining such performance indicators as employment generating capacity, labour and capital productivity, and the ability to accumulate capital and to innovate.

It will readily be recognized that answering these questions requires knowledge about the industrial organization of the sector; specifically about its market structure, market conditions and market performance.² The relevance and usefulness of applying industrial

² In this regard it seems useful to briefly note the standard contents and methodology of industrial organization analysis. As a field in economics it attempts to "determine how market processes direct the activities of producers in meeting consumer demands, how these processes may break down, and how they can be adjusted (i.e., through government intervention) to make actual performance more closely to the ideal"; the ideal being efficiency, equity, progress and full employment (Scherer, 1970:2). Two distinct methodological approaches to the method of industrial organization analysis are: that pioneered by Bain (1962) which stresses formulation of a direct link between "market structure and economic performance"; another by Scherer (1970), which attacks the question of structure - performance associations by focussing on business conduct, i.e., in a "structure-conduct performance" matrix. Scherer also explicitly recognizes the influence of "basic supply and demand conditions" in his model of industrial organization analysis, but does not carry out any separate analysis of them. See Scherer (1970:2-7) for a succinct discussion on methodology of industrial organization analysis. For this study we adopt a "structure-basic conditions-performance" framework on the assumption that for the informal sector, supply and demand conditions as intermediary links between market structure and performance are likely to be more important than conduct. Such features of market conduct as price collusion, brand proliferation, research and innovation, advertising, and merger are more relevant for certain formal sector industries which operate in an oligopolistic market structure.

organization analysis to the investigation of enterprises in the informal sector is illustrated by the type of information required, as described above, for addressing the central question of labour absorptive capacity and development potential of these enterprises.

Of the three sets of questions raised above, those relating to market structure in general and ease of entry in particular are examined in this chapter. The questions regarding the supply and demand conditions or relationships between the informal and other sectors of the economy are investigated in the next chapter and those concerning market performance are examined in Chapter 6.

The main data base for this analysis is derived from the questionnaire information on enterprises, provided by owners of these 437 sample units. Where necessary, data on personal characteristics of owners have been recalled. Depending on availability, comparable formal sector data have also been utilized, the chief source of which is the latest Census of Manufacturing Industries (1975-76).

Type of Activities in the Sample

Before proceeding to the main thrust of the chapter, it is essential to take note of the range and diversity of activities in the informal sector. The literature on the sector well recognizes this aspect.³ Some critics, utilizing this empirical fact to launch an attack on the

³ See, among others, Webb (1975); House (1977); McGee (1979) and the ILO-City publications (e.g., Serthuraman, 1975; and Nihan and Jourdain, 1978).

concept, suggest that it is analytically useless to conceive of a sector in the face of such heterogeneity (see Breman, 1976). Our results confirm the existence of a wide variety of activities in the sector. However, we do not find it futile or impossible to group them in meaningful categories for analytical convenience. Table 4.1 indicates the wide spectrum of these activities. In the initial census, 230 different types of activities were listed. Such detailed disaggregation seems to be neither necessary nor manageable in carrying out an analysis. Consequently, activities are grouped into five major categories, shown in the table.

From Table 4.1 it appears that selling clothes, food, pan-cigarettes and business in second-hand items are the dominant retail activities in informal trade.

Table 4.1 Percentage Distribution of Informal Sector Enterprises in the Sample by Activity Group

Activity Group	Proportion of Enterprises	
	In Respective Group	In Total Sample
1. Street selling and other petty retailing:*		
i) Clothes and garments	27.6	10.3
ii) Raw food (fruits, vegetables, fish, meat, etc.)	19.6	7.3
iii) Pan-cigarettes**	12.3	4.6
iv) Second-hand clothes	7.4	2.7

Table 4.1 (continued)

Activity Group	Proportion of Enterprises	
	In Respective Group	In Total Sample
1.(cont'd)		
v) Cooked food (pavement eating and tea stalls)	7.4	2.7
vi) Buying and selling of old/ scrap items	7.4	2.7
vii) Stationary items	5.5	2.1
viii) Grocery items	4.3	1.6
ix) Newspapers	1.8	0.7
x) Others	6.7	2.5
Total	100.0 (163)	37.2 (163)
2. Repair and other personal services:*		
i) Shoe-repairing	13.6	2.1
ii) Appliance repairing	13.6	2.1
iii) Motor vehicle repairing	10.6	1.6
iv) Pen, watch and eye glass repairing	63.6 7.6	9.7 1.1
v) Lock and key repairing	6.1	0.9
vi) Garments repairing	6.1	0.9
vii) Cycle and rickshaw repairing	3.0	0.5
viii) Other repairing	3.0	0.5
ix) Hair cutting/barbers	10.6	1.6
x) Shoe-polishing	9.1	1.4
xi) Street-typist	3.0	0.5
xii) Book binding	3.0	0.5

Table 4.1 (continued)

Activity Group	Proportion of Enterprises	
	In Respective Group	In Total Sample
2. (cont'd)		
xiii) Sign board writing	1.5	0.2
xiv) Others	9.1	1.4
Total	100.0 (66)	15.3 (66)
3. Crafts and other manufactur- ing:*		
i) Tailoring	28.7	7.1
ii) Metal works	25.9	6.4
iii) Shoes and other leather goods	12.0	3.0
iv) Weaving (sarees, carpets)	11.1	2.7
v) Furniture	10.2	2.5
vi) Bakeries	3.7	0.9
vii) Pottery	2.8	0.7
viii) Others	5.6	1.4
Total	100.0 (108)	24.7 (108)
4. Construction work:*		
i) Earth digging	40.0	4.6
ii) Mason helpers	24.0	2.7
iii) Brick-breaking	14.0	1.6
iv) Carpentry	8.0	0.9
v) Painting	6.0	0.7
vi) Masonry	4.0	0.7

Table 4.1 (continued)

Activity Group	Proportion of Enterprises	
	In Respective Group	In Total Sample
4. (cont'd) vii) Plumbing	4.0	0.4
Total	100.0 (50)	11.4 (50)
5. Rickshaws and other informal transport:*		
i) Rickshaws	50.0	5.7
ii) Tempos (rebuilt rejected auto- rickshaws)	20.0	2.3
iii) Hand carts	20.0	2.3
iv) Bullock carts	10.0	1.1
Total	100.0 (50)	11.4 (50)
Grand Total	-	100.0 (437)

* For ease of reference, the five activity groups are referred to in this study as Trade, Service, Manufacturing, Construction, and Transport respectively.

** 'Pan' is the Bengali word for betel leaf which is chewed with betel, nuts, tobacco, etc. "Pan-cigarettes" stalls are one of the common sights of informal activities in Dacca which sell cigarettes and a mixture of above chewing materials.

Repairs of all kinds account for almost two-thirds of service enterprises, a clear indication of its importance in the group. Shoe-shining, one of the frequently mentioned informal activities, accounts for only nine percent of the service group, or less than two percent of the total

sample. Tailoring (31%) and various metal works (28%) are the two more frequently observed activities in the sample for manufacturing. Shoemaking and other leather works account for another 13 percent, while weaving and furniture-making follow closely, with 12 percent and 11 percent respectively. In construction, earth digging, work as helpers to masons, and brick-breaking are found to be common. Carpentry, painting, masonry, and plumbing, the ones which require some skills, account for only 22 percent of construction activities in the sample. Rickshaws, peddled by a driver and which carry passengers, account for half of the sample in the informal transport system.⁴ Tempos, push carts, and bullock carts, together account for the other half. 'Tempos' or 'helicopter service', as they are sometimes called, is a passenger shuttle service connecting important city points and is provided by almost discarded vehicles rebuilt for the purpose. Riding in Tempos carries with it an element of risk but still has grown in recent years because it is cheaper than rickshaw or auto-rickshaw services and takes less time than what is required by rickshaws. Push cart and bullock cart are informal alternatives to modern truck service.

Ownership of Enterprises

In addition to a knowledge of the nature and type of such activities, an awareness of ownership patterns of informal enterprises is essential

⁴ As noted before, since the sample of transport was selected on a quota basis, the distribution of different types of transport may not accurately reflect the 'population' distribution of these activities.

to understand the scope for individual initiatives. The distribution of ownership of the surveyed enterprises is shown in Table 4.2. As expected, single ownership, mostly by the producer himself, is found to be almost universal for enterprises in trade, service and manufacturing. For construction, given the fact that most of them are construction labour, ownership is not relevant. In transport, only 28 percent own the vehicle that they drive, 14 percent are partly owned and the remaining 58 percent belong to absentee owners. In the latter cases, drivers rent vehicles from owners on a daily basis and pay a fixed rent at the end of a day's work. Overall, only a few cases of joint ventures (4%) and less than 8 percent absentee ownership are observed in the total sample. Thus with the exception of transport, single proprietorship is the general rule of organizing an informal operation.

Because of single ownership, these enterprises are likely to have a considerable degree of independence in their day-to-day operation.⁵

Table 4.2 Percentage Distribution of Informal Sector Enterprises by Type of Ownership and by Activity Group

Type of Ownership	Activity Group					Total Sample
	Trade	Service	Manufacturing	Construction	Transport	
Single-Owner	98.2	93.9	99.1	N.A.	28.0	88.6
Partnership	1.8	6.1	0.9	N.A.	14.0	3.9
Absentee	-	-	-	-	58.0	7.5

⁵ This, however, does not preclude the chance of extraneous control arising out of structural imbalances (e.g., dependence on the formal sector) or institutional restriction (e.g., police harassment). These are additional issues which are discussed later.

But it also implies little division of labour and little specialization within the work process (Scott, 1979:109). More importantly, single ownership can impose effective constraint on size, expansion, and improvement of an enterprise depending on the individual's ability to raise required capital. Also, the stake becomes much higher if a loss or debt occurs in such an enterprise. From this one may hypothesize prevalence of single ownership, among others, as an explanatory factor of some of the well-known informal sector characteristics such as lack of capital and miniscule operation.

Determinants of Competitive Market Structure

One commonly held view is that enterprises in the informal sector operate in a highly competitive market. This implicit reference to market structure seems to be partly based on the observation of "large number of buyers and sellers" in crowded city streets of low income countries. This, together with assumed ease of entry, seems to provide the theoretical underpinnings of a 'competitive' informal sector market. Competition within the informal sector is taken so much for granted that most of research does not explore the issue. To our knowledge, no systematic analysis of the market structure of informal establishments is to be found in informal sector literature.

References to the highly competitive nature of the sector can be found in several studies. The original ILO report on Kenya incorporated "unregulated and competitive market" as one of the defining characteristics of the sector (1972:6). Weeks, one of the authors of that report,

in a later article characterizes the sector as freely competitive both in its product and factor market (1975:4) but does not provide any data, nor is there much analysis of the reasons for such a characterization.

Tokman provides some evidence to demonstrate the competitive ability of informal sector. Limiting his analysis to competition from outside (i.e., from the formal sector) for the retail trade of informal commercial establishments in Santiago, he attributes the ability to compete on the part of informal sector enterprises to the existence of imperfections in both product and factor markets (1978b:1189). Intense competition, both internally and from the formal sector, is evident in Allen's (1977: 5) case studies of several repair enterprises in Nairobi. However, no quantitative data were provided in that piece to probe the intensity of competition. Unlike Tokman, Allen is pessimistic about the competitive ability of the sector with respect to the formal sector. Isaac found no evidence of competition between hawkers and petty shopkeepers in his study of the informal sector in a Sierra Leone town. However, his data do show strong locational and price competition within each of these groups (1981:359-60), which leads one to suspect that these activities operate in a competitive setting.

From the above review, it seems that informal sector market structure is analysed only in an indirect manner through references to 'inner' as well as 'outside' competition.⁶ Some relatively explicit treatment of market structure of the sector is available in Berry (1973), Muench (1977:15-17) and Davies (1979:90-91). Berry characterizes the

⁶ For evidence in our sample on this aspect of competition see Table 4.5, towards the end of this chapter.

market for commerce, personal services and small-scale transportation as monopolistically competitive. The theoretical basis of his position is reached via the assumption of ease of entry in the following manner: easy access permits additional production units to enter the industry even though total output may rise little or not at all; their entry redistributes the production activity among a larger group, and lowers average output (quoted in Peattie, 1974:66). The argument is theoretically tenable and fits into the monopolistically competitive model, in which firms operate at a level of output below the minimum point of the average total cost curve in long-run equilibrium. Although the negative implications of Berry's characterization of informal markets are obvious, Peattie makes no mention of any empirical basis for this position.⁷

Elkan (n.d:6) argues that the informal sector operates competitively in the sense that, unlike industries in the formal sector, (1) neither protection from foreign or domestic competition (2) nor grants-in-aid or subsidies are available for informal sector enterprises. Similar arguments are made by Davies (1979) to underscore how competition is limited in the formal sector due to protective policies such as providing patent rights and through allocation of scarce resources such as foreign exchange or other vital inputs. These provisions, in combination with large initial capital requirements and economies of scale, are identified as sources of departure from the competitive model for formal sector

⁷ The original source (Berry, 1973) is not available to us; hence we could not ascertain if Berry has tested empirically his characterization of informal sector markets.

industries. He then argues that since such protection or subsidies are not available to the informal sector it "approaches more closely the neo-classical model of perfect competition" (Davies 1979:91). The most explicit application of the perfectly competitive model to the informal sector is found in Muench (1977:15-17). He adopts the well-known criteria of the perfectly competitive model, such as (1) ease of entry, (2) large numbers of buyers and sellers, (3) homogeneity of products, (4) perfect knowledge of market, and (5) rational behaviour on the part of both sellers and buyers (which is expected to be captured in respective profit and utility maximization behaviour), and tests if they are satisfied in the informal sector. By way of argumentation he concludes, like Davies, that "many of the types of activities in the informal sector approach the conditions of pure competition" (1977:16).⁸ Neither of these studies, however, provide any data or empirical verification for their respective arguments. In summary then, references to competitive market conditions, in general terms, are common in informal sector literature. Some even argue that these enterprises operate in a purely or perfectly competitive market. But, in the absence of persuasive supporting evidence, this appears to be a mere assertion or, at best, a plausible assumption. This then underscores the need for examining the

⁸ It is interesting to note that though both Davies and Muench reach similar conclusions with respect to market structure of informal sector, the two take completely opposite positions in their policy recommendations. While Davies seems to be lamenting the absence of government support and protection for the informal sector Muench appears to be a great believer in laissez-faire arguing that such interventions would destroy the competitive environment and prevent efficient utilization of resources in the informal sector.

empirical validity of such an assumption with respect to the market structure of the sector.⁹

Of the five criteria cited above, ease of entry and exit is crucial to a purely competitive model. Because of this criterion there exist mechanisms which serve to eliminate any profits or losses, over and above normal costs, through new entries or exit of existing inefficient ones and thereby help to establish the equality between price and marginal costs in long-run equilibrium. This process guarantees both efficiency and welfare in the sense that firms are forced to operate at their minimum average costs and consumers benefit from the lowest possible prices.¹⁰ Second, existence of a large number of sellers, in actual practice, is guaranteed if ease of entry prevails. Large numbers of buyers and sellers, in their turn, ensure atomism and a small share of the market by one firm or an individual, another feature so vital for competition. Ease of entry thus works as the crucial agent in competitive markets. Mainly because of this, and partly because of product differentiation, market knowledge and rational behaviour are not easily amenable to empirical verification (not with our data, at any rate), the thrust of our scrutiny of market structure will essentially be based on a test of the ease of entry assumption. Some arguments on the relevance of

⁹ We want to admit at the outset that the tests being offered here are limited in the sense that all questions raised above are not easily amenable to empirical tests, neither do we have all data required to subject them to such verification.

¹⁰ For an excellent exposition of welfare implication of competition see Scherer (1970:8-13).

other criteria, however, are provided largely on the basis of general observation of the enterprises during the field work and complemented by some data gathered in the survey.

Unlike the formal sector, brand strategy and advertisement have no relevance for the informal sector in creating product differentiation; differentiation in informal sector goods and services arises out of geographical location and from special clientele systems. These two factors together may create a preference of goods and services from a particular area or an enterprise. For two reasons, however, this does not seem to be significant. First, a clientele system is more relevant for neighbourhood shops, which are limited in number in our sample (12%). Also because enterprises in our sample are concentrated in city centres, at bus stops and around important office buildings and shopping centres (enterprises located in these locations together account for 77% of total sample), the scope for a clientele system becomes limited. Moreover, because of enterprises' location, information flows quickly and the low income groups, who account for 79 percent of informal sector direct sales to consumers (see Table 5.18 in Chapter 5), are quick to discover the cheapest source of goods and services. This also brings us to the fourth criteria, that of market knowledge. There is no reason to suspect that under the above conditions of business operation, dissemination of market knowledge would be insufficient.

Similarly we do not find any reason to doubt that informal sector entrepreneurs would behave in any manner other than rationally. One merely needs to note the following evidence from our survey: these entrepreneurs have lived in the city on average for 10 years, 77 percent of

them operate their businesses in and around most modern economic activities, 57 percent utilize wage labour, 73 percent expresses clear intention to expand, improve, and modernize their businesses. In view of this clear evidence of a capitalistic setting, it is hard to imagine how else one can characterize the business behaviour of these people except that of high economic sensibility and rationality.¹¹ Profit maximization, in its narrow sense, may or may not be the sole objective. But that is not of vital importance for rational behaviour. Self-gratification from some more complex set of objectives,¹² rather than solely from profit maximization, seems to be perfectly rational.

The informal sector thus seems to roughly satisfying the above criteria of perfect competition. Having dealt with all criteria except ease of entry, attention can now be turn to this important assumption of informal sector market structure.

11 Against these few facts, it also does not seem that the culture of poverty thesis (Lewis, 1966) has much relevance for the Dacca informal sector. One would suspect that it may have some validity with respect to slums and squatters in the background of which the thesis originated. But doubt has been cast even in that respect (see Breman, 1976:1872). Even if such a culture of poverty could be associated with slums and squatter population, it is unlikely that significant signs of such outlook would be evident among the participants of the informal sector in Dacca since only 10 percent of the sample population are reported to be living in 'bastees' (slums).

12 Even work in itself may be a highly rational objective (see Schumacher, 1974:45-46). Similarly, scope for participation of family members in the work, and possible satisfaction of self-employment, could as well be deemed perfectly rational.

The Role of Ease of Entry: Theoretical Basis

Identification of the Variables

In theory, ease of entry is defined as a situation in which existing industry members have no cost or other advantages over potential entrants (Scherer, 1970:222). The standard sources of such advantages are associated with (1) absolute cost advantage¹⁴ of the existing firms, (2) economies of scale, (3) entry barriers created by existing firms and, (4) regulations which protect the interests of existing firms and/or prohibit entrance of new firms (Lipsey, 1976:298).

Absolute cost advantage may arise from (i) control over supply sources, (ii) experience gathered from "learning by doing", (iii) trust of the suppliers in getting supplies on credit and possibly on special concession. Since control over supply sources through patent rights or the like are not relevant for the informal sector, the only prospect of special access to sources of supply may arise from experience. The second source, i.e., learning by doing, is clearly an outcome of experience. Similarly, trust can be earned only over time from past performance. Thus all three sources of absolute cost advantages for an informal sector enterprise boil down to experience. This advantage, thus, is essentially of a temporary nature and potential entrants are likely to erode such advantages over time.

¹⁴ An absolute cost advantage means that existing sellers have average cost curves that are significantly lower over their entire range than those of potential entrants (Lipsey, 1976:298).

Given the scale of operation of informal sector enterprises,¹⁵ economies of scale or the division of labour in existing enterprises are unlikely to operate as entry barriers to potential entrants. Created entry barriers in the form of advertisement or brand proliferation have little relevance in the informal sector. However, entry barriers may always be imposed by the existing firms either overtly by force or covertly by creating difficulties for new entrants in getting a suitable spot around the already existing enterprises. Data on difficulties in finding a suitable location would provide some measure of such created obstacles.

Institutional restrictions may operate in several ways. For the formal sector, apart from registration requirements, patent rights, import quota, licensing for raw materials and spare parts, machinery and foreign exchange control - all can impose significant entry barriers. Although these restrictive policies are not relevant to the informal sector, a different set of policies such as a nominal license or permit requirement for any economic activity can create barriers for new entrants and can be used as a pretext for police harassment.

Economic theory tells us that when no barriers to entry of the above kind exist, "individuals are free to choose whatever trade or profession they prefer, limited only by their own talent and skill and by their

¹⁵ Whichever definition of size we adopt miniscule operation is clear: 90 percent of enterprises in our sample have either none or fewer than 3 workers, which include family labour. Similarly, 81 percent operate with capital, including both fixed assets and value of stock of goods, of less than Tk. 5,000 (\$300) at replacement cost.

ability to raise the amount of capital required" (Scherer, 1970:12, emphasis added). Presumably such a condition then would set the stage for the full play of competitive forces. The two limiting factors underlined in the above statement, i.e., (1) level of talent and skill (2) ability to raise enough capital, are merely limiting factors to potential formal sector entrepreneurs; for those in the informal sector these two factors largely define the informal sector as we know it. The level of talent and skills that these people possess and the amount of capital they can mobilise, in essence, define the informal sector. As will be seen shortly, a number of authors have called the informal sector an easy entry sector precisely because it requires such small amounts of capital and so little skill. It is interesting to note that while in economic theory capital and skills are conceived as limiting factors, in the informal sector literature they appear as important explanatory variables of either ease or barriers to entry, depending on the author's perception and interpretation.

An explanation for capital not being included as an entry barrier in the theory of competition can be found in the Schumpeterian concept of entrepreneurship. Schumpeter believes that in a truly capitalistic environment, capital is a function of entrepreneurial initiative, implying that credit will be forthcoming to meet capital requirements of an economic venture.¹⁶ Whatever may be the relevance of this theory in an ideal capitalist environment, this simply cannot be assumed away

¹⁶ See Adelman (1961:94-108) for a good summary of Schumpeter's theory of economic development in which the entrepreneur and innovation are key determinants of development.

for the informal sector. We therefore propose to examine the role of credit in the informal sector as a substitute for or complement of capital.

To sum up, the above discussion of ease or barriers to entry in economic theory has yielded the following variables: capital and credit, skill and experience, license requirement and police harassment, and obstacles to finding a good location as an index of created entry barriers, if any, by the existing enterprises.

Review of the Informal Sector Literature

We have previously noted that the informal sector appears to play an important role both in migration models and in models which seek to understand urban economy in low income countries. Similarly, ease of entry assumes a central role both in the migration process and in studies of the informal sector. In the former, the assumption is mostly implicit but essential to explain a point of urban entry for rural migrants. In the latter, the assumption is used either as a definition of the sector itself or to see informal activity as a means of subsistence while engaging in formal sector job search.¹⁷ This position of the sector and the assumption in question is indicative of the intermingling of the two concepts in the relevant literature.¹⁸

17 See Rempel (1981:123) for a concise exposition of the role of the ease of entry assumption in migration models and in recent studies on the informal sector.

18 This also warns one of need to take care in defining the sector. If the sector is defined by ease of entry, as the original ILO-Kenya study did, the observed association of the two concepts may be the outcome of circular reasoning.

Drawing another analogy with our previous discussion, references to ease of entry assumption would appear to be more common than references to the competitive nature of the market in which the sector operates. It all began with the ILO-Kenya report's characterization of the sector by ease of entry. Since then the validity of the assumption has been questioned widely. Thus, unlike the state of non-research on market structure in an exclusive sense, the ease of entry assumption has drawn considerable attention in both theoretical discussion and empirical scrutiny. Evidence gathered, however, has not been consistent and hence ambiguity remains. On the one hand, Sinclair (1977) and Bienefeld (1975) provide strong evidence of significant barriers to entry and reject the ease of entry assumption completely. With rather scanty data, a similar position is held by several other writers.¹⁹ On the other hand, Sethuraman (1975) argues, on the strength of data from several ILO-sponsored city studies, that entry into certain informal activities is practically unrestricted.²⁰ Mazumdar (1976) and Mukui (1977) also lend support to the assumption. Our objective here is to identify the variables that have been used in explaining the respective positions of the above two groups of authors.

Capital

Capital needs appear to be a frequently cited explanation for both

¹⁹ They include Peattie (1974), Bromley and Symanski (1974), Breman (1976), Allen (1977), Jellinek (1977), Harriss (1978), Birkbeck (1978) and Davies (1979).

²⁰ He, however, admits that for certain informal activities, e.g., metal manufacturing, entry appears to be difficult because of greater capital and skill requirements (see Sethuraman, 1975:199).

ease of and barriers to entry assumptions. Those who maintain that the sector is truly characterized by ease of access point out that little capital is required to set up an informal establishment, especially compared to its formal sector counterpart. "Little capital" as an explanation of ease of entry appears in a number of articles.²¹ To some others, capital is the major barrier to entry for self-employment in the informal sector. One argument is that "whether as a street seller, or a repair worker, or a small-scale transporter, capital is required, and capital, even as little as that is something not easily available to these people" (Birkbeck, 1978:1178). A few writers adopt more caution and identify specific types of enterprise for which capital plays a more important role. Sinclair (1977:97-99) finds cash accumulation to be the major barrier for small traders in Lagos. Rempel (1980:8) identifies capital as the key variable in production enterprises. Large capital requirements for production appears as an explanation of significant barriers to entry in Davies (1979:90). Allen (1977:2) highlights the barriers of access to capital and characterizes the sector as an "under-capitalized" one: it is the barrier of access to capital far more than anything else that tends to give the definition of the informal sector.

Skill

Another often offered explanation for assuming ease of entry is "little skill needs" for most informal occupations (Sethuraman, 1975;

²¹ See Reynolds (1969), Berry (1973), Child and Kempe (1973), Webb (1975), Mazumdar (1976), Sethuraman (1975), and Mukui (1977).

Child and Kempe, 1973). To Davies (1979:90), however, a "technological barrier" appears to be quite real for manufacturing and repair works. As noted previously, Sethuraman (1975:199) admits considerable skill requirements constitute a barrier to entry for metal manufacturing. This would imply that prior training is necessary before one can set up a manufacturing or repair workshop. Rempel (1980:8) and Harriss (1978:1081) note a probationary period as a prerequisite for establishing most of the 'trades', not only for manufacturing. Some others have noted that even if technical skills as such are not prerequisites for some occupations, experience in one form or other is necessary before income can be realized through informal activity (Birkbeck:1179; Sethuraman, 1977c:349-50).

Social Contacts

Social contacts (Bromley and Symanski 1974:20), in general, and contacts with urban residents (Rempel, 1980:9), in particular, are potential entry facilitating factors. With evidence from Bogota, Peattie (1975) shows that contact is important for certain trades (e.g., wholesaling). Connections appear to play an important role even for shoeshiners seeking a preferred location in a heavy traffic area (Bremner, 1976:1907).

Institutional Barriers

Since registration requirements and other regulatory measures are not relevant for informal sector enterprises, the widely held view is that institutional restrictions do not impose barriers to entry. However, as more evidence accumulates, institutional barriers in other forms

are being identified as genuine difficulties both for entry and continued operation. For example, not holding licenses is a common pretext for the hostility of municipal authority (Werlin, 1974). In some countries, it appears that a permit or license is required for operation of certain informal activities (Peattie, 1975; Werlin, 1974; Bromley and Symanski, 1974). It would therefore be relevant to examine how the system operates in Dacca.

Suitable Location

Finding a good spot to operate may be crucial for many informal businesses. This takes on special significance since the number of attractive business spots is limited around important market places, bus stops, widely used pavement, stadium, and venue of political meetings. This is particularly important for retail trade and itinerant services since getting customers largely depends on being able to find a spot at one of these places. Breman (1976:1907) cites evidence from an Indian city to argue that new entrants in shoe-shining find it too difficult to get a suitable fixed place. An appropriate location can be seen as a matter of market perception in the sense that demand prospect is perceived, at least partly, by considering alternative locations. Bienefeld (1975:62) suggests that limited extent of the market is an entry barrier. No data were, however, provided to demonstrate its significance. Demand as well as supply conditions probably have more direct implications for business operation and performance rather than acting as entry barriers. However, as Bienefeld suggests, demand and supply prospects may have some implications for entry via the perception of a market. Evidence on location, demand and supply difficulties in starting up the enterprise

are, therefore, utilised to measure their significance as entry barriers.

Indirect Measures

Apart from the variables already listed, variables such as age, length of residence in the city, and enterprise turnover rate have been used by Bienefeld (1975:60-70), Sinclair (1977:82-83), and Rempel (1980:9) to provide evidence of informal sector entry barriers. The postulated relationships are that age, time spent in city and current work would be positively related with barriers to entry. The explanations of such expected relationships would be: if entry barriers exist, the young would face more difficulty of access or, because of such barriers, it would take a much longer time to break the barriers. Consequently, the young would probably become relatively older by the time they can establish their own enterprise. Similarly, a disproportionate number of long-term residents among owners of informal sector enterprises would imply long waiting by new migrants before they can set up an informal enterprise. Likewise, relatively long time spent in one activity would indicate a low turnover rate of enterprises, which, in turn, would imply difficulties in setting up an operation.²² Conversely, a high turnover rate would confirm ease of entry (Mazumdar, 1976). In addition to the above three indirect measures, we introduce time spent in job search as a possible explanatory variable of either ease or difficulty of entry.

²² Relative stability of enterprises may be interpreted differently. See the section on results for several possible interpretations.

Both the initial job search and periods of unemployment between jobs are measured for this purpose.

In summation, the foregoing review of informal sector literature relevant for analysing the ease of entry assumption confirms the previous selection of several variables from discussion of the concept in economic theory. In addition several indirect measures have emerged as relevant for an empirical verification of the hypothesis. The first group of variables would provide direct measures of ease or difficulty of entry. In this group, we have capital and skill related variables, proxy variables to measure institutional restrictions, social barriers and perceptions of the market. Age, length of residence in city, turnover rate of enterprises and job search period form the other group of variables, which provide some additional evidence on ease or difficulty of entry. The survey results on both groups of variables are provided in the next section.

The Role of Ease of Entry: The Dacca Evidence

Access to Capital

Table 4.3 summarizes results on the first group of variables listed above. First looking at capital, all indicators of capital needs show that their values are small, in absolute terms. For example, on average capital of little over Tk. 4,000 (\$250) is currently employed per enterprise [see 1(i)], the median value being only Tk. 1,500 (\$100).²³

²³ The measure of capital includes all assets owned by the enterprise, both fixed assets and value of stock of goods and raw materials, estimated at replacement cost by the owner. Capital required to start the enterprise would have been a more precise measure of ease or difficulty of entry. But since the value of initial capital employed could only be obtained at book value, this has not been used in the analysis; these data are, however, provided in the table [see 1(iii)]. The initial capital employed is about half of currently employed capital.

Looking at the distribution of the variable, it is found that 81 percent of enterprises have less than Tk. 5,000 (\$300) in capital [see 1 (ii)]. When compared with capital employed per establishment in the formal sector (Tk. 5.5 million or \$0.3 million), capital needs of the informal sector enterprises look very small indeed. It is probably this wide difference in capital requirement between formal and informal establishments that has encouraged a number of previously cited researchers to think that little capital is required to start an informal sector operation. This, in turn, has led them to believe that ease of entry truly characterizes the sector. The conclusion, however, may be misleading since it may well be that accumulation of even that small amount of capital is difficult on the part of many who are engaged in the informal sector. Evidence on sources of initial capital together with proprietors' evaluations of difficulties in gathering the necessary capital provides a basis by which to assess that proposition. Loans were the main source of initial capital invested for only 15 percent of enterprises [see 1(iv)]. These loans came almost entirely from friends and relatives. Institutional credit is almost nil: only one out of the total sample of 437 reported that he received credit from formal sources. Loans from private money lenders are also insignificant (less than 1%). The absence of access to credit facilities leaves informal sector operators dependent mostly on their own resources for capital needs. Therefore, it is not surprising that 81 percent identify capital as the major problem in setting up the enterprise [see 1(vi)].

Once set up, it is reasonable to expect that credit will play an important part in meeting regular supply needs of these enterprises. But

Table 4.3 Summary Results on Measures of Ease or Barriers to Entry to Informal Sector by Activity Group

Indicator	Activity Group					Total Sample
	Trade	Service	Manufacturing	Construction	Transport	
1. Capital Related						
i) Average of currently employed capital* (Tk.)	2,513 (1,325)	3,364 (1,200)	7,767 (3,338)	335 (60)	11,450** (5,000)	4,109 (1,500)
ii) Capital below Tk. 5,000 (\$300) (%)	89.6	84.9	63.2	98.0	40.0	81.0
iii) Average initial capital employed to start-up (Tk.)	1,044 (500)	2,223 (550)	4,302 (2,000)	155 (55)	3,763** (2,500)	2,110 (500)
iv) Loans as a main source of initial capital (%)	6.3	20.5	29.4	8.9	12.6	14.8
v) Both cash and credit as mode of payment for supplies (%)	61.5	9.1	36.1	-	-	43.0
vi) Capital as the main problem in starting the enterprise (%)	95.1	84.9	81.5	70.8	35.9	81.4
vii) Capital still as the major problem (%)	91.9	67.7	82.4	2.3	4.2	66.7
2. Skill Related:						
i) Percentage of entrepreneurs with no schooling	34.4	34.9	16.7	66.0	36.0	33.9
ii) Proportion of unskilled among entrepreneurs	92.0	10.6	1.9	50.0	0.0	42.1
iii) Apprenticeship period of less than one year (%)	53.9	23.7	15.2	68.0	98.0	40.9
iv) Skill need as a difficulty to start the enterprise (%)	0.7	5.3	9.2	1.5	1.7	4.1

Table 4.3 (continued)

Indicator	Activity Group					Total Sample
	Trade	Service	Manufacturing	Construction	Transport	
v) Percentage of entrepreneurs with previous job experience	44.2	53.0	71.3	32.0	68.0	53.5
vi) Average number of jobs held previously by entrepreneurs	1.3	1.6	1.6	1.5	1.6	1.5
3. Social:						
i) Percentage of entrepreneurs with urban contact (support from relatives during initial job search)	30.0	23.3	54.2	58.1	54.2	48.3
ii) Percentage of entrepreneurs received support from relatives in getting the enterprise started	54.0	51.5	60.2	18.0	51.0	50.7
4. Institutional:						
i) Percentage of entrepreneurs required permit for business operation	14.1	18.2	43.5	-	100.0	30.2
ii) Percentage of entrepreneurs to whom regulations posed a problem in starting the enterprise	2.9	2.3	4.4	-	41.5	6.2
iii) Percentage of entrepreneurs reporting harassment	66.1	48.4	21.3	-	92.0	47.7
iv) Percentage of entrepreneurs who see harassment as a continued problem	29.2	19.2	4.7	-	45.3	19.5

Table 4.3 (continued)

Indicator	Activity Group					Total Sample
	Trade	Service	Manufacturing	Construction	Transport	
5. Locational:						
i) Finding a good location as a difficulty to start the business (%)	43.1	40.6	37.7	3.4	3.1	34.9
ii) Proximity to buyers as main reason of location (%)	71.8	59.1	43.9	-	-	60.2
iii) Proximity to supply sources as main reason of location(%)	1.2	3.0	4.7	-	-	2.7
iv) Supply conceived as a constraint (%)	4.0	9.3	13.3	6.0	0.0	7.6
v) Demand conceived as a constraint (%)	17.0	22.5	22.3	86.0	41.3	25.6

Figures in parentheses represent median values

* Include values of both fixed assets (owned by enterprises) and stock of goods and raw materials estimated at replacement cost by respondents.

** Calculated from 16 observations for those who own their vehicles. Only 32 percent of transport operators own the vehicles they drive.

data on the method of payment for supplies show that for only 43 percent of the enterprises did credit play some part in such payment [see 1(v)]. The remaining 57 percent need to pay in cash. For 67 percent capital still remains a major problem in continuing operation [see 1(vii)]. Put together, the above evidence suggests two things. First, a capital constraint is very real both in starting and in continuing the business, despite the earlier finding that the absolute amount of capital required is small, almost insignificant, if compared to what is required for for-

mal sector firms. Second, the barriers to capital have not been lessened in any significant way by availability of credit either to start or continue the enterprise. The Schumpeterian hypothesis of the role of credit as a substitute for capital, therefore, does not appear to hold for the informal sector. This situation may well be taken as another distinguishing mark between the formal and informal sector, which is consistent with Allen's (1977) characterization of the informal sector as an "under-capitalized" one.

It is important to note that capital requirements are not equal across activity groups. In their rush to reject an ease of entry assumption and to demonstrate barriers to entry, Bienefeld (1975), Sinclair (1977), and Allen (1977) ignore the significant variation in requirements for capital among activity groups. Bienefeld (1975) did analyse various self-employed groups, but his sample did not include informal transport and construction activities. Sinclair (1977) sought to draw conclusions on the basis of data only for "small-scale trade". Allen's (1977) conclusion is based on observations of a few repair workshops only. Setting transportation aside for the moment, the current value of capital assets is highest in manufacturing with an average of about Tk. 8,000 (\$500) and lowest for construction with a little over Tk. 300 (\$20). The people in construction in our sample are mostly casual labour possessing only a few basic work tools and their muscle power. This group, however, points to the existence of work within the fold of the informal sector which can be accessed with almost no capital. This is consistent with our finding in Chapter 3 that the highest proportion of construction workers are recent migrants (56%), who have lived in the city less than five years (refer

to Table 3.25).

Turning to the other activities, capital employed in trade and service is less than manufacturing. Service enterprises need more capital than trade, probably because most of the service units are repair works and hence need some tools and equipment. Traders' capital needs are minimized, to some extent, since 62 percent of their group report that their supplies are met partially by credit [see 1(v)].

Capital figures in the transport group need to be interpreted carefully. Since most (34 out of 50) of the vehicles are not owned by the driver, the average capital calculated from 16 individuals who own their vehicles may be misleading as an index of an entry barrier. Entry into the informal transport system does not require one to own a vehicle and hence capital employed does not reflect ease or difficulty to entry, unless ownership itself is an issue of analysis.

The variation among activity group in barriers to entry on account of capital seems to be best reflected in measures of capital as a main problem to start-up the business [see 1(vi)]. These figures clearly show that capital is a major barrier to entry for trade, closely followed by service and manufacturing. Although capital requirements are relatively higher for service and, particularly manufacturing [see 1(i)], the reason that traders' proportion exceeds those of service and manufacturing in 1(vi) is explained by the fact that for trading capital is the single most important factor. In contrast, both for service and manufacturing, although capital needs are considerable, their requirements for skills are, in all likelihood, more significant. Precisely because of this, service and manufacturing appears after trade when capital as a main

problem in starting the enterprise is identified in 1(vi). Many in transportation can begin without any capital because it is not necessary to own the vehicle one drives. Therefore, capital is not expected to be a major barrier to entry for many in this group and hence the lowest proportion for transport in 1(vi).²⁴ Capital is not very important for the people sampled in construction works. Still, all of them need to own some basic tools which require some capital. Therefore, their proportion in 1(vi) is larger than for transport, but naturally smaller than for trade, service, and manufacturing.

Thus we have two different sets of rankings of entry barriers among activity groups on account of capital and its related variables. If the ranking is done on the basis of average capital employed, it takes the following order (leaving out transport): manufacturing, service, trade and construction. However, if the ranking is based on respondents' own evaluation of capital as a main problem in starting the enterprise, the order takes the following form: trade, service, manufacturing, construction, and transport.

To sum up, capital required for an informal enterprise does not appear to be high in any absolute sense. Indeed, relative to the formal sector, this requirement is insignificant. Furthermore, there are occupations within the informal sector which can be accessed without any capital, e.g., rickshaw drivers in transport, the greater proportion of whom rent a vehicle on a daily basis, and those in construction work who

²⁴ This justifies our earlier cautionary note that capital figures between 1(i) to 1(iii) need to be interpreted carefully because they do not provide the complete picture of transport.

need little capital for one or two basic tools. However, when data are interpreted relying on respondents' evaluations of the problem in gathering the required capital, the almost universal response that capital is the major problem makes one hesitant to conclude that capital does not pose a significant hurdle to entry for many of these entrepreneurs.

Acquisition of Skills

Evidence on education, skill, and experience, as possible explanations of ease or difficulty of entry, seems to be less ambiguous. About 34 percent of owners in the total sample have never been to any school.²⁵ That proportion is highest for those in construction (66%) and lowest in manufacturing (17%). There appears to be no difference between trade and service groups [see 2(i)]. Similarly 42 percent of the total possess no mechanical skills. Again, manufacturing units have the least number of unskilled among their owners, less than 2 percent [see 2(ii)]. Most traders (92%) do not possess any technical skills.²⁶ Some construction work does not require any technical skills, but others like masonry, carpentry, and plumbing, require considerable skills. Because of this we observe that half of those in construction are skilled. Driving skill has been considered as a semi-skill. Since everyone in transport would know driving, none in this group are classified as unskilled.

25 Even of those who managed to go to school, only 14 percent had education beyond primary level. Detailed results are reported in Table 3.15 of Chapter 3.

26 This does not mean that traders have no other skills. Managerial and entrepreneurial skills among them is admitted.

These findings on skill levels would imply that at least 42 percent could enter the sector without having any skills.²⁷ This leaves 58 percent having some skills, 41 percent of whom had to undergo an apprenticeship period of less than one year to acquire the skill they possess [see 2(iii)]. The probation period for the remaining 59 percent was one year or more. Since the greater proportion (58%) of owners are skilled and 59 percent of them had to undertake training of more than one year, barriers to entry due to skill requirement appear to exist.

But, again, this requirement varies among the five activity groups. Skills required for transport, construction, and trade are acquired, in most cases, in less than one year; while manufacturing and service work require longer training. Eighty five percent of the former group and 76 percent of the latter require an apprenticeship period of more than one year to acquire the skill they possess.

This requirement of skill and training for the greater proportion of informal operators, particularly for manufacturing and service, lend support to a barriers to entry hypothesis. But interpretation of these findings call for care for two reasons. For one, education, skill, and training requirement for the informal sector would appear insignificant when some comparisons are made with those requirements for the formal sector. Except for a few low-grade jobs, no one without considerable schooling and training can ever hope to enter any formal sector employment, whereas in the informal sector we have 34 percent who had never been to school and 41 percent who could learn the required skill in less

²⁷ This proportion is likely to be higher if skill level at point of start could have been ascertained.

than one year. Therefore, an unqualified interpretation of a skill barrier to entry may be misleading. This point is illustrated in the sample from owners' identification of major difficulties in starting the enterprise. In sharp contrast to their responses on capital, skill requirement as a difficulty in starting the enterprise is mentioned by only 4 percent of the total sample [see 2(iv)].

However, if the purpose of analysis is to identify the activities which are relatively easy or difficult to enter on account of skill needs, the responses here are consistent with previous findings that manufacturing and service would be more difficult, relative to the other three groups, because of their considerable skill and training needs. This is illustrated by the fact that the two larger proportions in 2(iv) come from manufacturing and service. Thus, although the relative proportions in 2(iv) are consistent with previous findings, the very low-rating of skills as an entry barrier is not easily understood, especially in the face of considerable skill requirement for the greater proportion of informal activities. Two plausible explanations of this low-rating are: (1) capital is singled out so overwhelmingly as the main entry problem [recall evidence in 1(vi)] that the significance of skill as a problem is almost ignored, and (2) past work experience may have already provided the necessary skills so that by the time the respondents have reached the present stage of self-employment the significance of skills as an entry barrier has considerably diminished.

The second point above brings us to experience as a possible explanation of ease of entry. From 2(v) of Table 4.3 it is observed that the greater proportion (54%) had some work experience before starting the

present work. For the activity groups in which skills are important, experience also appears to be important. Some 71 percent of owners in manufacturing, 53 percent of those in service and 68 percent of those in transport have had previous work experience in the city. Skill acquired this way may have diminished its being seen now as a major entry barrier. From 2(vi), it appears that owners of all activity groups had, on average, more than one previous job, which also suggests that experience plays a role in breaking into informal sector self-employment.

Evidence thus suggests that for the sector as a whole some skills, training and experience are required for the greater proportion of the respondents before the stage of self-employment in the informal sector can be reached. The variation among the activity groups on the above measures shows that manufacturing and service stand out as different from the other three groups since the former two groups have among them fewer unskilled, fewer uneducated, fewer in the category of those who acquired their skills in less than one year, and more of those who had past work experience. This suggests that manufacturing and service would be difficult to access without some prior skill and experience, while the other three groups would be relatively easier to enter in this respect.

Need for Social Contacts

Our findings on urban contact show that about half of the owners benefited from having relatives in the city in initial job search and in starting the enterprise in which they are currently involved [see 3(i) and (ii)]. This contact appears to play a greater role in setting up the business than in supporting the period of job search by providing food

and shelter. The role of relatives in starting the enterprise is found to be most important for manufacturing and least important in construction, which, again, confirms the previous contrast between these two groups. Assuming, for the time being, that owners in manufacturing are better off economically than those in construction,²⁸ the above sheds some light on the typical role of family background in placing one in an occupation with better income. However, it is interesting to note that as the economy grows, urbanization proceeds, traditional values and institutions weaken, work (as opposed to rent) becomes increasingly important as a source of one's livelihood. This creates a situation in which even the socially well-off are faced with suffering.

This curious situation can be explained by the social barriers to entry to the informal sector. Weakened but still prevailing traditional values, social stratification, and low-esteem of informal occupations may combine to act as significant social barriers to entry for rentiers of the old society and even for salary earners of the new society. For example, while no inhibitions stand in the way of the landless rural poor or the urban proletariat becoming a construction worker or rickshaw driver, it is not so easy for a son of either the landed-gentry (the economic position of whom may well have significantly eroded through ongoing social change) or even of a modern school teacher to drive a rickshaw or sell goods in city streets, however strong the economic need may be. Therefore, if potential job seekers from those classes fail to get

²⁸ In fact, average income of those in manufacturing is three times more than of those in construction. For details see Table 6.12 of Chapter 6.

any formal sector position, they face a difficult situation because social values stand in their way to enter the informal sector. No data are available to measure the strength of this kind of barrier. One study on India, however, seems to lend support to our hypothesis of social barriers to entry. That study finds that even under urban influence, higher caste people are reluctant to move into occupations with low prestige (Bopegamage, 1972).

Role of Institutional Barriers

Although municipal regulations require all economic activities to have a permit from the city authority, most informal operators either do not know about this requirement or simply ignore it. Only 30 percent admit their awareness of such a requirement. With the exception of transport, the city administration does not seem to be willing or able to implement strictly whatever regulations may exist. Probably because of a strict enforcement policy towards the transport system, all operators in this group are aware that license requirement exists. A significant proportion (44%) among those in manufacturing also acknowledge that permission is legally required. The corresponding percentages for trade and service are only 14 and 18 respectively [see 4(i)]. For construction no such policy is relevant since this activity does not involve setting up an establishment and there is no restriction on the movement of people seeking work. Since most informal sector operations do not acquire, in actual practice, permission to operate, it can safely be concluded that the license system does not pose an entry barrier for these activities, with the exception of those in transport. This is confirmed by evidence

in 4(ii) which provides information on respondents' identification of regulation as one of the difficulties in starting the enterprise. For only 6 percent of the total, did this pose as problem. But, for 42 percent of operators in transport, the license requirement was a major entry hurdle that had to be overcome. The above evidence need not be interpreted as a lenient attitude on the part of the city administration toward informal operators. On the contrary, findings in 4(iii) show that about 48 percent of the total sample are faced with what they believe is a hostile situation. Overwhelming proportions of those in transport (92%) and two-thirds of those in petty trade complain that they are subjected to routine harassment, in varying proportions by police, traffic police, mobile courts, municipal inspectors, and local touts. The plight of hawkers and rickshaw drivers, arising out of this continual harassment, is ventilated in national newspapers and magazines from time to time but no noticeable signs are observed of this harassment being diminished.²⁹ This situation is rather intriguing; on the one hand, no serious attempt is made to enforce the license requirement, on the other the existence of the regulation is used as a pretext for harassment. The overall situation thus provides an impetus to extraction of bribes; 60 percent of hawkers and rickshaw drivers complain that they pay a small amount of money regularly to the police or their cohorts.

Returning to the main theme, this harassment has two implications.

²⁹ For an example of such recurring reports see the column of 'Shamadarshi' under the title, "hawker niay footpathe eindur-biral khela" (police play cat and mouse with the hawkers in the footpath), The Dainik Bangla, May 12, 1979.

First, it can work as an entry barrier by scaring away potential entrants. Second, continued hostility can effectively constrain daily functioning and future improvement. The empirical significance of these possibilities, however, cannot be fully established. When basic means of livelihood are involved, this kind of problem is either endured or tackled by a bribe or a policy of hide-and-seek. Nevertheless, when asked to list the major problems of continuing the business, a sizeable proportion (20%) identify harassment as such a problem. In summation, it is more likely that institutional restrictions would act as a constraining factor in functioning and improvement of the business rather than as potential entry barrier.

Problems of Location

Finding a location for business operations was identified previously as a possible entry barrier and it was explained that location has implications for access to the market. Evidence in 5(i) shows that 35 percent of the total sample found it difficult to locate a good spot in which to start the business. The corresponding proportions for the three activity groups for which location is a relevant factor varies only marginally: 43 percent for trade, 41 percent for service, and 38 percent for manufacturing. As expected, location is of least significance to transport and construction.

As discussed previously, the location decision can be seen as a matter of market perception in the sense of the demand prospects of a particular location of an enterprise and its proximity to supply sources. Some evidence in this respect is available from the responses on reasons

for the present location of the sampled enterprises. About 60 percent of the total sample report that the demand prospect offered by the location was the principal reason for choosing the spot [see 5(ii)]. Location is particularly important for hawkers, repairers, and a host of other service workers such as shoe-shine boys, barbers, and typists. A spot around places through which office commuters or shoppers pass is highly desirable for selling such goods and services. Therefore, it is no surprise that 72 percent of petty traders and 59 percent of service workers consider proximity to buyers as the principal reason for the current location of their enterprises. Compared to the emphasis placed on marketing, nearness to supply sources was cited by less than 3 percent of the total enterprises as the principal reason for selection of their location.

Notwithstanding the above evidence, it does not appear that a "limited extent of market" as such imposes any significant entry barriers to potential entrants into the informal sector as suggested by Bienefeld (1975). Our data show that less than 8 percent perceive supply as a constraint for continued operation, while 26 percent list demand as a constraint [see 5(iv) and (v)]. If supply and demand are not considered as major constraints when enterprises are in operation, it is unlikely that they will seriously impede initial entry. Thus, at least at the present time, a limited extent of market does not constitute an entry barrier for the informal sector in Dacca.

In summation, the following tentative conclusions seem to emerge from evidence provided so far with respect to ease of entry assumption. First, no entry barriers of the formal sector's magnitudes are to be found in the informal sector. Relative to firms in the former, capital as well as skill needs for establishments in the latter are either insignificant or at most are moderate. Similarly, regulatory measures such as registration requirements, government investment and exchange policies do not affect entry into the informal sector.

But when the results on various measures are interpreted in terms of the harsh experiences of the people involved, which is partly reflected in the almost universal problem of acquiring even that small amount of capital, it would appear unrealistic to characterize the sector as one of ease of entry. This is illustrated not only in the claimed difficulties of obtaining even small amount of capital (half of these enterprises require investment funds of about Tk. 1,500 only). It is further exemplified in the following additional facts: 58 percent of owners of the enterprises in the sector possess some technical skills; of those who have skills, 59 percent had to undergo an apprenticeship period of at least one year; 54 percent had some previous work experience; and about half required material and moral support from relatives already in the city for initial food and boarding, job search, and eventual self-employment in the informal sector. This evidence strengthens our scepticism in calling the informal sector an "open-entry sector".

On the other hand, a barrier to entry interpretation of our findings would ignore the other side of the above evidence: nearly half of these people could create their self-employment with little capital, skill,

training, previous work experience or personal support in the city. Further exploration reveals that construction, transport, and petty trade activities are the principal absorbers of these relatively disadvantaged people. In contrast, manufacturing and service activities appear relatively difficult to enter because they require considerable amounts of capital, skill, and experience. This brings us to a notable pattern observed in the results.

Various measures of entry requirements consistently place manufacturing and construction at the two extremes of the spectrum. While service closely follows manufacturing in terms of barriers to entry, transport comes closer to construction in terms of relative ease in entry. The requirement of capital and skill takes service closer to manufacturing, while no capital requirement for those in transport who rent vehicles brings them into affinity with those in construction, who also need little capital. But transport falls behind construction in terms of ease of entry because, unlike the situation in the latter, to operate a vehicle one needs a vehicle as well as a driving license. A vehicle can be rented but getting a license for driving is not easy. Consequently, transport is not as easy to enter as is construction. Trade falls in between the two groups, which can be explained this way: while capital needs for trade tend to take it closer to manufacturing and service groups, relatively low skill requirements tend to bracket trade with construction and transport. A consistent pattern emerges, more or less from all measures, which allows one to make an approximate ranking (in terms of difficulty to enter) of the five activity groups in the following order: (1) manufacturing, (2) service, (3) trade, (4) transport, and (5) construction.

Finally, in view of the above evidence, neither "ease of entry" nor the blanket use of "barrier to entry" can be considered an accurate description of the entry conditions faced by potential entrants to the Dacca informal sector. It would be more prudent to recognize the difficulties that are associated with entry as indicated in our evidence. It seems to us that an intermediary term such as "difficulty to entry" describes better the entry conditions portrayed above. Use of such a concept would accommodate the difficulties faced by potential entrants to manufacturing and service activities as evidenced in our findings. The nature of these difficulties do not impose as significant a barrier to entry as several writers tend to think. Simultaneously, the use of the term "difficulty to entry" does not allow a simplistic view that anyone at any time can enter the informal sector without any effort. Although getting casual work in construction, driving a rickshaw or becoming a hawker may not be too difficult, they are not as easy as the impression is given by calling these activities collectively an "open-entry sector" or defining the informal sector "by ease of entry".

Whether the tentative conclusions reached here are supported by the indirect measures of entry restrictions is examined in the next section.

Results Obtained on the Indirect Measures

Besides the variables used so far for measuring the entry restrictions, it was suggested previously that (1) age of owners, (2) their length of stay in the city, (3) time taken in job search, and (4) enterprise turnover would reflect relative ease or difficulty in creating self-employment or setting up an enterprise. While dominance of older

and long-term residents in the informal sector would imply difficulty to entry, a high turnover rate or a short time spent in initial job search and subsequent unemployment periods between jobs would indicate relative ease of entry.

Detailed data on age and length of residence were presented in the previous chapter. We, however, postponed "barriers to entry" interpretation of those data at that stage. Some key figures from those data are reproduced, along with results on other measures in the summary Table 4.4

Table 4.4 Summary Results on Indirect Measures of Difficulty to Entry to Informal Sector by Activity Group

Indicator	Activity Group					Total Sample
	Trade	Service	Manufacturing	Construction	Transport	
1. Age Characteristics:						
i) Average age of owners	28.0	29.0	36.0	26.0	32.0	30.0
ii) Belong to age group, 25-44 (%)	56.4	66.7	78.7	50.0	82.0	65.7
iii) Under 25 years (%)	36.8	27.3	7.4	48.0	12.0	26.5
2. Length of Stay in City:						
i) Average length of stay in city (years)	9.3	10.2	13.6	5.9	8.4	9.8
ii) Have lived 3 years or more (%)	81.1	86.4	89.0	66.7	84.1	71.1
iii) Have lived 5 years or more (%)	69.8	77.3	85.4	43.7	59.1	67.7
iv) Length of stay at the beginning of current work (years)	3.0	2.9	5.8	2.0	2.7	3.3
v) Have lived 10 years or more (%)	35.0	43.2	57.3	20.8	31.8	38.8

Table 4.4 Continued

Indicator	Activity Group					Total Sample
	Trade	Service	Manufacturing	Construction	Transport	
3. Job Search Period:						
i) Got some work quickly on arrival to the city (%)	12.3	12.2	18.1	6.4	2.3	11.4
ii) Average delay in getting first work after arrival to the city (months)	3.2	1.5	2.4	0.9	1.7	2.3
iii) Got work immediately on quitting the pre-ceeding job* (%)	38.7	43.0	51.0	47.3	25.1	42.0
iv) Average unemployment period between jobs* (months)	2.5	4.9	5.7	0.8	1.2	3.5
4. Turnover of Work:						
i) Average time engaged in current operation (years)	6.3	7.3	7.8	3.9	5.7	6.5
ii) In current work for three years or more(%)	73.6	74.3	63.0	60.0	68.0	69.9
iii) In current work for five years or more	54.6	56.1	49.1	36.0	50.0	40.8
iv) Average of time engaged in all previous work (years)	4.9	5.6	6.2	3.5	3.9	5.2
v) Number of years spent in last job	5.1	4.0	6.3	4.9	2.8	5.2
vi) Number of years spent in second last job	3.5	3.3	4.5	2.6	3.8	3.8
vii) Number of years spent in third last job	2.0	4.3	2.9	1.0	1.1	2.6

* The figures corresponding to this indicator represent averages of respective figures of last three jobs obtained from job history.

The average age of 30 for owners in the sample together with the evidence that over two-thirds of them belong to the prime age group [see 1(i) and 1(ii)] are a clear indication that the very young and very old are more vulnerable to the hurdles of starting one's own business. Similar findings for the self-employed in urban Tanzania are cited as evidence of barriers to entry in Bienefeld (1975) and Rempel (1980:9).

Thus, although our data on age also supports a barrier to entry interpretation, what cannot be ignored is that 27 percent of owners are under 25 years of age [see 1(iii)]. The corresponding proportion is higher for traders (37%) and still higher in construction (48%). This suggests that there are activities within the informal sector which are accessible to the young.

Our findings on length of stay show that owners have lived in the city for about 10 years [see 2(i)] and almost 72 percent of them have lived in the city for 3 years or more [see 2(ii)]. If long-term residents³⁰ are defined as those who have lived in the city for 5 years or more, 67 percent fall within that category [see 2(iii)]. Similar results have been interpreted as an indication of significant entry barriers by several writers (Bienefeld, 1975; Sinclair, 1977; Rempel, 1980). This interpretation is based on the simple assumption that dominance of longer-term residents among self-employed would imply that it takes quite a while before one can own one's own business. To the extent this interpretation is valid, evidence in our data lends some support to the barrier to entry hypothesis.

³⁰ Bienefeld (1975) draws the line at 3 years or above, which seems to be a short time span to find self-employment in a setting of an extreme shortage of economic opportunities.

However, the above evidence would overestimate the barriers to entry unless the time engaged in current work is subtracted from the total length of stay in the city to get the length of residence at the point of entry into present activity. This is necessary because the present state of employment has been reached at least, at the beginning of current employment.³¹ Once this is done, the results show that the owners started their enterprises within three years of residency in the city [see 2(iv)]. These results thus clearly diminish the strength of barriers to entry as originally suspected [see results in 2(iv) in comparison with those of 2(i)].

This trend in the results is corroborated by further evidence in our data on time spent in job search initially as well as between jobs. As can be seen from item 3(i) in the table, over 11 percent got their first job immediately upon arrival in Dacca. Those who required some time to find a job spent on the average little over 2 months in a job search [see 3(ii)]. One could think that such a short time in job search is expected, since urban relatives may have already arranged many of these jobs. Since about half of the owners received active support from relatives in the city in their initial job search [recall findings in 3(i) and (ii) in Table 4.3], there is some justification in the above line of thinking. But when data on periods of unemployment between jobs are analysed, they show that it does not really take too long to be able to get employment in the informal sector. For example, 42 percent of the sample got a

³¹ We assume that self-employment has been achieved only in current activity. It may well be that some have reached self-employment previously. If so, that would further strengthen our point here.

new job immediately on quitting the previous one [see 3(iii)]. For those who required some time to find a new job, the unemployment period was less than four months on average [see 3(iv)]. Assuming that active support from relatives ceased or, at least was significantly diminished once the ward got the first job, the last two measures on short unemployment period (3.5 months) and quick availability of new job (for 42%) would confirm that the job search period is relatively short for employment in the informal sector. This is not merely because of support from relatives, it is a characteristic of the informal sector. However, whether this lends support to an ease of entry assumption or merely reflects the readiness of the people involved to accept any work for economic survival is a matter of interpretation.

Findings on periods of unemployment between jobs show that while owners of manufacturing enterprises spent about six months looking for jobs, people engaged in construction could not even afford a full month in job search. The corresponding figures for the other three activity groups are: service (5 months), trade (3 months), and transport (1 month). If time spent unemployed before entering present occupation is a valid indication of the ease or difficulty of entry, these figures suggest that manufacturing is most difficult to enter followed by service, trade, transport, and construction in that order.

These data if seen together with corresponding average income of respective groups in the sample, reveal that those who spent more time looking for jobs eventually found jobs with higher average income.³²

³² For data on average earnings of owners engaged in various activity groups see Table 6.12.

For example, our data show that income as well as the period of unemployment are highest for those who are engaged in manufacturing and lowest for those who work in construction activities. Similar associations between time spent in job search and the income of owners hold for the other three groups. In the absence of a fuller treatment of likely determinants of income, not much confidence can be put in the above relationship. However, the point relevant for our present purpose is that there are occupations within the informal sector that can be entered without waiting long.

Findings on enterprise turnover indicate considerable stability in informal activities. The average time spent in current activity approaches 7 years for the total sample [see 4(i)]. The mark of stability is also evident in the distribution of this variable, which shows that over 70 percent of the owners have been engaged in the current activity for three or more years. Over half of them have been engaged in the current activity for five or more years³³ [see 4(ii) and (iii)]. When the time spent in all preceding jobs are added the average longevity of these enterprises is reduced marginally to 6 years [see 4(iv)]. If this evidence can be interpreted as a mark of stability³⁴, it would imply a low turnover rate of informal enterprises. Low turnover rate, in its turn, would lead to an entry barrier interpretation.

33 A detailed distribution of the variable is provided in the appendix (see Appendix D).

34 One problem of such an interpretation is that these data correspond to existing firms. No account can be taken of those enterprises which failed. Hence the stability of enterprises is likely overstated.

Turning to variation among the activity groups, length of operation of manufacturing enterprises with an average of 8 years appear to be twice as high as those in construction (4 years). This would imply relatively low turnover of manufacturing units and relatively high turnover for construction. Since high turnover indicates ease of entry (Mazumdar, 1976:657), construction work appears to be easier to enter. Conversely, low turnover in manufacturing confirms a difficulty of entry for activities in that group. However, the differences in length of operation are marginal among service, trade, and transport activities (7, 6 and 5 years respectively). A similar trend is observed in the turnover rate when length of stay in both current and all past jobs³⁵ are included in obtaining the average [see 4(iv)].

If the ease or difficulty of entry interpretation of enterprise turnover is correct, the above figures would suggest that manufacturing is most difficult to enter, followed by service, trade, transport and construction. This, once again, confirms our previous ranking of the activity groups with respect to the difficulty of entry by other measures.

The overall picture that emerges from the above measure of the secondary indicators may now be summarized. First, evidence on initial job search and periods of unemployment between jobs seems to be a clear indication that employment in the informal sector can be found without having to wait long. Whether this is a result of economic desperation or relative ease of access is a matter of interpretation.

Second, enterprises seem to be quite stable in that they survive,

³⁵ Includes self-employment as well as work as an employee or apprentice.

at least, between 5 to 7 years.³⁶ This stability may be interpreted in several ways. It may (1) support an entry barrier interpretation since it implies low turnover of enterprises, (2) suggest absence of other options (Bienefeld, 1975), (3) indicate that income is reasonably good in such activity, and (4) be a mark of attachment to a particular occupation which could arise from the fact that some informal occupations are traditional and family inherited.

Third, evidence on age may be interpreted as a pronounced indication of entry difficulties since not many very young or very old are found as owners of these activities. What however cannot be ignored is that about 27 percent of owners are below 25 years of age, which would indicate the availability of some openings for the young in the sector.

Fourth, length of residence in the city, without taking note of the point of time at which self-employment is reached, would overestimate barriers to entry. To utilize length of residence in the city as an index of barriers to entry, the appropriate length should be the time between original migration to the city and getting first self-employment or, at the minimum, current employment. When such a measure is used, barriers to entry do not appear to be significant.

Finally, respecting all measures, it emerges quite clearly that there exists significant variation among activity groups in terms of difficulty to entry. While manufacturing and construction contrasts

³⁶ One may think this an overestimate as enterprises which did not survive have been left out. For two reasons this would not be so: (1) since all past work have been included, they have partially captured the enterprises which either failed or did not last for some other reasons, (2) since present enterprises still are in operation are likely to continue for a while, the measure of time engaged is rather an underestimate.

most clearly in terms of entry requirements, the differences in this respect appear as marginal among service, trade, and transport activities.

Thus the results obtained from indirect measures tend to confirm the tentative conclusions reached previously regarding the entry conditions. Characterization of the informal sector as an open-entry sector glosses over the harsh experiences and struggle of the people engaged in these activities. That these people manage to eke out an occupation, need not be interpreted as a vindication of easy access. Indeed, some evidence has emerged to the contrary. Thus the ease of entry hypothesis is empirically untenable.

The alternative hypothesis of barriers to entry, a concept commonly used in characterizing the entry conditions of an oligopolistic market structure, is found equally unsuitable to describe the situation in the informal sector of Dacca. In the haste of rejecting the original ease of entry hypothesis, some authors ignore the empirical reality that a wide range of activities in the sector provide economic openings to those who have no education, little capital and skill, no one from whom to draw support but who are ready to work hard, often creating their own job and freeing themselves from social stigma and decaying values in doing low esteemed jobs. No evidence on any of the indicators used lend an unambiguous support to the barriers-to-entry interpretation.

Implications for Market Structure

The ease of entry assumption has been investigated in some detail

because of its central position in the literature and its theoretical significance in defining market structure. Having concluded this part, the logical question is how to characterize the market structure of the sector in light of the above findings.

Through argumentation and some scanty data, it was pointed out at an earlier stage of this chapter that the informal sector mostly meets the criteria of a competitive model. Empirical evidence on entry have shown no barriers-to-entry of the nature of an oligopolistic market. Although we have shown reluctance in characterizing the sector by ease of entry, our evidence in no way has cast doubt that sufficient numbers of new entrants would always be available in every informal occupation to compete away excess profits, if they ever exist. Therefore, it seems safe to conclude that market structure of the sector closely approximates a classical competitive model.

The chapter concludes by examining the responses of the enterprise owners with respect to their evaluation of competition from other informal as well as formal sector enterprises. Table 4.5 provides results on some indicators having implications on the extent of internal and external competition to the sector. First, the evidence does not lend support to the position that "an ever increasing number" are involved in a severe competition among themselves threatening the source of their subsistence income (Gerry, 1979:232). Only 30 percent of the owners felt there were "too many" similar enterprises of the respondents' kind [see 1(i)]. However, the corresponding proportion for construction (70%) clearly indicates that many construction labourers are competing against one another for a limited amount of such work. Neither petty traders nor transport

Table 4.5 Findings on Measures of Internal and External Competition of Informal Sector by Activity Group

Indicator	Activity Group					Total Sample
	Trade	Service	Manufacturing	Construction	Transport	
1. Internal Competition:						
i) Too many enterprises of respondents kind(%)	27.0	15.1	26.9	70.0	28.0	30.2
ii) Same price of similar goods and services (%)	59.5	71.2	63.0	58.0	24.0	58.0
iii) Consultation in price fixing	5.5	4.6	0.9	0.0	14.0	4.6
2. Competition from Formal Sector:						
i) Large enterprises have no effect (%)	55.0	76.5	68.8	0.0	25.5	54.3
ii) Formal sector goods are of better quality but expensive (%)	50.9	76.5	70.8	0.0	50.0	60.0
iii) Formal sector goods both cheaper and of better quality (%)	1.7	0.0	1.5	0.0	6.8	2.7

operators, the two groups popularly believed to be most overcrowded, feel that too many are involved in their occupations. From information provided by the respondents, it appears that significant price competition exists among informal businesses: 58 percent maintain most prices vary among the enterprises for same goods and services [see 1(ii)]. There is not much evidence on any price collusion, since less than 5 percent admit that they ever consult among themselves on price to be charged [see 1(iii)].

Evidence on competition from large enterprises suggest that informal operations do not face significant competition from the formal sector. The greater proportion (54%) of the total sample declare that their business is in "no way" affected by the existence of large business house [see 2(i)]. The corresponding proportions for service and manufacturing are as high as 77 and 69 percent respectively, which indicate that informal sector products do not face much competition from the formal sector. About 38 percent, however, point out that alternative formal sector goods and services have an adverse effect on their operation [see 2(ii)]. The corresponding proportion is highest (70%) for transport, which suggests that the transport system is most vulnerable to formal sector competition. This is so probably because of increasing competition from autorickshaws, buses, truck services against the informal transportation composing rickshaws, tempos, and push carts. But, in general, the evidence seems to suggest that the informal sector operates largely in a separate market without having to face significant competition from the formal sector. This is likely due to fragmentation in demand arising out of differences in purchasing power between buyers of informal and formal sector goods and services. Although this aspect will be examined in the next chapter, at this point evidence in 2(iii) lends some support to the above explanation: 60 percent of informal business owners say that goods and services sold by large enterprises are of better quality and more expensive, which can only be afforded by income groups with more purchasing power. Since less than three percent say that formal sector goods and services are both cheaper and of better quality, it seems that no imminent threat exists from the formal sector in eliminating the informal

sector, unless a rapid increase of mass production occurs in the formal sector which is unlikely to happen in the near future.

Thus to conclude, it seems competition from within is relatively more significant than competition from outside. But the competition from within does not yet seem to be too severe in the informal sector in Dacca. Competition from the formal sector is felt by informal transport system more than any other group. Because of fragmentation in demand and the nature of goods and services provided by the informal sector, it is likely that the informal sector would continue to grow in the short or medium term.

CHAPTER 5

BASIC SUPPLY AND DEMAND CONDITIONS IN DACCA'S INFORMAL SECTOR

In Chapter 3 the people who constitute the informal sector were identified. In the preceding chapter the entry conditions to informal sector activity were specified and examined. On the basis of this information we turn now to an examination of the economic potential of the sector. Such an examination requires testing a number of hypotheses, complementing the ones on the labour market (see Chapter 3 for that set of hypotheses), regarding the market conditions (or relationships) and market performance of the enterprises in the sector. This latter set of hypotheses may be drawn together and presented in two groups, representing opposing views on the sector's role in the development process of low income economies.

The hypotheses that reflect an optimistic view of the potential of the informal sector may be portrayed thus:

H2.1 The informal sector relies on indigenous resources and economizes on scarce resources such as capital and foreign exchange by utilizing scrap materials and second-hand equipment.

H2.2 The informal sector meets some basic needs of urban lower income groups by providing a wide range of goods and services at an affordable price.

H2.3 The informal sector adapts labour intensive technology because of the availability of cheap labour and the scarcity of capital and foreign exchange.

H2.4 As a result of the technology used, the informal sector generates more employment than would the formal sector for a given level of investment.

H2.5 Consequently, the informal sector contributes to a more egalitarian distribution of income.

H2.6 The informal sector can accomplish all of the above without sacrificing present or future levels of output.

In contrast, the hypotheses that underlie the pessimistic view of the sector may be portrayed thus:

H2.7 The informal sector is dependent on the formal sector as well as on imported materials for its supply needs.

H2.8 The informal sector is dependent on the formal sector for marketing its output.

H2.9 Because of this dependence, the informal sector's ability to accumulate capital is severely limited.

H2.10 As a consequence, proletarianization, rather than a transition towards the growth of small indigenous capitalism, is the major feature of the informal sector.

The purpose of this chapter is to address the four hypotheses in the above list that deal with market relations between the informal and other sectors of the economy (i.e., H2.1, H2.2, H2.7 and H2.8).¹ It is divided into two parts, each containing a number of sections and sub-sections. In the first part, the literature and existing evidence are reviewed and pertinent issues are discussed in an endeavour to make

¹ The remaining six which require assessment of market performance are examined in the next chapter.

them testable propositions and identify the variables that are associated with them. In the empirical section, our survey data are used to provide measures for these variables which, in turn, are used to test the four hypotheses presented above. In both the literature review and the presentation of results, the supply and demand sides of the informal sector's market relations are outlined separately.

Supply and Demand Conditions in the Informal Sector:
A Review of the Literature

The Need for a Study of Formal-Informal Sector Relationships

Several writers have expressed their dissatisfaction with studies which concentrate on analysing "internal characteristics" or the "nature of economic activities" within the informal sector. Gerry (1974) appears to have spearheaded this line of criticism, arguing that preoccupation with characterization has caused informal sector studies to neglect the relations between the different "systems or sub-systems of production" of an economy. Similarly, Sinclair (1976c) complains that most of the research on the sector only looks at its "internal characteristics". Because of this trend in the research, investigation of the sector's linkages with outside firms, individuals or the state has not been possible, Sinclair claims.

Expressing his scepticism of urban dualism, Breman (1976:1874) complains that this concept places too much emphasis on the nature of economic activities rather than on relations between components of the economy. From Gerry (1979) it would appear that his 1974 critique, in

this respect, still holds as he continues to argue that in order to analyse the potential of small-scale production, it is essential to understand the nature of relations between the "dominant and subordinate" elements within the urban economy. This requires, he suggests, a shift away from a "preoccupation with characteristics" to a focus upon "relations" in which the various elements of the aggregate economy operate (Gerry, 1979:230).

This alleged preoccupation with characteristics, however, seems to be an unwarranted criticism. Even if one accepts that this criticism has had some relevance for initial discussions of the informal sector, it is no longer true that informal sector studies remain preoccupied with only the characteristics of the enterprise or the sector. In fact, even the ILO report, against which most of that criticism is directed, contains several references to existing or potential relationships between the various sectors of the economy (see ILO, 1972:5-6). In addition, one finds explicit discussion of linkages between different sectors of the economy in most of the follow-up studies undertaken by the ILO (see Sethuraman 1977c:346; Tokman 1978a and 1978b). That the need for, and actual research into, intersectoral relationships has not been ignored becomes evident from the work of Senghaas-Knobloch (1977). She complains that the increasing emphasis on the relationships between the sectors is taking the informal sector out of its analytical context.²

Thus it seems clear that the informal sector has not been limited to

² She argues that "despite all qualifications, the informal sector has to be studied in the context of rural-urban migration" (Senghaas-Knobloch, 1977:12).

the study of characteristics of the sector; not in 1979, at any rate, as Gerry would want us to believe.³ That the relationship between sectors has drawn considerable attention from scholars becomes evident from the fact that one of the most contentious hypotheses in the literature concerns the precise nature and extent of this relationship. This would not have emerged in the absence of much discussion of linkages and relationships between the different parts of an economy. It may well be that those who complain about the lack of research on the relationship are expressing their dissatisfaction because of their uneasiness with the methodology, the results, or both, of some studies. This point will become clear as the chapter proceeds.

The Extent of the Formal-Informal Sector Relationships

The issues of interest in research into the relationship between the informal and other sectors of the economy are: (1) whether any links between the sectors exist and, if so, (2) the degree and magnitude of such links. The existing opinion and evidence appears to be divided on each of these questions. Absence of links to the formal sector is noted by the Kenya mission which lays stress on establishing such links for the promotion of the informal sector (ILO,1972:5-6).

³ However, to be fair to Gerry, it should be noted that his original critique written in 1974 may have contributed to incorporating linkages as one of the focuses in later research on the informal sector. In fact, his work on Dakar informal producers (Gerry, 1974) is a pioneering study of the relationship between small-scale producers and large economic units (See Sinclair, 1978b:14 for an evaluation). Although the original piece is not available to us, his later article (Gerry, 1979), dealing with the same theme as in the previous work, was found to be very useful and will be cited whenever appropriate.

Findings of a later survey of informal enterprises in Nairobi by Chana and Morrison (1975) tend to corroborate the mission's observation. They report that linkages or ties to formal sector firms and institutions are virtually non-existent. Noting that none of those interviewed produced goods for the formal sector, they acknowledge limited linkages on the supply side, involving the purchase of tools and materials (1975:130). Reporting results on informal manufacturing in Kumasi (Ghana), Sethuraman (1977b:201) comments that direct linkages with the formal sector are surprisingly small.

In contrast to these findings Webb (1975:48) cites several types of data in support of his argument that the 'modern' and 'traditional' components of the urban economy are closely linked. For several other writers, the informal sector is not only closely linked to the formal sector, it is linked in a very definite pattern. These views are discussed in the next section.

The Nature of Formal-Informal Sector Relationships

As suggested previously, the most contentious hypothesis in the informal sector literature concerns itself with the precise nature of the relationships between the informal and formal sectors. On the one hand, the ILO-Kenya report and its follow-up studies have helped to advance the hypothesis that the relationship between the two sectors is complementary or potentially complementary.⁴ Muench (1977) and Tokman (1978a) also

⁴ See ILO (1972), Weeks (1975), Sethuraman (1977c), and Nihan and Jourdain (1978) for this view.

appear to lend support to this hypothesis. In sharp contrast, an increasing number of writers reject this characterization of the linkages and instead postulate a clear dependency/exploitative/subordinating relationship between the two sectors.⁵ It goes without saying that it is the informal sector that is believed to suffer from such a relationship. The following quotes from some of these authors provide an understanding of the intensity of feeling with which the dependency or exploitation hypothesis is advanced and maintained:

A ... fundamental feature of the 'informal sector' is that the economic activities ... it comprises are linked intimately to the ... 'formal sector'. What they do is to provide goods and services at a very low price, which makes possible the very high profits and wages of the 'formal sector'. (Leys, 1973:426)

... this sector (informal) had to depend, in a way, on the mercy of few large houses controlling modern industry. (Bose, 1974:4.17)

The most general characteristic of 'informal' activities is its dependence on a corporate economy dominated by transnational capital. (Senghaas-Knobloch, 1977:16)

Any useful model of the sector (informal) must explicitly take account of ... the relationship of subordination/domination between it and the formal sector. (Davies, 1979:93)

Petty production in all its forms is highly dependent ... and cannot participate in any other but a dependent and subordinate manner. (Gerry, 1979:247)

Although these quotes provide an indication of the general position of this group of writers, they are too general to be subjected to any empirical verification. In order to carry out tests it is essential to identify the mechanism through which the postulated hypothesis of exploitation or subordination is explained by the respective writers.

⁵ This line of thinking will be found in Leys (1973), Bose (1974), Bienefeld (1975), Breman (1976), Senghaas-Knobloch (1977), Moser (1978), Davies (1979), Scott (1979), and Gerry (1979).

Sifting the materials, it is found that this hypothesis is based on explanatory variables which operate both on the supply and the demand sides of the informal sector market.

On the supply side, the market links between the informal and formal sector are variously shown to exist through purchase of (1) trade goods, (2) raw materials, (3) tools and equipment, and in acquiring (4) skills and know-how. But the other group of writers do not find any dependency relationship in these links; rather, they observe a positive developmental potential in each of these links.

Equally contentious are the respective positions on the demand side. While the writers in the first group argue that (1) the informal sector is a provider of cheap goods and services to low- and middle-income urban dwellers, and (2) through subcontracting, beneficial linkages between the sectors can be promoted, the writers belonging to the second group reason that both (1) and (2) above lead to labour exploitation in both the informal and formal sectors. In the first instance, i.e., in providing cheap goods and services to lower income groups, the informal sector is alleged to be playing a role in keeping down the "reproduction cost of labour" (or simply, the subsistence wage) of formal sector employees. This role of the informal sector thus leads to labour exploitation in the formal sector as employers are supposedly able to pay (only) the subsistence wage. In the other instance, i.e., in the linkage through subcontracting, the informal sector becomes dependent on the formal sector for demand. Put succinctly, the argument is that because of this dependence on the demand side, in conjunction with the previously mentioned sources of dependence on the supply side, the informal sector

becomes prone to exploitation by large industrial and commercial firms in the formal sector.

The points above are dealt with here rather summarily in introducing the discussion that follows. The precise views of the individual writers and their explanations are examined in the following section.

Supply Side Linkages

Trade Goods

Citing McGee's (1973a) data, Tokman (1978a:1070) notes that, in informal commerce, the main part of capital is kept as stocks. In this case, he suggests, the relationship with the rest of the economy should be found in the purchase of final goods for retail. As will be seen later (Table 5.1), our data also show that inventory accounts for 76 percent of the average total assets of informal traders. Therefore, purchase of trade goods appears to be the chief medium through which links are established between informal commerce and the suppliers of such goods.

As to the origin of these goods, several writers claim that the informal sector is dependent on outside sources, domestic as well as foreign, for supplies of commodities that are traded in the sector. This dependence arises because, as Peattie (1974:73) notes, informal retailers are sellers "only in a very small part of goods produced in the informal sector". Thus she seems to be suggesting that most of the trade goods which are sold in the informal sector originate from outside the sector. However, she provides little data in support of this view, except naming several well-known brands of some "typical" goods that are traded in the informal sector, which appear to be of either foreign origin or domestic

subsidiaries of multinational corporations.

Dependence of the informal sector on the formal sector for merchandise is evident in the study by Bromley (1978b:1168). Although this may well be the case, his own survey of street traders of Cali (Colombia) seems to be narrowly focussed in the sense that he mainly deals with "commission sellers" and "dependent workers". Therefore, it is not surprising that he finds heavy dependence of his subjects on the formal sector for their merchandise. Marulanda (1976) is purported to be arguing that informal retailers serve as a cheap labour commercial outlet for formal sector goods.⁶ The significance of such an outcome, of course, depends on the extent to which the informal sector depends on the formal sector for its supplies.

Thus, the issue above is basically: what is the degree and direction of dependence that arises from the purchase of merchandise by informal retailers? But the question is the type(s) of evidence required to probe the links for these goods. Tokman (1978a:1170) has suggested that a distinction should be made between the types of goods that are traded. This seems to be important since, as Tokman suggests, different goods are produced in separate sectors of the economy and purchased from alternative sources. McGee (1973a) appears to have made such a distinction and the reported findings show that for those who trade in raw foodstuffs, the main supplier is the agricultural sector, either directly through open market operations or through wholesalers; for those who trade in textiles and processed foods, the links are generally direct to

⁶ Marulanda's work is in Spanish. A brief reference to it is provided by Tokman, (1978a:1170).

the formal sector producers or through wholesalers (Tokman, 1978a:1070). This seems to be an useful direction, but here, as in others, the issue seems to have been pursued only in a limited way: the dependence is explained by merely specifying the immediate source of supplies. It does not tell us much about the production origin or ultimate source of such goods. Therefore, for our investigation, in addition to exploring the relationship with the immediate source of supplies, we extend the scope of scrutiny to see: (1) if these goods are produced domestically or are imported; (2) if domestically produced, from which industrial sector of the economy do they originate, and (3) if any of these goods originate from rural areas.

Furthermore, in light of the point made previously of the need to examine the relationship by type of goods, we divide the trade enterprises into six sub-groups according to product type: (1) pan-cigarettes, (2) textiles, (3) processed food, (4) raw food, (5) processed goods, and (6) recycled goods.

Raw Materials

According to the ILO-Kenya report, "reliance on indigenous resources" is one of the basic traits of the informal sector (ILO, 1972:6). Similarly, Weeks (1975:4) claims that informal sector production uses largely local inputs. Reviewing the survey results of ILO-sponsored city studies in several African countries, Sethuraman (1977c: 346-7) notes the sector's ability to exploit discarded materials. But, probably in recognition of opposite views on the issue, he admits that in Kumasi informal manufacturing and repair enterprises depend to a considerable

extent on imported raw materials.

Contrary to the ILO studies, several writers point out the sector's heavy dependence on import or large domestic industries for raw materials. For example, Bienefeld (1975:55) holds the view that the informal sector's ability to develop is limited by, among other things, its dependence on large-scale industry for inputs. Although his analysis is compelling, no data are provided in support of the view he holds. Similarly, Davies claims that the informal sector depends on the formal sector for supplies of "certain inputs" (1979:98). This dependence for inputs appears as an explanatory factor in his model, indicating that the informal sector is in a subordinate position. Again, no evidence is provided as to the extent of such dependence.

Gerry (1979) has investigated the dependence hypothesis at some length. In general, he seeks to show the dependence of the informal on the formal sector for raw materials, capital equipment and skills. With respect to raw materials, he sets out to demonstrate the "input-dependency of petty producers on large capitalist producers" (Gerry, 1979:233). By examining dependence for raw materials among four informal producer groups (furnituremakers, leatherworkers, tailors, and metalworkers), Gerry concludes: "... in terms of the raw materials backward linkages available to petty producers, the most significant relationship between the latter and the complex of foreign, local or government controlled industry and commerce is subordination" (1979:235). But the evidence he provides seems to be inadequate to justify such a strong conclusion. The only quantitative results that could be sifted from his lengthy arguments is that almost 80 percent of furnituremakers, 57 percent

of metalworkers, 43 percent of tailors and only a "small" percentage of leatherworkers buy their raw materials from "large capitalist enterprises". Although these data do show a significant relationship between the informal and formal sectors for certain raw materials, they, in themselves, do not establish "subordination by foreign, local or government controlled industry". For example, the above data do not help one to determine if the raw materials that the 'petty producers' use are imported or produced domestically. Moreover, if domestically produced, one needs to know the sector in which they are produced. Neither does Gerry admit that his data do not really establish "subordination" in the sense of "exploitation" since we do not know the terms and conditions (e.g., prices) under which these inputs are purchased.

Probably in realization of this limitation, he provides the argument that "qualitative rather than quantitative data" are "most valuable" in discerning the constraints "imposed upon petty production by the dominant position of capitalism" (Gerry, 1979:231). However defensible this methodology may be, it seems unjustified to take such a strong view on dependence with the data he has provided. Moreover, as Tokman suspects, Gerry's data possibly suffers from a bias in that informal manufacturing in Dakar is integrated closely with both foreign and domestic oligarchies (see Tokman (1978a:1168)).

Further research on the issue is, therefore, essential with a wider data base in other places. Our survey has generated several types of data which help to resolve the question of input dependency of informal upon formal or foreign sources.

Tools and Equipment

Similar to the divergent views on raw materials, opinion is divided as to the nature of ties that exist between the informal and formal sector on account of the former's needs for capital equipment. For example, on the one hand, Tokman (1978a:1066) appears to be subscribing to the ILO view that use of second-hand machinery is one of the basic traits of the informal sector. If this supposition is true, it would imply that there is no direct dependence on the formal sector for the equipment needs of the informal sector. Of course second-hand machinery might create some dependency of the informal sector on the formal sector since it is the latter that in some sense "controls" the rate at which machinery is replaced or made redundant.

Contrary to the ILO view, dependence for equipment appears as one of the major causes for the informal sector's dependent relationship with the formal sector in the study by Bromley (1978b:1168). To Scott (1979:127), "reliance on the capitalist market for the purchase of means of production" represents one of the several forms of informal sector's "implicit subordination by large-scale capital". In neither case is evidence utilized to measure the alleged dependence or subordination. Gerry (1979) provides some data from his previously cited survey in Dakar on the extent of the informal sector's dependence on the formal sector for capital equipment. But, unfortunately, because of his predilection to probe the subordinate role of the informal sector, the whole exercise turns out to be misleading.

Gerry starts the discussion with the claim that tools for many small-scale activities are imported. According to him, sewing machines,

spare parts and woodworking machinery are all made available through international trade (Gerry, 1979:238). Although this may well be the case for the economy as a whole, he does not provide any data to determine the extent of use of imported tools by the informal producers in his survey. The only type of data he provides is a table on the manner in which the 'petty producers' procured their basic means of production. These data show that 58 percent of metalworkers, 54 percent of furniture-makers, 13 percent of tailors and 10 percent of leatherworkers purchase their basic equipment new. The table also contains data showing that 60 percent of leatherworkers, 44 percent of tailors, 42 percent of metalworkers and 23 percent of furniture-makers purchase second-hand equipment. On the basis of these data, Gerry argues that the necessary equipment for petty production is "directly" or "indirectly" dependent upon capitalist production. By way of explanation, he maintains that it is directly dependent in that a proportion of equipment must be purchased directly, while another part is acquired indirectly through second-hand purchase or recycling. Finally, he draws the conclusion that "contemporary petty production in Dakar is confronted by a virtual monopoly of supply, repair and maintenance in the hands of the dominant mode of production" (Gerry, 1979:240).

Whether this conclusion follows from the data he provides is open to question. Although his data clearly show major usage of second-hand or recycled equipment by informal producers, he attempts to undermine the significance of this usage by attributing an "indirect" dependence for these old and recycled tools.⁷ This seems to be going beyond what his

⁷ Gerry does not elaborate on this indirect dependence. However, it is conceivable that in an economy where all tools are imported, initially by the formal sector, then recycled tools used by the informal sector might be signs of some dependence of the informal sector on the formal sector. But this is not clearly a subordinate relationship: it might be merely a pure "trade" relationship.

own data express. In this way he fails to note the significance of re-use of discarded equipment by the informal sector.

The existing evidence on the issue thus seems to be incomplete. For a comprehensive test, one needs, in addition to information on the mode of procurement, data to determine the import content and sectoral origin of the domestically produced equipment that are in use in the informal sector and the prices of such items.

Skill Acquisition

Another issue that appears in the literature as a supply side variable in the discussion of relationships between the informal and formal sector has to do with the mode of acquisition of skills in the former. Again, the ILO studies portray the brighter picture. The Kenya report observes that the skills are acquired outside the formal school system (ILO, 1972:6), and several follow-up studies tend to corroborate the mission's observations. Reviewing results of several such studies, Sethuraman (1977c:346) reports that most of the participants in the informal sector acquire their skills through "on-the-job-training within the sector". His data show that in Kumasi 90 percent of the respondents served their apprenticeship in the informal sector, only 5 percent in a modern sector firm, and 3 percent in a training institution. He adds that a somewhat similar situation prevails in Freetown. In another article, he admits of limited transfers of skills from the formal to the informal sector through flows of personnel between the two sectors (Sethuraman, 1977b:201).

It is not solely the ILO studies that find internal generation of

skills as the dominant feature of the informal sector. For example, Chana and Morrison's survey in Nairobi shows that most entrepreneurs develop their skills by "asking friends and observing other entrepreneurs" (1975:125). Their data show that 50 to 85 percent of entrepreneurs (depending on type of activity) learn their skills from friends or by observing those who know the skills.

Several studies done by King (1975, 1977, 1979) provide perceptive analysis of the various aspects of skill acquisition in the informal sector. What is relevant for our discussion here is his comment that many thousands of low-income, young Kenyans learn a wide variety of skills as apprentices "at the feet of older, often illiterate craftsmen" (King, 1975:108). In a later article he discusses the various problems associated with mobility from "roadside artisan" to "specialist workshop". But he still believes that most of these skills are acquired outside the formal school system: "It must be said that it has been experience in these workshops rather than attendance at technical school which has produced the first generations of panel-beaters, welders, lorry body-builders and moulders" (King, 1979:225).

On the basis of his study of apprentices in the informal sector of Nigeria, Oyeneye (1980:79) claims that there is a commitment by apprentices to stay in the sector as self-employed craftsmen after their training. This seems to be another indication that informal producers learn their skills from within the sector itself.

Contrary to the above evidence, Allen (1977:9) appears to have observed a different situation in Nairobi. According to him, most of the informal operators have some experience in the formal sector, either with

large corporations or, more usually, with Asian enterprises. He describes a situation in which very few received their training within the informal system. This contradicts other evidence from Nairobi cited above. But Allen's observation seems to be based on weaker evidence as he does not provide any data, except his description of the system. Gerry is even more eloquent in rejecting the hypothesis of the generation of skills within the informal sector as he states: "intuitively one might suggest that an almost exclusively internal generation of skills and experience tends to characterize petty production, but both the empirical evidence and the history of Senegal's colonization and industrialization tend to refute this" (Gerry, 1979:236).

Two comments seem to be in order with respect to Gerry's claim. First, internal generation of skills in the informal sector is not merely an "intuition" as is well documented in several studies cited before. The second comment concerns the interpretation of evidence that he has provided. The table provided to demonstrate his views show that 68 percent of the 'petty producers' in his sample learn their skills as "apprentices to petty producers (including artisans)" compared to only 6 percent who learn their skills from formal technical schools. Three other modes⁸ of learning skills together account for the remaining 26 percent of the producers. This implies that at most, 32 percent (26 plus 6 percent who learn from technical schools) of the producers learn their skills from formal sector sources. Although this certainly shows that

⁸ They are: (1) "On-the-job skill acquisition in public utilities, army, etc."; (2) "As employees/apprentices in Small African, Lebanese or European Enterprises; and (3) "As employees/apprentices in large foreign enterprise". (See Table 11.1 in Gerry 1979:237).

skills do not originate "exclusively" from within the informal sector, the irrefutable fact remains that over two-thirds of Gerry's sample appear to have learned their skills within the informal sector. The author does not deny this as he admits that it is clear that the majority of the sample are trained in a work situation not dissimilar to that in which they now operate (Gerry, 1979:237). But instead of accepting this clear evidence, he continues to argue that the petty producers depend for their skills on the formal sector. He does not provide any additional evidence except a discussion of recent Senegalese economic history. From this discussion he claims that considerable changes are bound to have taken place in the distribution of skilled workers between wage work in the capitalist sector and self-employment (Gerry, 1979:238).

The implication of the above historical explanation is that the currently self-employed have had considerable experience in wage employment. This then appears as evidence of dependence on the formal sector for acquiring skills by the self-employed in the informal sector. But he does not offer any explanation why, if his arguments are valid, his described process of acquiring skills (i.e., from previous wage experience) is not reflected in the respective responses of respondents. He does not even provide data to indicate how widespread is previous wage experience among his sample. Thus it seems Gerry is unjustifiably ignoring the significance of his own data on internal generation of skills in the informal sector.

The above discussion suggests that the basic issue of whether the informal sector depends upon the formal sector for skills can be resolved by examining the mode of acquisition of skills by informal business

operators. Such data would show whether previous wage-experience has had a significant role in the generation of skills in the informal sector.

Demand Side Linkages

Final Demand

Turning to the market links on the demand side, one again notices the enthusiasm with which the ILO-Kenya mission perceives the development potential of the informal sector. In this respect what inspires them is the sector's ability to provide essential (presumably at low cost) goods and services for a large though often poor section of the population (see ILO, 1972:5). They strengthen their optimism by further arguing that there are no alternative sources of supply for these goods and services in the near future (ILO, 1972:229). The same theme is echoed in Emmerij (1974:200) as he maintains that the sector is "characterized by the small-scale, labour-intensive provision of goods and services for a market largely made up, on the demand side, of people with low incomes". Weeks, one of the authors of the Kenya report, in a later article, continues to maintain the original ILO position by claiming that "the sector produces a significant portion of the consumer goods bought in many of these countries, particularly by the lowest income groups" (1975:8).

These views are strengthened by some survey research, mostly sponsored by the ILO. Nihan and Sethuraman have written several articles reporting the results of these surveys done in a number of African and Asian cities. On the basis of their findings of Nouakchott (Mauritania) and Lome (Togo), Nihan and Jourdain (1978:711) claim that "one can state

with certainty that this sector ... makes available goods and services to which small consumers would not otherwise have access". Reviewing survey results of Kumasi, Sethuraman (1977b:202) reports that forward linkages of the informal sector are mainly with individuals and households. But he does not specify the income levels of these consumers. Therefore, whether the low-income earners account for the major proportion of these consumers remains unanswered in this study.

Support for the view of the informal sector as provider of essential goods and services is also available from other sources. According to Elkan (n.d.:7), the informal sector provides a wide range of goods and services for a "sizeable number" of the population. In addition, he argues that the formal sector either does not purvey these goods and services at all or provides only a quality that most people cannot afford. Characterizing the informal sector as one which "consists of a wide-variety of small-scale, labour-intensive firms supplying goods and services to a market principally made up of low-income households and individuals", Chana and Morrison (1975:121) claim that since the independence of Kenya in 1963, the informal sector has grown to be a major supplier of inexpensive goods and services to the above groups of Kenya's population. Although this claim is made in reporting results of a survey of the Nairobi informal sector, no data are provided in support of the above statement. On the basis of some secondary data, again from Nairobi, Muench (1977:3) concludes that nearly all the output of the sector is directed toward final demand from low-income groups, employed in various sectors of the economy.

Although the direction in which the above evidence is tending seems

to be clear, one needs to note that most of the supporting data are drawn from the continent of Africa and, indeed, from mainly one of its primate cities, Nairobi. But that is not the main concern. In fact, no one seriously doubts the empirical validity that the informal sector provides a wide range of goods and services principally to low and middle income groups of the urban population in low income countries. The bone of contention arises when one seeks to understand the phenomenon by going beyond the observed, functional role, apparently a beneficial one, of providing cheap goods and services to those who need them most. This brings us to the critique of the aforesaid role of the informal sector.

In sharp contrast to the position held in the studies discussed above, several writers argue, with varying degrees of persuasion, that the sale of low priced wage goods to the workers of the formal sector helps to generate a higher degree of exploitation in that sector by pressing wages downward.⁹ Of these authors, Colin Leys (1973) has been cited widely for his thorough critique of the ILO-Kenya report. Claiming that the informal sector's existence is essential for the profitable operation of the formal sector, Leys argues that the provision of cheap goods and services in the informal sector enhances labour exploitation in the formal sector. The process of such consequences is explained by the argument that formal sector wage-earners are provided low wages because the reproduction cost of labour becomes cheaper through the availability of informal sector goods and services.

Holding similar views, Allen (1977:6) claims that the informal

⁹ See Leys (1973), Allen (1977), Sandbrook and Arn (1977), Kowarick (1979), and Davies (1979), among others, for such views. They see it as exploitation in the sense that the availability of low-cost informal sector goods reduces the reproduction costs of labour and hence increases the surplus that can be extracted by formal sector employers.

sector "acts as a subsidy to industry by keeping down the cost of living for wage labour". Admitting the fact that "informal occupations ... produce inexpensive and essential goods and services for (mainly) the poor employees of large enterprises of the State", Sandbrook and Arn (1977:23-24) regret that the "unpalatable aspects of this exchange are seldom mentioned". In explaining the mechanism and consequences of this exchange, they argue that the availability of these cheap goods and services, together with the existence of an 'industrial reserve army', permit wages to be lower than they would otherwise need to be. This line of argument is further extended by Davies (1979:98-101), according to whom the informal sector acts in three ways to bring a downward pressure on formal sector wages. They are: first, by reducing the minimum urban-rural income differential necessary to cause migration; second, by providing a social security role; and finally, by making available some goods and services at a lower cost than can the formal sector. The last one is regarded as having the effect of reducing the cost of subsistence since it weakens pressure from workers for higher wages.

The argument of the informal sector's contribution in lowering the formal sector wages is also evident in Kowarick (1979). Advancing his views in a Marxian framework, the author claims that the "production of commodities by craft methods and the existence of small enterprises selling all types of goods and services, lowers the general costs of reproducing labour-power" (1979:70). Noting its further consequences, he adds that, in addition to, "lowering costs of reproduction of the working class, principally by selling goods and services at low prices, the informal sector provides the middle and upper strata with the possibility

of obtaining the greater part of the economic surplus".

Thus the basic argument of the critics amount to a rejection of any beneficial outcome of the provision of cheap goods and services in the informal sector. Instead, it is suggested that precisely because of this role played by the informal sector, wages in the formal sector tend to be low. It seems the fundamental assumption in this argument is that the wages are equal to the subsistence costs of labour (or the reproduction cost of labour power). However plausible the general argument above and this assumption in particular, none of the critics provide any concrete evidence as to the validity of their views. Nor do they provide any clue as to how this proposition can be tested empirically. For testing purposes, it is important to define the subsistence costs first and then to enquire if formal sector wages really tend to be equal to those costs. If so, the next task is to isolate the contribution of the informal sector in the determination of that subsistence wage. Without conducting research in this direction, one cannot provide a solid evaluation of the argument that availability of cheap goods and services in the informal sector leads to labour exploitation in the formal sector. Such research calls for exclusive attention in a separate project.

However, within the scope of the present study, what can be tested empirically is the validity of labour exploitation within the informal sector itself. In view of the working conditions in this sector, this test seems to be of a more urgent nature than trying to predict the informal sector's impact on the formal sector's wages. In this respect, notwithstanding our previous comments, Colin Leys' observation that the informal sector "denotes primarily a system of very intense exploitation

of labour with very low wages and often very long hours" (1973:426) is of direct interest to us. The validity of this position is tested by our data in the empirical part of this chapter.

Subcontracting

The ILO-Kenya report lays great stress on the "pervasive importance of the link between formal and informal activities" (ILO, 1972:6). The recommended means of increasing (establishing) such links is to promote subcontracting between the two sectors. The rationale for this recommendation as well as its implementation, appears to be quite straightforward: "because informal sector products are consumed primarily by the poor and formal sector products by the well-to-do ... in its own consumption and investment expenditures the government should increase its purchases from the informal sector, either directly by making government purchases or by making government purchases from the formal sector conditional upon subcontracting" (ILO, 1972:229). In a subsequent article, Weeks (1975) provides additional arguments in favour of subcontracting. Persuasively he argues that expansion of the informal sector, by promoting subcontracting, would reduce the dependence in industrialization policy of "import reproduction" that is believed to be taking place in low income countries. Such a policy is expected to redirect final demand towards the informal sector and generate a more equal distribution of income because of its employment promoting impact. Like the policy prescription contained in the Kenya report, Weeks believes that government purchases of goods and services have considerable scope for re-direction of its own and private formal sector demand

towards the informal sector. He suggests that even foreign investors can be induced by government to include specific proposals for small-scale subcontracting (Weeks, 1975: 8-11).

The theoretical underpinnings for these suggested policies are provided by Weeks in the form of a model of intersectoral linkages. This model, shows that increased wage rates in the formal sector tend to stimulate informal production. The described process of such an outcome is thus: an increase in formal sector wages could lead to a substitution of informal for formal sector production because large enterprises will be induced to subcontract part of their work to the informal sector. Confidence in the expected results of subcontracting is so strong that the author is willing to live with higher wages in the formal sector, although this acceptance contradicts the recurring theme of the desirability of an improved distribution of income. Weeks attempts to resolve the inconsistency in the following way: "[although] rising formal sector wages have a long-run negative impact ..., it remains true, however, that the very short-run impact of wage increases is probably to increase employment by shifting production from capital-intensive to labour-intensive processes" (1975:11). According to Weeks, this occurs via the increased demand for informal sector goods either (1) from the formal sector wage employees themselves or (2) due to the increased practice of subcontracting by formal sector firms to escape higher wage costs in the formal sector.

These two stipulations of Weeks seem to be based on unrealistic expectations. The prospect of increased demand due to higher wages in the formal sector is doubtful because of very low income elasticity of demand for these goods (Sinclair, 1978b:18). Thus it is unlikely that an

increase in formal sector wage rates would stimulate demand for informal sector goods and services. Indeed its impact is likely to be slight or insignificant. As Muench suggests, the most effective way to increase demand for informal sector products is to increase the size of low wage formal employment by horizontal expansion of the formal sector (1977:3). This confidence is based on an implicit hypothesis that low income people tend to buy goods and services produced by the informal sector. Available evidence indicates that there does exist a significant relationship between low income and demand for labour intensive industrial products generally produced by informal units (Tokman, 1978b:1197).¹⁰

The other hypothesis, that the formal sector would increasingly rely on subcontracting to escape higher wage costs within this sector, seems to be based on a simplistic assumption that continued exploitation of informal sector labour is infinitely possible and desirable. It is no surprise, therefore, that several writers have expressed reservations about subcontracting as a means to expand demand for informal sector products, pointing out its implication for further exploitation of labour in the informal sector. Arguments of this group of writers will be examined shortly. Before doing that, attention needs to be given to another article which also supports subcontracting as a means of promoting informal activities.

Souza and Tokman (1976) stress the need to distinguish the "complementary" as against the "competitive" relationship between the

¹⁰ Stewart (1975), and James (1976) are reported to have found such a relationship, although Tokman admits that his own earlier findings (Tokman, 1974) show that such correlation is not very high.

informal and formal sector in formulating specific steps to increase demand for the former's products. Hypothesizing that informal activities complement certain formal activities and compete with others, the authors suggest that policy should be designed to reinforce the links with the formal sector in the case of complementarity and to strengthen the informal sector's ability to compete in case of competition. In suggesting specific policy to strengthen the advocated links, they recommend the promotion of "cross-sector subcontracting". They believe this can be achieved by establishing subcontracting "pools" in the private sector by using the state's purchasing power to buy goods in the production of which the informal sector plays a major part (Souza and Tokman, 1976: 367).

One of the major criticisms of the ILO-Kenya report and its follow-up studies is directed against their recommendations to induce subcontracting in order to promote the informal sector. Noting its implications, Elkan (n.d.:10) warns that when small operators become dependent on large businesses there is a risk of the former being exploited. In several others,¹¹ the prospect of such exploitation appears to be more pronounced. The main thrust of the argument is basically the same: the sale of cheap intermediate products by the informal producers to a market dominated by a few oligopsonists enables the latter to derive economic surplus from exploitation of cheap labour employed by the former. This becomes possible since the informal sector enterprises are forced to operate in a market where the input price is higher and the

¹¹ See Bose (1974), Bienefeld (1975), Breman (1976), Senghaas-Knobloch (1977), and Gerry (1979), among others, for critical views on subcontracting.

output price is lower than would be the case in a competitive market.

Weak bargaining power of the informal sector and distortions (or absence of competition) in both product and factor markets seem to be the two major underlying assumptions in the above argument. The supporting evidence is mostly drawn from Bose's Calcutta study, which demonstrates that the informal and formal sector depend upon one another in such a way that larger units can force smaller ones to supply them with goods at prices only marginally above the cost of production (Bose, 1974:4.17). A separate study on the same city's "2,000-year old sandal-making enterprises" is purported to have shown that the bargaining strength of the large wholesale groups which buy finished sandals keeps the price to small assembly firms down to a little above the cost of production (Sinclair, 1978b:21-22).

Since Bose is cited as the principal supporting evidence by those who raise objections against subcontracting for its implication of exploitation of the informal sector, a few words regarding the contents of this work seems to be worthwhile. Those who cite Bose seem to ignore that he qualified his findings by saying that there exist two different groups of informal operators in Calcutta, each entering into a different type of relationship with the formal sector. One group he calls "modern", who sell their produce to formal sector enterprises and the other group he calls "traditional", who mainly produce inexpensive goods for the poorer section of the people. It becomes obvious from this distinction that Bose's evidence on exploitation of the informal by the formal sector is applicable for only one group of enterprises, namely, the "modern" informal sector. This distinction seems to be important

but its being characterized as "modern" may be misleading since Calcutta's "2,000-year old sandal industry" appears to have similar relations with the formal sector as do Bose's modern ones. But the essence of Bose's distinction is illuminating and it will be observed later in this chapter that only certain enterprises in Dacca have subcontracting linkages with the formal sector.¹²

On the whole, evidence on exploitation due to subcontracting seems to be weak. But that is not because exploitation does not or cannot occur from subcontracting; it is largely because the issue, at the current state of informal sector development in most cases, is largely an hypothetical issue. This is so because not many instances of subcontracting are evident in any of the available informal sector studies scattered over three continents. For example, the ILO report notes that the subcontracting system remains to be developed in Kenya. It only notes a few examples of subcontracting between informal enterprises themselves (ILO, 1972:230). Sethuraman (1977b:347), Nihan and Jourdain (1978:716) and Chana and Morrison (1975:127-129) all report survey results from different cities in low income countries which show that almost all goods are produced for final demand; that is, directly purchased by individuals for household needs. Only a few products are noted to be produced for use by other sectors of the economy.

Providing some secondary data on Nairobi's informal sector, Muench (1977:8-10) argues that the basic role of the informal sector lies in the production of services rather than goods. To him, the recommendation of

¹² Their number is likely to be much smaller in Dacca compared to Calcutta because of the former's late start in industrialization and urbanization in the modern period.

subcontracting appears as a misplaced emphasis on the real potential of the informal sector. He holds the view that this is particularly true for personal and retail services, but it also applies to such "industrial" activities as tailoring, shoemaking and carpentry. Even Gerry, who is bent on showing the dependent role of the informal sector, admits that "the degree to which the output of petty production has become a regular and substantial input into large-scale industry and commerce is not very great" in Dakar (1979:247). But he claims that a more 'integrative' trend is developing.

Denying any evidence of subcontracting by large enterprises, Allen (1977:3) claims that subcontracting works rather in the opposite direction than what ILO conceived as the potential. His description of case studies of repair works in Nairobi suggests that informal operators are forced to subcontract part of their work to the formal sector because it involves expertise which these people cannot afford given the "undercapitalization" of their enterprises.

This evidence suggests two things. First, it clearly indicates that subcontracting from the formal sector is not generally available to informal enterprises as yet in any of the case studies. This vindicates our previous observation that the issue is largely a hypothetical one at the present state of development of the informal sector in most cities. But this does not imply that subcontracting is not growing or may in future be growing. This brings up the second implication of the available evidence: unless informal enterprises have developed to a certain level, it will not be possible for them to supply inputs to the formal sector, or to carry out part of the latter's work.

This is precisely the reason why Gerry observes that a more integrative trend is developing and Bose finds that subcontracting relationships with the formal sector are limited to that part of the informal sector which is "modern". Since urbanization and industrialization experience of Dacca is relatively new, in the modern period at any rate, it is unlikely that the informal sector in Dacca will have many enterprises sufficiently developed to be able to meet the quality requirements of their formal counterparts. Our data will help to quantify this expectation and resolve some of the issues alluded to above.

Supply and Demand Conditions in the Informal Sector: The Dacca Evidence

Results on Supply Side Linkages

The distribution of capital by the use to which it is put in informal activities provides an indication of the relative importance of the supply needs among the activity groups in the survey.¹³ As Table 5.1 shows, stock of goods account for 76 percent of average total capital employed in trade, which corroborates McGee's (1973a) previously cited findings (from Hong Kong) that the main part of capital for informal commerce is kept as stock of goods.

Raw materials account for 47 percent of capital in manufacturing and 39 percent of capital in service enterprises. For the former, as would be expected, tools and equipment account for a greater part of capital (67%) employed in these activities. Other forms of assets, the range of

¹³ Since in most cases of transport and construction little capital and supplies are required, they are excluded from the analysis of supply side linkages.

Table 5.1 Percentage of Capital Assets by Form in which they Occur among the Informal Sector Activity Groups

Categories of Assets	Activity Group		
	Trade	Service	Manufacturing
Trade Goods	75.9	-	-
Raw Materials	-	46.8	39.1
Tools and Equipment	2.1	39.1	67.0
Others (furniture, structure, etc.)	22.0	14.1	20.8
Total (Average Capital in Tk. per Enterprise)	100.0 (2,513.0)	100.0 (3,364.0)	100.0 (7,676.0)

which varies from 14 to 22 percent, account for the rest of capital employed.¹⁴ Thus it appears that merchandise, equipment and raw materials are the three principal supply needs of Dacca's informal sector activities. This seems to be a vindication of our previous identification of them as major supply requirements for which market links between the informal sector and other parts of the national and international economy are expected to be established. The above thus explains the context and format of Table 5.2 below summarizing results on the degree and direction of links for these supplies.

Major Sources of Supply

Our findings on the sources and nature of major supplies provide tests of some hypotheses previously discussed. Let us start with the

¹⁴ Structure (some form of protection against rain and sun, including temporary structures) and furniture account for most of "others" assets. Structures are often self-made and in some cases rented; furniture are few. Market links for "others", therefore, were not considered important in exploring the relationship with the rest of the economy.

one that outlines dependence of the informal sector on imported materials. Gerry claims that "in the general case of Senegal, and the specific case of Dakar's petty producers, there is an overwhelming dependence on goods originating from outside the national boundaries" (1979:232). Since the writer does not provide any quantitative evidence, one is justifiably sceptical of the validity of such a strong statement. Whatever may be the situation "in the general case of Senegal" it is doubtful that in the specific case of the informal sector in most low income countries, one would find "overwhelming dependence" on foreign sources for its supply needs. At least, our data clearly reject such a claim. As the figures in row 1(ii) in Table 5.2 show, only 4 to 11 percent (depending on the type of supplies) of the enterprises report that their major supplies are imported. Compared to this, 50 to 59 percent of the respondents reveal that they mostly use domestically produced goods, inputs and tools [see 1(i)]. This proportion is highest (59 %) for trade goods, followed by 56 percent for raw materials. Even for tools, the most likely case of foreign dependence, 50 percent report that their major tools and equipment are produced within the country. This evidence, therefore, clearly rejects the hypothesis of the informal sector's dependence on imported raw materials, semi-finished products or capital equipment as some writers claim.

We, however, admit that dependence on import items will not be as small as the figures in 1(ii) initially suggest. This is so because about 31 to 43 percent enterprises report that they rely on "both" domestically produced and imported items for their merchandise, inputs and tools. Therefore, it is certain that total import content of supplies

Table 5.2 Summary Results on Sources of Major Supplies Used by Informal Enterprises

Source of Supplies	Type of Supplies		
	Trade Goods	Raw Materials	Tools & Equipment
1. Domestic or Foreign Origin:			
i) Domestically produced	58.6	55.9	50.3
ii) Imported	10.5	3.7	4.0
iii) Both	30.9	38.2	43.2
iv) Do not know	-	2.2	2.5
	100.0	100.0	100.0
	(163)	(136)	(199)
2. Purchased from:			
i) Wholesalers/factories	31.7	13.4	16.8
ii) Big retailers	14.2	22.1	22.1
iii) Small retailers	11.5	23.7	24.3
iv) Government agencies	2.8	3.6	4.2
v) Other Informal Enterprises	33.0	28.1	24.9
vi) Individuals & Households	5.1	8.7	7.3
vii) Others	1.8	0.4	0.6
	100.0	100.0	100.0
	(218)*	(262)*	(388)*
3. Production Origin of Domestically Produced:			
i) Formal Sector	29.3	47.0	55.3
ii) Small & Cottage Industries	11.6	4.6	3.7
iii) Individuals & Households	15.0	7.6	6.8
iv) Informal Sector	10.2	16.7	10.5
v) Farms	18.4	0.8	0.5
vi) Recycling Sources	4.8	3.0	3.2
vii) More than one Source	10.9	20.5	20.0
	100.0	100.0	100.0
	(163)	(132)**	(190)**
4. Rural/Urban Origin:			
i) Rural	29.3	9.6	8.0
ii) Urban	50.3	75.0	78.9
iii) Both	20.4	13.2	10.6
iv) Do not know	0.0	2.0	2.5
	100.0	100.0	100.0
	(163)	(136)	(199)

* The number of observations here exceed the number of cases because more than one source was identified by some respondents. The percentage is calculated on the basis of most frequently cited source.

** Because of few missing cases, number of observations are smaller here.

will be higher than what is suggested by the figures in 1(ii). Nevertheless, it does not change substantially the picture as portrayed above since the responses in the category "both" also imply that the proportion of reliance on domestic supplies will also rise. Therefore, on the whole, the basic conclusion of a greater reliance on indigenous resources still holds. There is also no reason to believe that Dacca may be a special case. Like most other cities of low income countries, including Gerry's Dakar, Dacca has had a colonial past and is closely embedded in the "world capitalist system".

A related hypothesis considers the informal sector as dependent upon the formal sector for all types of supplies. This was discussed before and the existing evidence appeared to be divided on the issue. The inferences in those studies are often drawn from rather limited data; mostly on the basis of information on the immediate source from which these materials are purchased. Our survey provides some additional data such as information on the production origin of supplies in use. But first, let us see what is suggested by the data on source from which these items are obtained.

Inspection of figures 2(i) to 2(vii) in the table suggests that the greater proportion of informal operators obtain their supplies (of all three types) from "other informal enterprises". This proportion is highest in case of trade goods (33%). The next most important source for these goods is wholesaler/factory (32%). But for both raw materials and tools, the second most important source is small retailer, the proportion being 24 percent in both cases. Wholesaler/factory assumes fourth rank as a source of the informal sector's supplies for these two items.

In the face of this evidence, one may tend to conclude that the informal sector does not depend heavily on "large capitalist enterprises" for supplies. But this may be a premature judgement since it is common to include big retailers and government agencies as part of formal sector enterprises. On their inclusion, combined proportions of wholesaler/factory, big retailer, and government agency exceed those of other informal enterprises in all types of supplies. On the other hand, many small retailers are akin to informal operations and may well be included with the category other informal enterprise. If the proportions of these two sources are added, the original indication of other informal enterprise as the main source reappears. On the whole, any conclusion on the basis of this evidence would be highly speculative. This is more so because all of these sources are essentially intermediaries between producer and purchaser. Therefore, to be precise, what is required is to specify the production origin of these supplies so that the ambiguity in determining their origin can be removed.

Item 3 in the table provides evidence on the sectoral origin of domestically produced supplies. This suggests that formal sector factories and enterprises are truly the principal producer of all three types of materials. This is illustrated by the figures in 3(i) which shows that 55 percent of the enterprises buy tools which are produced in the formal sector; the corresponding figures for raw materials and trade goods are 47 and 29 percent respectively. Compared to this, only a small proportion report that their supplies are produced within the informal sector: 10 percent of trade goods, 17 percent of raw materials and 11 percent of tools [See 3(iv)]. Including the recycling source with

the informal sector, these proportions rise by a small margin but remain well below the corresponding percentages for the formal sector. Even if small and cottage industry and individuals and households are incorporated within the informal sector, the respective proportions of raw materials and tools originating from such combined sources still remain considerably below those of the formal sector. Only in the case of trade goods does this combined proportion exceed that of the formal sector by a margin of 11 percent. In the other two cases, i.e., for raw materials and tools, comparisons of combined proportions with those of the formal sector do not alter the original indication of a significant dependence on large enterprises for inputs and tools.

These results thus largely agree with the hypothesis of a dependence relationship between the informal and formal sectors for the former's various supply needs. This is unambiguously so for tools, largely true for inputs but less clear for trade goods. An important implication of these results is that the industrial character of the informal sector in Dacca is weak as only in a small proportion of cases (11%) are tools and equipment produced within the sector.

Another dimension of the informal sector's relationship with the rest of the economy concerns itself with its linkages with rural areas. It appears from our data, as in many other studies, that the linkage of the sector with rural areas is very weak: a very small proportion of enterprises report rural origin of inputs (10%) and tools (8%). Only in the case of trade goods, do a sizeable proportion (29%) of enterprises report that their supplies originate from rural areas, most of which are likely to be foodstuffs. Thus the sector's overall linkage with the

rural areas is insignificant. As will be seen later, this linkage is even weaker on the demand side.

To conclude this section, our data clearly reject the hypothesis of a heavy dependence of the informal sector on imported inputs. However, the evidence confirms a significant relationship between the informal and formal sectors for the former's need of tools, inputs and trade goods. Whether this relationship is one of subordination and exploitation cannot be judged from the type of data analysed above. With respect to the sector's linkage with rural areas, our findings indicate a very limited relationship for some agricultural products in the form of trade goods. However, with the data provided so far, we cannot specify the products for which these conclusions hold. This specification is important since, as discussed before, the degree and direction of links are likely to vary according to the type of goods that are traded and inputs and tools that are used. With this in view, the issues already discussed above are further examined by disaggregating each of the three major categories of supplies.

Links by Type of Trade Goods

Table 5.3 shows that a very small proportion of those who trade in textiles (just over 3%) and processed goods (below 3%) sell mainly imported goods. None of the vendors of pan-cigarettes, processed food, or raw food report that import items constitute an important part of their merchandise. But the responses "both", meaning that both domestic and import items are sold, show that some imported goods do constitute part of their stocks.

Table 5.3 Percentage Distribution of Informal Trade Enterprises by Type of Goods Traded and their Domestic/Foreign Origin

Type of Goods Traded	Domestic/Foreign Origin of Products			Total
	Domestic	Foreign	Both	
Pan-Cigarettes	35.0	-	65.0	100.0 (20)
Clothes and Footwear	59.4	3.1	37.5	100.0 (32)
Processed Food	91.7	-	8.3	100.0 (12)
Raw Food	76.3	-	23.7	100.0 (38)
Processed Goods	67.7	2.9	29.4	100.0 (34)
Recycled/Old Goods	23.1	57.7	19.2	100.0 (26)
Total	58.6 (95)	10.5 (17)	30.9 (50)	100.0 (162)*

* There are 163 trade enterprises in the sample. One case of non-response accounts for the difference.

What may surprise one is the fact that almost 58 percent of those who sell recycled goods report that these goods were originally imported. Second-hand clothes, rejected tyres, metal items, machinery parts and old equipment constitute the recycled goods. Since imported goods are in high demand, they are put to their maximum utilization by the informal sector. Through the recycling sources, these goods enter the sector for re-use. Thus, in the case of recycled goods in the table, the higher proportion of foreign merchandise does not indicate dependence on import for these items. Rather it reveals how the informal sector utilizes the originally imported and subsequently discarded goods by putting them to further economic use.

Table 5.4 Percentage Distribution of Informal Trade Enterprises by Type of Goods Traded and their Source of Purchase.

Type of Goods Traded	Source of Purchase *							Total
	Wholesale	Big Retailers	Small Retailers	Govt. Agencies	Other IS Ent.	Individuals	Others	
Pan-Cigarettes	24.1	17.2	20.7	-	37.9	-	-	100.0 (29)
Clothes and Footwear	58.3	2.8	2.8	-	36.1	-	-	100.0 (36)
Processed Food	16.7	16.7	33.3	5.6	16.7	11.1	-	100.0 (18)
Raw Food	26.5	12.2	6.1	-	44.9	10.2	-	100.0 (49)
Processed Goods	30.0	26.7	15.0	6.7	16.7	1.7	3.3	100.0 (60)
Recycled/Old Goods	26.9	-	-	3.9	50.0	11.5	7.7	100.0 (26)
Total	31.7 (69)	14.2 (31)	11.5 (25)	2.8 (6)	33.0 (72)	5.1 (11)	1.8 (4)	100.0 (218)**

* IS denotes Informal Sector

** The total figure here exceeds that of number of cases of trade enterprises because of more than one response by some respondents.

This is supported by some evidence in Table 5.4, which shows that 50 percent of recycled goods sellers purchase their merchandise from other informal sources. In comparison, only 27 percent obtain such goods from wholesalers who are most likely to sell newly imported goods. Of course, even among wholesalers there are some who deal in recycled goods collected by individual recyclers. This evidence, combined with that of the previous table, clearly shows that these goods are of foreign origin, but they are not imported directly for the informal sector. The latter

only reutilizes what has already been imported and ultimately discarded by the formal sector. This point is laboured to underscore the role the informal sector plays in the maximum utilization of scarce resources. In this instance, the informal sector economizes foreign exchange by reutilizing discarded imported materials and later in Chapter 6 we shall see how it cuts down on capital by utilizing more labour. Table 5.4 also contains information on the immediate source from which other sellers buy their merchandise. Over 58 percent of those who trade in textiles obtain their supplies from wholesalers. The same source is identified by 30 percent of those who trade in processed goods. Other informal enterprises as the supply source is identified by 50 percent of recycled goods sellers, 45 percent of foodstuffs retailers, 38 percent of pan-cigarettes sellers and 36 percent of other miscellaneous traders.

From the above evidence, it is difficult to accept that, except for clothes and processed goods, the dependence on formal sector sources can be considered "overwhelming", as has been suggested by some writers. This trend is confirmed by evidence in Table 5.5, which shows results on the production origin of merchandise according to their product types. The table shows that only in the case of processed goods do a large proportion (68%) of enterprises report that these goods are produced in the modern sector. Sizeable proportions of pan-cigarettes and clothes sellers also report that their merchandise are produced in the modern sector, the respective proportions being 35 and 37 percent respectively. But in all other cases most (in one case all) of the respondents report that their merchandise are produced in sectors other than the modern industrial sector. Thus we can safely conclude that the informal

Table 5.5 Percentage Distribution of Informal Trade Enterprises by Type of Goods Traded and their Production Origin

Type of Goods Traded	Production Origin							Total
	Formal Sector	Small-Scale & Cottage Ind.	Household	Informal Sector	Farm	Recycled	More than one Origin	
Pan-Cigarettes	35.0	5.0	-	5.0	20.0	-	35.0	100.0 (20)
Clothes and Footwear	36.7	33.3	3.3	23.3	-	-	3.3	100.0 (30)
Processed Food	-	16.7	25.0	8.3	41.7	-	8.3	100.0 (12)
Raw Foodstuffs	2.6	-	38.5	2.6	46.2	-	10.3	100.0 (39)
Processed Goods	67.6	11.8	2.9	8.8	-	-	8.8	100.0 (34)
Recycled/Old Goods	8.3	-	16.7	16.7	-	58.3	-	100.0 (12)
Total	29.3 (43)	11.6 (17)	15.0 (22)	10.21 (15)	18.4 (27)	4.8 (7)	10.9 (16)	100.0 (147)

sector's dependence on the formal sector is largely true for processed goods and may also be partly true for clothes (and footwear) and pan-cigarettes.¹⁵ But for other cases of informal merchandise, the dependence hypothesis, which postulates the informal sector's overwhelming dependence upon the formal sector, does not hold.

Links by Type of Raw Materials

Raw materials are primarily used by informal producers and

¹⁵ Although 'pan' (betel leaf) is produced exclusively in the agricultural sector, cigarette production is increasingly being mechanized replacing the traditional 'bidi' production.

repairers. The range of these materials are as varied as the type of informal sector merchandise. As our summary results (Table 5.2) show, most raw materials are of indigenous origin and few are imported. But so far we do not know which ones are indigenous and which ones are imported. Also, we can not specify the raw materials that are domestically produced or the ones that are imported by their sectoral origin.

In order to determine these specifics, the relationship is examined below by the type of raw materials that are used by these enterprises. The use to which an input is put has been the underlying criterion in grouping the numerous raw materials, listed by the survey, into six major divisions. This classification, therefore, coincides with the type of activities. For example, (1) Sewing Materials refer to needle, elastic, thread, buttons required in tailoring;¹⁶ (2) Metal Items refer to iron, steel, scrap metals, spare parts used in metal works; (3) Leather and Tyres refer to tan hides and rejected tyres used in shoe-making and other leatherworks; (4) Cotton Yarns refer to yarns, dyeing materials, and the like used in weaving; (5) Wood and Varnish refer to wood, varnish, glue, etc. used in furniture-making; and (6) Spares refer to various spare parts and items used in a host of repairing work (e.g., lock and key repairer using old keys; cycle repairer using spoke, bush, ball and other accessories of bicycle; watch repairer using parts of old watches and so on.¹⁷

16 Cloth is supplied by customers. In this sense, most of the tailors in the sample are artisans rather than manufacturers.

17 It needs to be noted that raw materials named here are just the major ones used by the respective activity groups.

Table 5.6 provides evidence on the domestic/foreign origin of these groups of raw materials. As the figures in the table suggest, sole reliance on imported inputs is almost non-existent for all six groups. Nonetheless about 38 percent of the enterprises report that they use both domestic and imported inputs in their production. This proportion rises to 62 percent in the case of cotton yarn used in weaving. Since cotton yarn is almost entirely an imported item in Bangladesh, informal weavers'

Table 5.6 Percentage Distribution of Informal Enterprises* by Type of Major Raw Materials Used and their Domestic/Foreign Origin

Type of Raw Materials	Domestic/Foreign Origin of Raw Materials				
	Domestic	Imported	Both	Don't Know	Total
Sewing Materials	50.0	-	50.0	-	100.0 (32)
Metal Items	43.3	6.7	50.0	-	100.0 (30)
Leather and Rejected Tyres	95.0	-	5.0	-	100.0 (20)
Cotton Yarn	38.5	-	61.5	-	100.0 (13)
Wood, Varnish	100.0	-	-	-	100.0 (13)
Others	35.7	10.7	42.9	10.7	100.0 (28)
Total	55.9 (76)	3.7 (5)	38.2 (52)	2.2 (3)	100.0 (136)

* Included are the enterprises which reported use of raw materials in their production or the services they offer.

yarn requirement is necessarily met by imports. But some other related inputs seem to be available locally. The responses of weavers, therefore, suggest considerable dependence on both imported and local materials.

Sewing materials used by tailors and metal items used by metalworkers also consist of both local and imported inputs. In each of these two cases, half of the respondents report that both locally made and imported raw materials are used in their production. For repair works, the principal inputs are various spare parts and accessories. Some of these are imported: 11 percent report that they mainly rely on imported parts and 43 percent state that they use both imported and locally made parts and accessories. But 36 percent appear to rely mainly on domestically made spare parts which shows a greater reliance on locally made spare parts. For the other two groups, the evidence seems overwhelming: all of furnituremakers and 95 percent of shoemakers claim that they mainly rely on domestically produced raw materials.

The above trend of reliance on domestic resources is further supported by results contained in Table 5.7, which shows that only a small proportion of the total (13%) purchase inputs from wholesalers or factories, while the corresponding proportion from informal sector sources is 28 percent; the latter is greatest for shoemakers (44%). For metalworkers and repair workers, the respective proportions purchased from the informal sector are 35 and 31 percent (which contrast with 26 and 4 percent respectively who purchase the same materials from wholesalers/factories sources). In fact, with the sole exception of cotton yarn, in all other groups the proportion of those reporting purchases from wholesalers/factories are lower by a margin ranging between 4 to 36 percent, compared to similar purchases from informal sources. Although this evidence provides an indication of little dependence on the formal sector for most type of raw materials, the existence of significant

Table 5.7 Percentage Distribution of Informal Enterprises by Type of Major Raw Materials Used and their Source of Purchase

Types of Raw Material	Source of Purchase							Total
	Whole-salers	Big Retailers	Small Retailers	Govt. Agencies	Other IS Ent.	Individuals	Others	
Sewing Materials	12.2	20.4	40.8	2.0	16.3	8.2	-	100.0 (49)
Metal Items	26.3	12.3	12.3	5.3	35.1	8.8	-	100.0 (57)
Leather & Rejected Tyres	8.8	23.5	20.6	0.0	44.1	2.9	-	100.0 (34)
Cotton Yarn	20.6	38.2	14.7	8.8	14.7	2.9	-	100.0 (34)
Wood, Varnish	3.6	35.7	28.6	3.6	25.0	0.0	3.6	100.0 (28)
Others	3.9	15.7	25.5	2.0	31.4	21.6	-	100.0 (51)
Total	13.4 (34)	22.1 (56)	23.7 (50)	3.6 (9)	28.1 (71)	8.7 (22)	0.4 (1)	100.0 (253)*

* This figure exceeds that of number of total enterprises which use raw materials because more than one source was reported by some respondents.

purchases from big and small retailers makes the picture somewhat ambiguous. In order to remove this ambiguity, data are required to identify precisely the production origin of these materials, in contrast to the sources from which they are purchased.

Table 5.8 provides such evidence and shows that 82 percent of those who use sewing materials report that these inputs are produced by the

Table 5.8 Percentage Distribution of Informal Enterprises by Type of Major Raw Materials and their Production Origin

Types of Raw Materials	Production Origin of Raw Materials							Total
	Formal Sector	Small Scale & Cottage Ind.	Households	Informal Sector*	Farms	Recycled	More than one Origin	
Sewing Materials	81.3	6.3	3.1	-	3.1	-	6.30	100.0 (32)
Metal Items	48.3	-	-	17.2	-	6.9	27.6	100.0 (29)
Leather, Rejected Tyres	10.0	10.0	5.0	55.0	-	-	20.0	100.0 (20)
Cotton Yarn	61.5	7.7	-	-	-	-	30.8	100.0 (13)
Wood, Varnish	7.7	7.7	30.8	23.1	-	-	30.8	100.0 (13)
Others	44.0	0.0	16.0	12.0	-	8.0	20.0	100.0 (25)
Total	47.0 (62)	4.6 (6)	7.6 (10)	16.71 (22)	0.8 (1)	3.0 (4)	20.5 (27)	100.0 (132)

* Other than recycling enterprises.

formal sector. Similarly a large proportion of weavers (62%) state that their raw materials originate from the same sector. Less than half of metal items and spare part users (48% and 44% respectively) provide similar responses. However, only a small proportion of shoemakers (10%) and furnituremakers (8%) report that their materials are produced in the formal sector. This corroborates evidence in the previous two tables which showed greater reliance of these two groups on indigenous resources largely obtained from informal sources and produced by sectors other than the modern one.

Thus, the relationship between the informal and formal sectors for raw materials appears to be most significant for tailors and weavers.

Considerable proportions of metalworkers and repairers also rely on formal sector sources for their input needs. Such dependence is almost non-existent for shoemakers and furnituremakers. Thus it is difficult to agree with Gerry's generalization on input dependence. Since Dacca and Dakar are far apart, there is always likely to be some differences. But what is important is to note that, as discussed previously, Gerry's own data also do not support the generalization he offers. As shown before, his conclusion is valid only for furnituremakers and metalworkers in Dakar. In the case of Dacca, tailors and weavers are similarly dependent on the formal sector for raw materials.¹⁸

Links by Type of Equipment¹⁹

The classification of tools and equipment largely coincide with the type of activity in which they are used. Thus (1) Sewing Machines refer to the basic equipment in tailoring; similarly (2) Machinery refers to equipment used in metal works which may consist of one or more of drill machine, welding machine, lathe machine and the like; (3) Shoemaker's Tools refer to tools and equipment used in shoemaking and other leather-works; (4) Looms are the principal equipment in weaving; (5) Carpentry Tools consist of variety of tools and equipment used in woodwork; and (6) Others refers to the tools used in various repair works.

18 This kind of difference is always possible because of different resource bases among countries, but the informal sector's basic traits do not appear to be much different across the low income economies as suggested by the comparison between two cities situated in a widely different geographical setting.

19 Equipment refers to the basic tools, equipment, and machinery that are in use by informal enterprises, particularly in manufacturing and repair units.

Table 5.9 provides the distribution of domestic and foreign origin of equipment by their types. As the table reveals, carpenters use entirely locally produced tools and nearly similar is the case for

Table 5.9 Percentage Distribution of Informal Enterprises* by Type of Equipment in Use and their Domestic/Foreign Origin

Type of Equipment	Domestic/Foreign Origin of Tools				Total
	Domestic	Foreign	Both	Don't Know	
Sewing Machines	50.0	-	50.0	-	100.0 (30)
Machinery (metal works)	38.5	15.4	46.1	-	100.0 (26)
Shoemakers' Tools	87.5	-	12.5	-	100.0 (16)
Looms (weaving)	33.3	-	66.7	-	100.0 (12)
Carpentry Tools	100.0	-	-	-	100.0 (12)
Others (repairing)	42.6	4.2	46.8	6.4	100.0 (47)
Total	52.9 (74)	4.3 (6)	40.7 (57)	2.1 (3)	100.0 (140)*

* Includes those enterprises which use tools and equipment

shoemakers since all of the former and 88 percent of the latter report that their tools are produced within the country. However, some import content is evident among the tools used by metalworkers, repairers, tailors, and weavers, as 46 to 50 percent of them state that they use "both" domestically produced and imported tools.

It is interesting to note that the groups of tools which appear to have higher import content are the same ones which are purchased second-

hand. As Table 5.10 shows, 51 percent of tailors, 34 percent of metalworkers, 18 percent of repairers and weavers state that their tools are purchased second-hand. This shows once again²⁰ that the import

Table 5.10 Percentage Distribution of Informal Enterprises According to Mode of Acquisition of their Basic Equipment

Type of Equipment	Mode of Acquisition of Equipment					Total
	New	Second-hand	Reconstructed	Self-made	Rented	
Sewing Machines	47.3	50.9	-	-	1.8	100.0 (55)
Machinery (in metal works)	36.6	34.2	2.4	22.0	4.9	100.0 (41)
Shoemakers' Tools	64.3	14.3	14.3	-	7.1	100.0 (14)
Looms	82.4	17.7	-	-	-	100.0 (17)
Carpentry Tools	92.9	7.1	-	-	-	100.0 (14)
Others (in repairing)	65.0	18.3	6.7	8.3	1.7	100.0 (60)
Total	57.7 (116)	29.4 (59)	3.5 (7)	7.0 (14)	2.5 (5)	100.0 (201)*

* Because of more than one source of procurement of the tools and equipment, the number of responses exceed the number of enterprises reporting use of such tools.

content of informal sector supplies is largely of a second-hand nature, i.e., equipment which may have been imported originally by the formal sector or well-to-do individuals. Most probably after their first use, these items make their way to the informal sector.

²⁰ Similar findings were reported with respect to trade goods and raw materials.

Complementing this evidence on the re-use of imported goods, Table 5.10 also suggests that use of new tools is more prevalent among groups which have greater reliance on domestically produced tools: 93 percent of carpentry tools, 82 percent of weavers' and 64 percent of shoemakers' tools are purchased new. It will be recalled these are groups which more frequently use locally made equipment. For the total sample, a majority of enterprises (58%) report that they purchase new tools; the corresponding proportion of second-hand purchase is 29 percent. The full significance of this re-use of tools is realized if it is seen in conjunction with the previously reported data that showed most of these tools were imported originally. This provides a clear indication of the informal sector's role in economizing on scarce resources.

Self-made or reconstructed equipment appear infrequently: they together account for less than 11 percent of the basic tools that are used by the sector. This may suggest two things: first, this strengthens our previous suggestion that the industrial character of the informal sector in Dacca is not very pronounced; second, partly for the same reason, the mark of innovative ability is not remarkable, at least not by the measure of self-made or reconstructed equipment. Renting of tools appears to be rare: only five instances of rented equipment occur in the survey.

Since newly purchased tools account for the major proportion of tools, it is likely that the formal sector would be the principal supplier of equipment to informal enterprises. But, again, this is difficult to establish from the data on immediate sources of such purchases.

As Table 5.11 shows, only 17 percent of the enterprises purchase their equipment from wholesalers or factories; the proportion rises to 33 percent in case of metalworkers and to 30 percent for weavers. This, however, cannot be considered as conclusive evidence on the linkage with the formal sector since considerable purchases are made from retailers, both big and small. Another way to ascertain such a dependence on the formal sector is to determine the production origin of these tools.

Table 5.11 Percentage Distribution of Informal Enterprises by Type of Equipment Used and their Source of Purchase

Type of Equipment	Source from which Equipment are Purchased							Total
	Wholesale- salers	Big Retailers	Small Retailers	Govt. Agencies	Other IS Ent.	Individuals	Others	
Sewing Machines	9.3	18.7	48.0	-	17.3	6.7	-	100.0 (75)
Machinery (in metal work)	33.3	16.7	10.0	6.7	30.0	3.3	-	100.0 (90)
Shoemakers' Tools	14.3	28.6	23.8	-	28.6	4.8	-	100.0 (21)
Looms	29.6	38.6	13.6	9.1	9.1	-	-	100.0 (44)
Carpentry Tools	11.4	28.6	22.9	2.9	28.6	2.9	2.9	100.0 (35)
Others (in repairing)	3.2	18.2	24.7	4.3	31.2	17.2	1.1	100.0 (93)
Total	16.8 (60)	22.1 (79)	24.3 (87)	4.2 (15)	24.9 (89)	7.3 (26)	0.6 (2)	100.0 (388)*

* This figure exceeds that of number of enterprises which use tools and equipment because more than one sources were reported.

Table 5.12 provides evidence in this respect. It may be seen that 91 percent of sewing machines, 63 percent of weavers' equipment, 51 percent of machines used in metal works and 48 percent of repairing tools are mainly produced in the modern sector. On the other hand, shoemakers and furnituremakers report that most of their tools are produced in sectors other than the formal one. But, it is important to note that significant proportions of metalworkers, furnituremakers, weavers and shoemakers state that their tools originate from more than one source.

Table 5.12 Percentage Distribution of Informal Enterprises by Type of Equipment Used and their Production Origin

Type of Equipment	Production Origin of Equipment							Total
	Formal Sector	Small-Scale & Cottage Ind.	Ind. and Households	Informal Sector*	Rural Sector	Recycled	More than one Origin	
Sewing Machines	90.9	1.8	1.8	1.8	-	1.8	1.8	100.0 (55)
Machinery (in metal works)	51.1	-	-	8.9	-	8.9	31.1	100.0 (45)
Shoemakers' Tools	7.7	7.7	-	46.2	-	-	38.5	100.0 (13)
Looms	62.5	-	-	-	-	-	37.5	100.0 (16)
Carpentry Tools	-	5.9	41.2	11.8	-	5.9	35.3	100.0 (17)
Others (Repairing)	47.7	9.1	11.4	15.9	2.3	-	13.6	100.0 (44)
Total	55.3 (105)	3.7 (7)	6.8 (13)	10.5 (20)	0.5 (1)	3.2 (6)	20.0 (38)	100.0 (190)

* Other than the recycling enterprises.

In the face of this difference among various types of tools, it is difficult to accept the claim of "virtual monopoly of (the informal sector's) supply ... in the hands of the dominant mode of production"

(Gerry, 1979:240). We have commented before on Gerry's interpretation of his data on the basis of which the above claim is made. A comparison of those data (on the mode of acquisition of basic equipment in Dakar informal sector) with ours shows that there is not much qualitative difference between these two sets of evidence (see Table 5.13). In both cities, use of new tools is dominant among certain activity groups, but in others

Table 5.13 A Comparison of Mode of Acquisition of Equipment among Informal Producers in Dacca and Dakar

Informal Producers	Mode of Acquisition of Equipment*			
	New		Second-hand	
	Dacca	Dakar	Dacca	Dakar
Tailors	47	13	51	44
Metalworkers	37	58	34	42
Leatherworkers	64	10	14	60
Woodworkers	93	54	7	23

SOURCE: Data for Dakar are obtained from Table 11.3 of Gerry (1979: 239)

* Figures represent percentages of respective mode of purchase (i.e., new or second-hand) of equipment

second-hand equipment plays a greater role. For example, use of new tools is more prevalent in metalworks and woodworks in Dakar, while this is the case in Dacca for tailoring, leatherworks, woodworks, and metalworks. Similarly, use of second-hand equipment is more common in leather works and tailoring in Gerry's data, while this is the case in our data for tailoring and metalworks.

More interestingly, use of second-hand tools is more widespread in Dakar than Dacca. While 60 percent of leatherworkers, 44 percent of tailors, 42 percent of metalworkers and 23 percent of woodworkers use such tools in Dakar, the corresponding proportions for Dacca are only 14, 41, 34 and 7 respectively. But curiously enough, Gerry ignores the significance of such re-use of equipment in informal production. Moreover, if Gerry had determined the domestic/foreign origin of second-hand

equipment in his data, he might have found, as we do, that it is the imported equipment which is put to further use in the informal sector after it has served its purpose to original importers.

Mode of Skill Acquisition

Evidence on the mode of acquisition of skills by informal entrepreneurs clearly rejects the hypothesis that the informal sector is dependent on the formal sector for acquiring skills. Table 5.14 provides such evidence and shows that only 2 percent of the total sample of owners learned their skills from technical school, another 7 percent learned as apprentices in large enterprises, and an additional 2 percent acquired them from past wage experience in large enterprises. They together account for 11 percent of owners in the sample who may be considered

Table 5.14 Mode of Acquisition of Skills among Owners of Informal Enterprises in Dacca by Activity Groups (Percentage Distribution)

Mode of Skill Acquisition	Activity Group					Total Sample
	Trade	Service	Manufacturing	Construction	Transport	
From technical school	15.4	1.7	1.9	-	2.0	2.4
As apprentice in large ent.	-	6.9	13.2	-	-	7.1
As wage employee in large ent.	-	1.7	2.8	-	-	1.6
As apprentice in this enterprise	7.7	3.4	1.9	4.0	-	2.4
As apprentice in similar ent.	15.4	48.3	42.5	36.0	6.0	34.5
Self-taught by asking friends	46.2	32.8	30.2	44.0	76.0	42.1
Self-taught by observing others	15.4	5.2	7.5	16.0	16.0	9.9
Total	100.0 (13)	100.0 (58)	100.0 (106)	100.0 (25)	100.0 (30)	100.0 (252)

to have learned their skills from formal sector sources. The remainder (89%) learned their skills in various forms of informal learning: 37 percent were trained as apprentices in either the enterprise in which they are working now or similar informal workplaces; 42 percent characterize their learning of skills as 'self-taught with friends' help' and another 10 percent state that they learned their skills by observing those who already knew the work.

In the face of this overwhelming evidence from our sample, another look at Gerry's data from Dakar seems to be worthwhile, since on the basis of these data he rejects the internal generation of skills and suggests the informal sector's dependence upon formal sector even for skills. A comparison of the mode of acquisition of skills in the informal sector in Dacca and Dakar is made in Table 5.15. For comparability, only the manufacturing enterprises from our sample are included in the comparison since Gerry's survey covers only informal producers. The picture that emerges from the comparison is basically similar. In both cases the vast majority acquired their skills from within the informal system (82% in case of Dacca and 68% in Dakar).

Table 5.15 A Comparison of Mode of Skill Acquisition among Owners of Informal Manufacturing Enterprises in Dacca and Dakar (Percent)

Mode of Skill Acquisition	Dacca	Dakar
Formal technical education	2	6
As apprentice/employee in large enterprise	16	26
As apprentice/employee in informal enterprise	82	68

SOURCE: Data for Dakar are obtained from Table 11.1 of Gerry (1979:237).

Similarly, in both cases only a small proportion of entrepreneurs learned their skills from formal technical schools (2% in Dakar and 6% in Dacca). Past wage experience in the formal sector as a means of learning skills account for 26 and 16 percent of entrepreneurs in the two respective studies.

Thus the difference in results between the two studies is one of degree rather than direction. The results in both cases lead to the same conclusion: an overwhelming proportion of informal entrepreneurs learn their skills from informal sources.

Results on Demand Side Linkages

Goods and Services Offered

Several types of data in the survey seem to corroborate the ascribed role of the urban informal sector in making available essential goods and services at a cheaper price relative to formal sector alternatives,²¹ for a market largely made up of those who struggle to cope with their meagre earnings. The distribution of the sampled enterprises by the type of activity (Table 4.1 in the previous chapter) indicated the range of goods and services that are available in the sector.

Whether these goods and services form an essential part of the basic needs of urban living is better comprehended from a classification of enterprises from another perspective: one which views informal activities according to the needs they met. Table 5.16 below, contains results that follow from so classifying enterprises. As the table shows,

²¹ As will be seen, in many cases such alternatives do not exist.

Table 5.16 Classification of Informal Enterprises According to the Needs they Meet

Type of Needs	Percentage n = 437
Food and drink	17.6
Clothing and footwear	19.0
Shelter (construction and building)	11.4
Transport services	11.9
Repair services	9.8
Household necessities	9.6
Wastes recycling	9.1
Cultural/Entertainment	5.7
Health and personal care	2.8
Miscellaneous	3.0

nearly two-thirds of the enterprises cater to such basic needs as food, clothing, shelter and transport. An additional 10 percent of enterprises offer a variety of repair services to urban dwellers. This is an economic boon for many households trying to cope with the economic pressures that accompany low income. Another 10 percent provide various household necessities. Over 9 percent of the enterprises are engaged in recycling of second-hand, old or waste materials. Recycling takes on additional significance given the previous finding that import items have higher frequency of re-use. The informal sector adds to cultural life by making available newspapers and magazines at convenient locations. About six percent of the enterprises contribute in this way and also includes a few instances of street entertainers/musicians/canvassers. Health and personal care are also available in the city streets, which account for about 3 percent of the sample. The remainder (3%) cater to other miscellaneous needs.

Not only does the informal sector meet some basic needs by providing a wide range of essential goods and services, in some instances such as

various repair activities, there are no formal sector alternatives. For others, although similar products and services may be available from formal sector sources, they can be obtained only at a higher price. Two pieces of evidence are available in this respect. First, when asked if there are large enterprises selling similar goods and services similar to the respondents', 58 percent gave a negative answer, which suggests that formal sector alternatives for such products may not exist. This indicates that many of these activities are undertaken by the informal sector alone.

Second, in cases where formal sector alternatives exist, 60 percent of the respondents declare that formal sector goods and services, relative to their own, are of better quality and cost more (see Table 5.17).

Table 5.17 Informal Entrepreneurs' Evaluation on Price and Quality of Formal Sector Products

Evaluation	Percentages (n = 185)
Cheaper	11.9
More expensive	7.6
About the same price	15.1
Better quality	1.6
Better quality and expensive	60.0
Both cheaper and better quality	2.7
Same price but better quality	1.1

Only 12 percent believe that such items are cheaper from formal sector sources. Evidence in this table suggests that informal sector products are relatively cheaper, but they are likely to be of inferior quality compared to those of formal sector.²²

²² Admittedly, this type of evidence is a weak guide in making a judgement on the relative price of products offered by the two sectors. However, it does not seem that anyone seriously doubts cheapness of informal products. In view of this consensus and the lack of other data, the provided evidence may be considered as an acceptable indication of relative price and quality of products offered by two sectors in discussion.

Our evidence so far suggests that the informal sector does provide a wide-range of goods and services which meet some basic needs of urban population; it also appears that these products are cheaper than their formal sector alternatives in cases where a choice exists. Next, we provide evidence on the income status of consumers of these products. Table 5.18 presents the distribution of enterprises selling their products directly to consumers according to the latter's income background.²³ As this table shows, about 79 percent of enterprises report that low,

Table 5.18 Percentage Distribution of Enterprises* According to Principal Buyers of Informal Goods and Services by Activity Group

Buyers by Income	Activity Group					Total Sample
	Trade	Service	Manufacturing	Construction	Transport	
Low income	11.2	15.4	11.2	2.0	-	9.4 (39)
Lower middle income	28.6	30.8	42.7	2.0	6.0	26.1 (108)
Middle income	44.1	36.9	37.1	16.3	84.0	43.0 (178)
Upper middle income	6.2	10.8	5.6	55.1	6.0	12.6 (52)
Upper income	5.0	4.6	3.4	24.5	2.0	6.5 (27)
All income groups**	5.0	1.5	-	-	2.0	2.4 (10)
Total	100.0 (161)	100.0 (65)	100.0 (89)	100.0 (49)	100.0 (50)	100.0 (414)

* Those enterprises which sell directly to the consumers.

** Represent cases where the respondents could not specifically identify the principal buyers.

²³ Data on income background are based on respondents' own perception of economic status of their customers. The latter are divided into five income groups: (1) low income groups includes factory workers, office peons, lower strata of self-employed, informal sector workers; (2) lower middle income represents income of majority of lower-cadre office employees (e.g., various clerical positions); (3) income of the level of lower-ranking officers in public and private institutions denotes middle income; (4) high ranking officers, administrators, professionals from the upper middle income group, and (5) well-off businessmen, chief executives of public corporations, departmental secretaries, and the like constitute the upper income groups.

lower-middle, and middle income groups are the customers of those sales that are made direct to consumers. This proportion varies between 83 to 91 percent across the various activity groups, except for construction. In the latter case, only 20 percent report that the above three income groups are their principal customers. Small demand for construction services from these income groups is explained by the fact that most of those in the sample are engaged in work associated with building concrete houses and roads.

The evidence above thus suggests that lower and middle income groups form the main clientele of informal enterprises, with the sole exception of construction activities. Since these three income groups are basically wage and salary earners and account for the bulk of urban income earning individuals, the above evidence tends to confirm the sector's role in providing wage goods to the working population of urban areas.

Whether this role of the informal sector leads to exploitation of those whom the sector serves (i.e., the working population of formal and informal sectors), however, cannot be determined from this evidence. As discussed previously, resolving this issue remains beyond the scope of the present study.

Instead, we examine another variant of the exploitation hypothesis which claims that the informal sector denotes intense exploitation of its own labour. In this view, exploitation is not so much an indirect effect of the sector but rather a direct outcome of the nature of informal employment. One evidence of labour exploitation within the sector, as suggested by Colin Leys, is that the lowest paid workers work the longest

hours (Leys, 1973:426). Thus it seems a test of this type of exploitation can be based on a simple examination of the relationship that exists between hours of work and returns from that work. Obviously, a negative correlation between the two variables would be a clear indication of crude labour exploitation.

Average daily work hours and average monthly income are the measures of the two respective variables. The relationship is examined separately for owners (self-employed/own-account workers/employers) and for workers (hired labour). Both simple correlation and cross-tabulation procedures are used to scrutinize the relationship.

For owners, the correlation is found to be positive, but the strength of this relationship is weak ($r = 0.07$) at a 0.16 level of statistical significance. In this case, a positive association between work hours and income is not surprising at all. After all, owners have scope to appropriate at least some of the benefits of their hard work. However, the very low association between the two variables suggests two things: one, other variables are likely to be more important determinants of income than long hours;²⁴ two, it may be an indication that surplus generated by informal proprietors is largely transferred to outside economic agents via the various market links outlined in this chapter.

For workers, however, the situation is quite different. Because of their employment status, they have less scope to benefit from the fruits of their hard work. Surplus, in this instance, is extracted either by

²⁴ That such is the case is confirmed by the finding of high correlation ($r = 0.71$ at 0.01 level of statistical significance) between average income of enterprises and average capital employed in them.

their employers or accrues to outside agents. More importantly, because of the absence of job protection, security or trade unions, the bargaining power of informal sector labour is very weak and consequently wages seldom get re-negotiated. Thus it is likely that Leys' views may be particularly relevant for workers.²⁵ The correlation results between income and work hours for hired labour in our sample show a negative association ($r = -0.11$ at 0.15 level of significance) between the two variables. This provides support to the concerns expressed by some writers regarding labour exploitation in the informal sector.

However, although the observed direction of association between income and hours of work for both owners and workers is found to be consistent with the theoretical expectations (positive in the former case and negative in the latter), the degree of such association and the confidence level of the tests are not strong enough to draw definitive conclusions from these results.

To see if some confirmatory evidence can be obtained and to provide a more direct test of Leys' claim that lowest paid workers work the longest hours, the two variables are cross-tabulated in Tables 5.19 and 5.20 for workers and owners respectively. As the first table shows, of those workers who earn below average income, (Tk. 400 or \$20 per month), 73 percent work more than the average work hours (12 hours per day).

²⁵ Leys does not make it explicit whether 'workers' in his observation includes own-account workers or other self-employed in the sector.

Table 5.19 Cross-Table of Average Monthly Income and Average Daily Work Hours of Informal Sector Workers

Income (Monthly) Intervals	Intervals of Work Hours (Daily)		Total
	Below 12 Hours	Over 12 Hours	
Below Average Income (Tk. 400)	27.4	72.6	100.0 (84)
Above Average Income (Tk. 400)	42.5	57.5	100.0 (87)
Total	35.1 (60)	64.9 (111)	100.0 (171)

Chi-square = 4.3, df = 1, Level of significance = 0.04, $\phi^2 = 0.03$

Table 5.20 Cross-Table of Average Monthly Income and Average Daily Work Hours of Informal Enterprise Owners

Income (Monthly) Intervals	Intervals of Work Hours (Daily)		Total
	Below 12 Hours	Over 12 Hours	
Below Average Income (Tk. 1,000)	41.0	59.0	100.0 (283)
Above Average Income (Tk. 1,000)	20.8	79.2	100.0 (154)
Total	33.9 (148)	66.1 (289)	100.0 (437)

Chi-square = 18.2, df = 1, Level of significance = 0.01, $\phi^2 = 0.04$

Compared to this, of those who earn more than average income, 57 percent work more than average work hours. Thus the proportion of those who work longest hours is higher among those who earn the least.

But this is not the case when a similar test is applied to owners. As Table 5.20 shows, of those owners who earn below average income (Tk. 1,000 or \$50 per month), 59 percent of them work more than twelve hours a day. Of those who earn an above average income, 79 percent also work more than the average number work hours. Thus those whose hours of work

are above average tend to earn above average income. The emerging picture is thus completely different in the two groups of informal labour force. In the case of owners, if they work longer they have a greater chance of earning more. Such a possibility is remote for workers since those among them who work longer appear to be earning less. This evidence thus lends some support to the hypothesis of labour exploitation within the informal sector.²⁶ However, the evidence also suggests that own-account workers or others self-employed cannot be completely deprived of the fruits of their labour. Owners' command over their own production provides them with a significant opportunity to gain from their labour, which is absent for workers. But it is possible that this potential is eroded considerably by various market links that were described in this chapter.

Evidence on Subcontracting

Several types of data indicate that subcontracting is not yet a systematic practice in Dacca informal sector. One indication of this is contained in Table 5.21, which provides the distribution of the total sample according to types of buyers for each activity group. As this table shows, only 5 percent of all enterprises make their sales to large firms; the proportion rises to a maximum of 14 percent for manufacturing units. In contrast to this, 56 percent of the total sample report that they sell their products directly to consumers. This proportion varies

²⁶ Labour here refers to all non-family labour including apprentices.

Table 5.21 Percentage Distribution of Informal Enterprises According to Sales to Consumers as well as other Businesses

Sales to	Activity Group					Total Sample
	Trade	Service	Manufacturing	Construction	Transport	
Direct to consumers only	84.1	60.6	29.6	-	70.0	55.8 (244)
Large businesses	0.6	-	13.9	8.0	-	4.6 (20)
Small businesses	12.9	36.4	46.3	6.0	8.0	23.3 (102)
Both large & small businesses	2.5	3.0	10.3	86.0	22.0	16.3 (71)
Total	100.0 (163)	100.0 (66)	100.0 (108)	100.0 (50)	100.0 (50)	100.0 (437)

between 61 to 84 percent for service, transport and trade. But none of construction and only 30 percent of manufacturing enterprises appear to be dealing with individual consumers. In fact, 86 percent of the former report that they work for "both" large and small firms (which refers to contractors and subcontractors in the construction businesses who hire construction labour for a specific work) and 46 percent of the latter state that they sell their products to small firms.

Thus except for construction and manufacturing, sales to firms (as opposed to consumers) appear to be few. Since transactions with firms may be considered as an index of the prevalence of subcontracting,²⁷ the above evidence provides a first indication that instances of subcontracting in our sample are limited within construction and manufacturing.

Two things, however, remain uncertain from the data provided in Table 5.21. First, it is not clear if all sales to firms represent

²⁷ Which of course would be an overestimate as sales to firms may not necessarily be subcontracted deals.

intermediate products. Second, whether all transactions with firms represent subcontracting remains undetermined. In order to remove this ambiguity, the issue is pursued further. On asking if their sales to other firms involve products which are utilized for further production processes by the buyers, 19 percent of total enterprises answered in the affirmative (see Item 1 in Table 5.22). Further, on being asked if they get contracts for work or products, only 6 percent of the total sample respond that they do get such orders regularly; an additional 26 percent state that they get such contracts from time to time; the remaining 68 percent never get any contractual work [see 2(i)-(iii)]. Of the small number of cases who get contracts, only 13 percent of the total sample report that they get these contracts from large firms or factories [see 3(i)].

The above evidence thus makes clear that subcontracting is not

Table 5.22 Evidence on Subcontracting among Informal Enterprises by Activity Group

Indicator	Activity Group					Total Sample
	Trade	Service	Manufacturing	Construction	Transport	
1. Sell intermediate products	8.6	26.2	27.8	25.0	20.0	18.7
2. Work on contracts/orders:						
i) Regularly	-	1.5	14.8	8.3	5.6	5.5
ii) From time to time	1.2	10.8	34.3	91.7	77.8	25.9
iii) Never	98.8	87.7	51.9	-	83.4	68.6
3. Contracts/orders came from:						
i) Large firms/factories	-	-	24.5	6.1	-	13.2
ii) Small firms	-	-	39.6	4.1	20.0	22.3
iii) Both large and small	-	-	3.8	89.8	80.0	48.8
iv) Government agencies	-	-	1.2	-	-	0.8
v) Individuals & households	-	-	30.2	-	-	14.9

very common in the total sample of informal activities in Dacca. However, the data suggests that this system of work or selling products is widely prevalent in construction and to a lesser extent in manufacturing. In the case of the former, 92 percent report that they work on a contract basis [2 (ii)]; most of these contracts appear to be made by both large and small firms (meaning contractors and subcontractors) as 90 percent provide this response [3 (iii)]. In the case of manufacturing, 28 percent report that they produce and sell products which are utilized in further production process by the buyers (Item 1). Contracts as a method of sales appear to be relevant for less than half of these enterprises; 15 percent reporting that they get such contracts regularly and 34 percent stating "from time to time" [see 2(i) and (ii)]. Of these, less than half of manufacturing units get some contracts (either regularly or from time to time), 25 percent report that they get such contracts from large firms or factories; another 40 percent receive them from small firms; for 30 percent the orders come from individuals [see 3(iv)-(v)].

Thus subcontracting appears to play some part in construction and manufacturing activities. However, it is important to note that the system operates differently in the two groups. In the former, the system boils down to outright contract of labour in its physical form; in manufacturing, labour is mediated through the products for which such contracts are made. The system is also likely to develop in different directions with the passage of time and growth of the economy. Although disproportionate growth in labour force relative to demand for labour will have a dampening effect on what is being suggested here, it is

almost certain that subcontracting of construction labour in its present form will diminish in significance as social awareness grows.²⁸ In contrast, subcontracting in manufacturing is likely to grow as these enterprises expand and develop thus leading to an improvement in quality of products, i.e., when this part of the sector becomes sufficiently "modern" as Bose's findings in Calcutta's informal sector imply. In that eventuality, formal sector firms will have more incentives to take advantage of cheap labour in the informal sector through subcontracting arrangements.

Since instances of subcontracting, especially from large firms or factories, are not many in our total sample, dependence of the informal upon the formal sector, on the demand side, does not appear to be significant. Therefore, the expressed concern of exploitation of informal enterprises by the 'dominant mode of production' through subcontracting is largely a theoretical issue for Dacca. However, our findings on the two groups of activities in which subcontracting does play some part, provides an interesting insight on the issue.

Pulling together the evidence on construction activities, it would

28 In its present form, labour power is treated almost like any other commodity. This becomes evident from the picturesque presence of these labour commodities that are sold in the well-known market places like New Market or Maghbazar. Individuals arrive at these places at dawn and eagerly wait to draw the attention of a prospective subcontractor to their muscle power so that they have a chance to be hired for some work on a construction site. One can say this is not much different from a modern queue in a job line, but who will deny the crudeness of the former and subtleties of the latter?

appear that they earn less, lack stable work, endure the brunt of competition for work from fellow workers, and are happy to find any employment. Since they work mostly under a subcontracting system, one might infer that this system may contribute to the plight of these people. But this inference cannot be sustained when the evidence on construction activities is viewed with the corresponding evidence on manufacturing enterprises. The latter shows that they earn more, their work is relatively stable, and they appear to be satisfied with their work, expressing an intention to continue and improve their enterprises. This contrasts with the evidence for construction in which people are much worse-off. Curiously enough, what is found common between them is subcontracting as a means of selling their service or products. In short, notwithstanding subcontracting as a common denominator, the two groups fare differently economically. Although much of the economic contrast between the two groups is likely due to differences in skills and capital, the above evidence does offer a warning against a generalization that subcontracting is a major source of exploitation.

In their rush to show the adverse effects of subcontracting, the critics also ignore the existence of numerous practical problems that must be overcome before this system can perform as an important means in marketing informal products. For example, quality and standardization requirements of the formal sector operate as a real constraint on the informal sector's ability to complement the production process of the former. To overcome such hurdles, informal enterprises may have to raise the capital intensity of the technology they use. Whether that is desirable at all, or whether such enterprises would still be considered part of the informal sector, is a different matter.

Assuming that the sector will eventually succeed in complementing the formal sector's production, will it automatically lead to an exploitative relation between the two? It seems those who express a concern of exploitation and subordination fail to note that workers are almost certain to organize as the informal sector grows and thus exercise a countervailing power against exploitation commonly associated with "primitive capital accumulation" characteristic of the early development of capitalism. The critics also underestimate the dynamic benefits of market links with modern economic activities that may stimulate development of productive forces and modernize the work environment leading to increased production.

These aspects of exploitation and production indicate that the dialectics of the process is such that the relevant forces do not grow unidirectionally. But this is a conjecture of future development and is not of much significance for the short-term relief of those who need urgent attention. Encouragement of the informal sector by inducing subcontracting or otherwise is essentially an exercise in short or medium-term development policy. Whether these links would lead to exploitation, and if it does, how that can be mitigated seems to be a correct question to ask. But that does not require one to reject the positive aspects of existing or recommended linkages between the informal and formal sectors. Bose has put it succinctly:

But despite this relationship of what may be called exploitation between large and small units, the latter can exist, given the present socio-economic structure, only when they can get the opportunity of offering themselves to be exploited by the large units. (Bose, 1974:4.24; emphasis added)

This justification does not necessarily reflect a resigned or cynical attitude to the problem. Rather this is a reflection of the hard realities in which the informal sector serves a vast number of people who do not have any other means to survive in the given socio-economic condition. Since the task of bringing social change rests primarily upon political forces, economic policy is operative only in a given socio-economic structure. The ILO-recommended government role in promoting the informal sector, especially its role in inducing subcontracting needs to be seen in this perspective. Government's role also has the scope of reducing exploitation by private capital that may arise from the suggested linkage between the two sectors. If some of government's own work can be subcontracted to the informal sector, the chance of exploitation may be further reduced unless the very restrictive assumption that "government itself is a protector of exploitation" holds.

However, the pertinent question is, as raised previously, whether the informal sector at all can produce output of a quality and nature expected of them by the ILO and other optimists of the sector for successfully complementing formal sector productions. Its potential in this respect depends largely on its present economic performance and future outlook, which is the subject matter of the next chapter.

CHAPTER 6

ECONOMIC PERFORMANCE OF INFORMAL SECTOR IN DACCA

IntroductionPerformance Indicators

The ultimate test in resolving the many controversial issues in the discussion of the informal sector, some of which have been discussed in the preceding chapter, must concern itself with an evaluation of economic performance of enterprises in the sector. Such an appraisal would also assist in resolving the important policy question of the development potential of these activities. The need for such an assessment has been noted as central to resolving these issues and questions. For example, according to Moser, "the fundamental question underlying the whole informal sector debate concerns the ability or inability of small-scale enterprises to generate not only employment but also ... economic growth". In stressing research in this respect, he points out that "it remains empirically unclear as to whether the development of small-scale industry is in fact the most efficient way of using capital (Moser, 1978: 1061).¹

Efficient utilization of capital, however, is not the only test to make a judgement on the potential role of the informal sector in the

¹ This scepticism persists despite the fact that some well documented studies, on comparative employment and productivity in large and small-scale industries in several low income countries across the three continents for which the question matters, have demonstrated that small enterprises are more responsive to the economic needs and priorities of these countries, see, among others, Khan (1972) for Bangladesh; Steel, (1976a) for Ghana; and Meller and Marfan (1981) for Chile.

development process. As Weeks notes, this ignores the question of the dynamic effects of innovation and the rate of surplus accumulation (Weeks, 1975: 8). In this respect, Rempel and House (1977: 178) propose a more comprehensive approach suggesting that determination of the nature of informal sector market, its labour productivity, efficiency, and ability to innovate are to be the top research priorities in resolving the crucial question of the development potential of the sector. They also underscore the need to determine the motivation of the labour force in the sector. From the standpoint of labour market analysis, motivation is important in making an assessment of the economic prospects of individual participants in these activities.

Of these issues, we have already examined in the previous two chapters, the nature of the market in which informal activities operate and the impact of market relationship in dealing with other sectors of the economy. The present chapter is devoted to the task of evaluating performance of the enterprises and their participants, relative to their counterparts in the formal sector. The performance indicators that are utilized in this appraisal are: (1) employment generating capacity, (2) factor productivity and efficiency in resource utilization, (3) capital accumulation, (4) ability to innovate, (5) labour income, (6) distribution of income, and (7) scope for upward mobility.

The first four indicators capture the relative performance of informal activities as economic enterprises (or firms). The last three provide a similar assessment of the two distinct groups of the informal labour force, viz, the self-employed and employees. In this way we provide an integrated performance test of informal sector activities,

combining both industrial organization and labour market analyses.

Key Measures Defined

Measures of (1) capital intensity, (2) capital-output ratio, (3) labour and capital productivity, and (4) rate of surplus per unit of capital are utilized as indexes of some of the performance indicators outlined above. Although fairly standard definitions of these concepts have been followed, their application to the world of the informal sector has required some minor modifications. For example, instead of using the more precise, standard measure of man-hours, number of persons employed is utilized in measures of capital intensity and labour productivity. Similar modifications in other measures make it desirable to define them at the outset.

Capital intensity is measured by the ratio of fixed assets to number of persons employed. The estimate of fixed assets are made at replacement cost (or market prices) for our survey data. But the corresponding measures of formal sector industries are available only at book values, which is a substantial underestimate of real value of fixed capital employed in these industries.² For comparability with our data, it was desirable to transform the latter values to replacement cost of these assets. But required data were not available to carry out this transformation exercise. This forced us to use book values of fixed assets for formal sector enterprises, whereas corresponding values for informal enterprises represent their replacement cost. However, this did not

² This is so even when allowance is made for the depreciated value of capital (see Khan, 1972: 60).

constrain our analysis since the outcome of relevant comparisons between the two sectors proved to be favourable to informal sector even without taking note of the underestimate of capital assets in the formal sector. Our measure of capital intensity provides an indication of job creation cost in the respective industries. Thus it would help to determine the comparative employment generating scope in the informal and formal sectors.³ It can also be considered as a partial indicator of the efficiency of using a scarce factor, i.e., capital.⁴

The capital coefficient or capital-output ratio is measured by the ratio of fixed assets to value added. Fixed assets are defined as above. Value added represents total sales less costs of all purchased materials. One weakness of measuring the ratio this way is that while value added figures represent an annual flow, fixed assets are a stock. Since capital equipment of formal sector industries are likely to have longer life, the comparison between informal and formal sectors may understate capital productivity in the former and thereby raise the value of the ratio. But, as will be seen later, the difference in the ratios between the two sectors is so wide that it is unlikely that making allowance for this will qualitatively change the overall picture that emerges from our comparison. This ratio shows the average capital cost of obtaining a unit of output (or value added) or conversely, the production generated by a given unit of investment. Comparisons of the value of this ratio

3 Admittedly this is only true from a "supply-side" view of employment. The 'demand' side, i.e., whether there would be any attempt or desire actually to employ such people, is not here known.

4 Capital productivity is deemed to be a more direct measure of efficiency in utilizing the factor.

would also reveal the difference in production techniques between the two sectors. Although marginal coefficients generally are of greater significance than the average, it is expected that the comparison between the two sectors of the estimates of the ratio based on average values should assist evaluation of past capital investment and indicate future priorities in investment decisions.

Labour productivity (or net output per person) is measured by the ratio of the value added to total number of persons employed in respective groups of activities or sectors. Although labour productivity is acknowledged as an appropriate index of economic efficiency, development economists have been reluctant to rely solely on this measure when comparing economic efficiency between large- and small-scale enterprises. Since labour productivity is unambiguously higher in large industries, the tendency has been to consider them to be more efficient than small ones. Rejecting this notion, many now note that for labour abundant and capital scarce economies higher labour productivity should not be the prime objective in policy planning; what matters for these economies, they argue, is to make efficient utilization of capital. Economizing on capital resources is, therefore, seen as an overriding priority. In propounding this new emphasis, Hans Singer argues, "where capital is desperately short, the economists would be bound to say that what matters is to maximize output per unit of capital, rather than per person employed" (Singer, 1977: 11). In view of this, we utilize capital productivity, measured by the ratio of total value added to total fixed assets, as an additional index of efficiency. But as before, we limit our analysis to a comparison of the average measure rather than applying

a more desirable marginal index.

More than one index has been utilized in the discussion on capital accumulation. The one which needs to be clarified is the rate of surplus per unit of capital. Surplus is defined as value added less wages, which for the informal sector includes imputed wages for proprietors and family labour. These imputed wages were estimated using the wages of the hired labour. No allowance could be made for depreciation and proprietors' consumption in excess of the imputed wages. But, as Khan (1972:61) notes, even if these were measurable and excluded, it is unlikely that surplus per unit of capital would be less for small-scale enterprises.

The other indexes and measures in the chapter are self-explanatory; their definition occurs, when occasion demands, as the analysis proceeds.

Economic Characteristics of Informal Enterprises

Table 6.1 provides results on measures outlined above for the total sample and by activity groups. They are compared later with similar measures of formal sector industries in evaluating the relative performance of informal activities in Dacca. But for the time being, we concentrate on comparative economic characteristics across the five activity groups in our survey. As can be seen from Table 6.1, capital intensity of informal enterprises is indeed very low: the average amount of capital per person for the total sample is only Tk. 2,025 (\$125), although there is significant variation among the five sub-samples. For transport and manufacturing, average capital per job approaches the three thousand figure (less than \$200), which is almost twice as much as in

petty trade and service activities. Cost of vehicles for transport and capital equipment for manufacturing raise the capital-labour ratio of these two groups.⁵ The very low capital-labour ratio for construction, only one-sixth of the figure for total, merely reflects that those who work in construction own and require only simple hand tools such as spades and shovels.

Labour productivity would seem to be fairly high given the very low capital intensities within these enterprises. The productivity figures largely correspond to the capital intensities of the respective groups, except that manufacturing changes its position with transport. As the table shows, annual value added per person is highest for manufacturing and lowest for construction. Transport is close behind manufacturing. Trade and service are similarly close to one another in labour productivity. It is interesting to note that although labour productivity is higher in those cases in which capital intensity is also higher, productivity does not rise proportionally with capital intensity. For example, while capital intensity of manufacturing units is almost eight times more than that of construction, the productivity difference is less than twice as high. Because of the varied nature of the activities within each group, it is difficult to be certain about the significance of this trend which shows that labour productivity does not increase proportionally with capital intensity. However, as will be seen later, a similar trend is observed when a comparison is made between informal and formal manufacturing industries. Assuming that manufacturing units in both sectors

⁵ The capital-labour ratio for transport would have been even higher if the capital cost of the rented vehicles were included.

Table 6.1 Comparative Economic Characteristics of Major Activity Groups in Informal Sector

Economic Characteristics	Activity Group					Total Sample
	Trade	Service	Manufacturing	Construction	Transport	
Capital-labour ratio (in Tk).	1,658	1,898	2,392	316	2,961	2,025
Value - added per person employed (in Tk).	9,737	8,900	12,711	7,687	11,902	10,976
Value added per capital unit	5.87	4.69	5.31	24.34	4.02	5.42
Capital - value added ratio	0.17	0.21	0.19	0.04	0.25	0.18
Annual wage per unit of capital	2.06	2.24	2.04	22.80	1.22	2.22
Surplus per unit of capital	3.80	2.45	3.28	3.37	2.98	3.20
Total assets per enterprise	2,513	3,364	8,549	335	11,450	4,337
Fixed assets per enterprise	481	1,776	8,143	153	10,783	3,284
Persons* employed per enterprise	1.5	1.8	3.6	1.1	1.2	2.0
Hired workers per enterprise	0.3	0.4	1.6	0.1	0.1	0.6
Family Labour per enterprise	1.2	1.3	2.0	1.0	1.1	1.4

* Includes owner-worker of the enterprise.

Capital in the table refers to total assets of the enterprise. Since fixed assets in informal activities are relatively small, total capital employed would better reflect the extent of capital used by these enterprises.

produce roughly similar products,⁶ some significance can be attached to this trend. Evidence from other studies lend support to our suggestion. For example, Nihan and Jourdain report survey results which show a similar trend even within one particular type of activity (1978:715).

Turning to the issue of efficient utilization of capital, it appears from Table 6.1 that capital is utilized more productively by those activities which possess relatively less capital. In fact, an inverse relationship is noticeable between capital intensity and capital productivity. Since this may reflect very low 'capitalization' of these activities, we refrain from drawing any firm conclusion on how capital is utilized best by respective groups on the basis of this criterion. Later in our comparative analysis of informal and formal activities, other indices are applied to complement the analysis of relative efficiency between these two sectors.

The very low capital-output ratio, as observed in the table, is the result of low capital intensity combined with high productivity. This demonstrates the sector's ability to produce efficiently despite a general dearth of capital. However, again, because of the varied nature of activities within each group, little can be said about the relative performance of one group of enterprises as against another by merely reading capital-output ratios.

Surplus per unit of capital for the total sample is found to be 3.2, which seems to be quite high. Because of obligations to extended family,

⁶ Admittedly this assumption is not perfectly valid. Manufacturing products could differ between the two sectors.

the above measure as an index of potential reinvestible surplus or capital accumulation may be misleading. Therefore, some indirect measures are applied later in a separate treatment of capital accumulation.

Our basic intention in providing the results contained in Table 6.1 is to make way for an eventual comparison of particular groups of enterprises in the informal sector with their counterparts in the formal sector. No explicit assessment of performance within the informal sector is intended.

Economic Characteristics of Manufacturing Industries

Although the previous exercise contributed to our awareness of the differences in economic characteristics among the various activities within the informal sector, any significance of results in the preceding table can be appreciated only when they are compared with similar results for the formal sector. Since formal sector data are available only for manufacturing industries, the comparisons which follow are made between our sample of manufacturing activities and their counterparts in the formal sector. Since the basic difference between the two sectors lies in their relative size, technology and official status, which cut across all types of activities, the conclusions drawn from a comparison of manufacturing enterprises in the two sectors should hold also for other types of enterprises in the respective sectors.

Before such a comparison can be undertaken however, it is essential to make ourselves aware of the structure of manufacturing industries in

Bangladesh. This is particularly important in order to identify the group of industries that are to be treated as formal sector industries.

In official circles in Bangladesh, existence of three types of manufacturing industries is generally acknowledged, although not all of them are subject to official regulation or enumeration. These three types may be classified as follows: (1) Large and medium industries, which are covered by Census of Manufacturing Industries (CMI).⁷ (2) Small-Scale Industries (SSI), and, (3) Cottage Industries (CI).

Because of defining the three groups of industries in three different ways,⁸ there may be some overlaps, especially between medium industries in the CMI group and larger ones of the SSI. Similar overlap may occur between smaller SSI and some CI. For our purpose, however, the pertinent question is where does informal manufacturing belong in this three-tier classification of industrial structure in the economy? Or, do they form a different group altogether? The answer to this question is not easy, although according to the definitions of above groups of industries production units in the informal sector would belong to one of these three groups. But, in reality, this is not the case. This is illustrated by the fact that our survey findings show that informal manufacturing cuts across all the three groups in the above classification. For example, a small number of manufacturing firms in our sample employ more

7 We shall occasionally refer to this group of industries as CMI.

8 CMI is defined by size of employment, SSI by size of fixed assets (see Chapter 2 for these definitions), and CI is defined as industrial activities that are "carried on wholly or mainly by the members of a family either as a whole-time or part-time occupation" (Khan, 1972:58).

than 10 workers. According to the Factory Act definition they would belong in the CMI group. But the simple fact is that they are not covered either by this Act or CMI data as none of the respondents in the survey indicated such status. Non-coverage of these enterprises by the Act and the CMI is also illustrated in our finding that while not a single unit in our sample has total assets over Tk. 0.01 million, none of the CMI unit have fixed assets less than Tk. 2.5 million.⁹ Thus there is little chance that any industrial unit belonging to the CMI could be included in the informal sector or vice versa. But a similar claim cannot be made with respect to either small-scale industries or cottage industries. The informal manufacturing group's chance of overlap with these other two groups arises because, from an official view point, any unit having capital less than Tk. 2.5 million would belong to the SSI group and similarly any industrial unit relying totally or mainly on family labour would belong to the CI group. More or less, both of these criteria also apply to our manufacturing sample and hence provides the possibility of overlap. The probability of actual overlap is small though because data on registered small-scale industries show that their average fixed assets are almost 10 times larger than that of the informal manufacturing units in our sample. Similarly, although the number of manufacturing units relying completely on family labour or not employing any wage labour (the characteristic of Cottage Industries) is small (see Table 6.2); the possibility of some overlap, however, may occur with

⁹ This also strengthens our decision in not defining the informal sector by size (or number of persons employed) alone.

unregistered, small-scale industries.

Given this possibility, however small it may be, it is safer to include only the CMI group, (i.e., large and medium industries) as the formal sector industries in our comparative analysis. Before concentrating on that, it may be worthwhile to examine some of the comparative characteristics of the officially acknowledged three-tier industrial structure in Bangladesh.¹⁰ Table 6.2 summarizes this comparative picture and suggests that economic performance of large industries is not commensurate to the large capital investment and various other support and protection that they enjoy. While capital intensity of large industries is more than twice that of small-scale industries, the former's labour productivity is only 58 percent higher than the latter's. When compared with cottage industries, this pattern is stronger: more than seven times the capital intensity in large industries yields but three times as much productivity as in cottage industries. The respective figures of capital productivity and the capital-output ratio confirm this trend. Capital productivity in large industries is 30 percent lower than in small-scale ones and is much less compared to cottage industries. As a consequence, the capital-output ratio is much higher in large industries compared to the other two groups. Thus it is reasonable to conclude that productivity figures do not justify the

¹⁰ This of course does not imply that all of them are registered or subject to government regulations. We would also like to note, since the subsequent analysis will be limited to a comparison between the informal and formal sector, data presented here enable us to make some judgements on the difference between informal and small or cottage industries.

Table 6.2 Structure of Manufacturing Industries in Bangladesh and Comparative Economic Characteristics by Types of Industries

Economic Characteristics	Type of Manufacturing Industries		
	Large & Medium (CMI)	Small-Scale (Registered SSI)	Cottage (CI)
Capital-labour ratio (in Tk.)	18,162	8,783	2,457
Value-added per worker (in Tk.)	13,494	8,525	4,331
Value-added per capital unit	0.74	0.97	1.76
Capital-value added ratio	1.35	1.03	0.57
Annual wage per unit of capital	0.54	0.56*	-
Surplus per unit of capital	0.34	1.16*	-
Fixed assets per unit (in Tk.)	5,352,245	79,010	10,250
Worker per unit	295	9	4
Hired workers per unit	All	Most	0.4
Family labour per unit	None	Negligible	3.6
Share of total industrial employment (percentage)	20.0	0.7	79.3
Share of total industrial value added (percentage)	64.9	1.4	33.7

SOURCE: CMI and SSI figures are estimated from Census Data on Manufacturing Industries (registered firms), 1975 - 76 and CI figures are calculated from data provided by Sample Survey Data (unpublished) on Unregistered Small and Household Manufacturing Industries, 1976 - 77.

* Due to lack of more recent data on wages for small-scale industries, Khan's estimates for wage and surplus per unit of capital are shown here (see Khan, 1972: 61). No estimates of these two measures could be made for cottage industries since wages and profits can hardly be distinguished in this group of industries.

higher capital intensity of large industries. One could hope that this deficiency may be offset in the long-run through greater re-investment possibilities in large industries. But that does not seem to be a

significant possibility since the figures on surplus per unit of capital suggest that re-investible surplus is not any greater for these industries. On the contrary, surplus per unit of capital in large industries is less than one-third of small-scale industries. For lack of data, no such estimate could be made for cottage industries.

Overall, although labour productivity is relatively higher in large industries, the difference in labour productivity is less than the difference in capital intensity. The high capital-labour ratio has obvious implications for the job creation capacity of these industries; it is not surprising that they contribute only 20 percent of industrial employment in the economy. Since the rate of surplus is also low in these industries, there is little chance that the situation will be substantially altered in the future through greater investment and accumulation. Our analysis here, however, has been based on some simple abstractions ignoring the fact that all goods cannot be produced in large, small and cottage industries. Neither have we discussed the question of distortion in relative prices among the three groups. But it does not seem, from existing evidence, that incorporation of these factors would necessarily change the overall pattern in the above results and the conclusions that emerge from them.¹¹ In fact, on the strength of such extended analysis, serious doubt has been cast on the efficiency and real utility of large-scale manufacturing industry set up in Bangladesh (Khan, 1972: 76). Although this may sound sweeping, they are based on sound economic reasoning from the past performance of these industries.

¹¹ In our comparative analysis of economic performance of informal and formal activities in the next section, we offer our evidence on this matter.

Comparative Performance of Informal and Formal Sector

Employment Generating Capacity

The need to expand employment can hardly be overstressed in any economy. In the case of a low-income, land-scarce agricultural economy like Bangladesh it is not just employment, but preferably industrial employment that matters most in bringing the desired structural change, namely, the transfer of surplus or disguisedly unemployed agricultural labour to the industrial workforce. While some evidence from other countries indicate that growth of industrial wage employment is falling behind the growth of the working age population (Gerry, 1979: 230), industrial employment in Bangladesh has grown at a rate of over 6 percent annually during the intercensal period of 1961-1974, which is well ahead of the less than 3 percent growth rate of working age population during the same period. But, despite this growth, the industrial sector employs only two million workers, which accounts for only 6 percent of the total labour force in the economy. This illustrates the very low industrial base of Bangladesh's economy and simultaneously underscores the need for expansion of industrial employment at a much greater rate than its present pace.

The question is how can this be accomplished. Because of technological, capital, and foreign exchange constraints and dependence for them on external sources, it is unlikely that employment in the formal sector can expand any faster than its present growth rate. Measures of employment generating capacity shown in Table 6.3, tend to reinforce this suggestion. In contrast, some measures for informal sector portray a promising picture. As can be seen from the table, capital intensity of

Table 6.3 Comparison of Employment Generating Scope of Informal and Formal Manufacturing Industries

Measures	Informal Manufacturing Units	Formal Sector Manufacturing Industries
Capital-labour ratio (in Tk.)	2,392	18,162
Capital-output ratio	0.19	1.35
Surplus per unit of capital	3.28	0.34

Capital in this table and elsewhere when comparison is made between informal and formal sector denote fixed assets. Since capital-related measures in Table 6.1 were based on total assets, marginal differences would be observed in figures of informal manufacturing in that table and the present one.

formal sector industries is eight times higher than that of manufacturing units in the informal sector. This suggests that the average cost of creating a job in the formal sector is eight times more expensive than in the informal sector. Such high capital intensity might be defensible if the capital-output ratio was lower or the rate of surplus was greater in the former. But, on neither grounds can the high capital intensity of these industries be defended. The capital-output ratio is seven times higher in the formal sector, which suggests that labour productivity is not high enough to compensate for the greater capital intensity. Similarly disappointing results appear from figures on surplus per unit of capital, which show that generation of surplus per unit of capital in formal sector is about one-tenth of that of informal sector.¹²

Two points emerge from the above evidence. First, the figures on

¹² Of course it is likely that total surplus generated will be higher in the formal sector.

capital-labour ratio indicate that capital invested in the informal sector creates more employment than does an equal amount of capital invested in the formal sector. This implies that growth in the informal sector, relative to the formal sector, carries a potential of more labour-using form of industrialization. Second, the other two results in the table suggest there are no inherent trade-offs between employment and output or employment and generation of economic surplus. Thus, the fear that preoccupation with short-run employment may destroy the cumulative increase in future employment and output seem to be unfounded.

Our evidence, and the conclusion that it leads to, is corroborated by similar findings of other studies in Bangladesh and elsewhere. In concluding his comparison of large-scale and small-scale industries in Bangladesh, Khan remarks:

To epitomise their comparative performance, the large-scale industries may be characterized as using up a great deal of capital to employ a small number of workers ... and as generating an investible surplus of less than half the value of capital used up. In contrast, the small-scale industries employ more than seven times as many workers with the same amount of capital ... and yet generate more than two-and-a-half times as much investible surplus (Khan, 1972:61).

Evidence from Ghana in Steel's work on small-scale employment also illustrates similar potential for the "intermediate sector" (Steel, 1977). A recent work on employment generation within the Chilean industrial sector has added a new element in showing the greater scope of expanding employment through small-scale industries. By extending the analysis to include both direct and indirect employment effects, Meller and Marfan (1981: 266) find that direct labour intensity indicators for small industries are about two-and-a-half times greater than those for large industries. But when indirect employment effects are included, these

indicators are only about 90 percent higher. The important point is that in spite of this substantial decline, in terms of total employment effects, small industries are still more labour intensive than the respective large industries. Although what is true for small industries may not apply to the informal sector, the fact that our evidence on the latter's performance, relative to the formal sector, compare well with Khan's comparative analysis of performance between small and large industries, it is reasonable to expect that some of the findings with respect to small industries would hold for the informal sector, too.

Comparative Productivity and Efficiency

In addition to the greater employment generating scope of the informal sector, another novel line of argument in favour of small and low capital-intensive industries is based on environmental concerns and a limit to growth hypothesis.¹³ However genuine these concerns may be for technologically advanced economies, there is little scope for an economy like Bangladesh to dwell on them in its present state of a pre-industrial economy marked by low productivity and income. Smallness, at this stage, is justifiable only on pure economic grounds.¹⁴ Specifically, in a desperately resource constrained economy, economic efficiency, (especially efficiency in utilization of scarce resource) should be the undisputed economic objective to pursue for an economist.

The significance of efficiency as a performance indicator should be understood in the above light. In addition to measures of labour and

¹³ See, among others, Mishan (1969); Meadows, et al (1972); and Schumacher (1973) for these concerns and their suggested remedies.

¹⁴ Our argument here is not to deny that there is a pure economic case for smallness even for the advanced economies. Indeed both Schumacher and Mishan argue that the economic case rests on the inclusion of all 'costs' of large-scale operations (including, for example, pollution as costs).

capital productivity, profits and rate of return are utilized in examining the comparative efficiency of the two sectors. Capacity utilization would be another measure in shedding light on operational efficiency of respective plants. Direct comparison, however, cannot be made in this respect for lack of data. But, available evidence indicates significant idle capacity in large industrial plants; the reasons of which are explained by socio-political factors rather than merely economic ones (R. Islam, 1978: 37). In comparison, our evidence on the informal sector suggests intensive utilization of both human and physical resources by this sector as manifested in the intensity of work and utilization of physical assets of informal enterprises.

Considering evidence on productivity, our data provide support for the hypothesis that greater capital intensity yields higher labour productivity. As can be seen from Table 6.4, labour productivity of formal sector industries is more than double that of manufacturing units in the informal sector. However, this productivity difference seems inadequate given the much higher capital intensity of formal sector industries. As observed in the preceding table, capital intensity of these industries is more than seven times that of informal ones.

The importance of capital productivity in a capital scarce economy as a criterion of economic efficiency was noted previously. Figures on this measure suggest that capital is utilized more efficiently in the informal sector where capital appears to be six times as productive as in the formal sector. Although this wide gap in capital productivity in favour of the informal sector is an indicator of the economic use of capital, whether such efficiency can be maintained incrementally as

Table 6.4 Comparative Productivity and Economic Efficiency of Informal and Formal Sector Manufacturing Industries

Measure of Productivity / Efficiency	Informal Sector Manufacturing Units	Formal Sector Manufacturing Industries
Labour productivity (Tk.)	12,711	27,416
Capital productivity (Tk.)	4.71	0.74
Profits per sales (%)	24.00	17.00
Profits per fixed assets (%)	24.00	39.00

The labour productivity for the formal sector shown in this table is higher than that of Table 6.2 because the present value are estimates for 1978-79 to make it comparable to our informal sector data of 1979. The corresponding figures in Table 6.2 are based on CMI data of 1975-76. The other measures for formal sector remains at their 1975-76 values since they are estimated from the data of that year.

capital stock increases cannot be determined from this evidence.

Lack of detailed accounting practices and imprecise data on costs of labour in the informal sector make it difficult to compare profitability and rate of return. As a rough guide, the figures are indicative of efficiency with which the respective enterprises are run. As Table 6.4 shows, while profits as percentage of sales are 24 percent for informal sector, the corresponding figure for formal sector is only 17 percent. But rates of return, as measured by profits as percentage of fixed assets, portray a contrary trend: compared to 24 percent for the informal sector, the estimated rate of return for the formal sector is 39 percent. However, the latter figure is likely to be an overestimate because of underestimation of values of fixed assets used in the measure of rate of return for formal sector industries. Fixed assets in the latter are understated because they are based on book values, whereas for the

informal sector we have used replacement costs. Therefore, some uncertainty still persists as to the opposing indications given by the two measures of profitability.

On the whole, informal enterprises appear to be run more efficiently, yielding tangible economic benefits as manifested in measures of productivity and profitability. With a capital intensity of less than one-eighth of formal sector industries, informal manufacturing units achieve nearly half the labour productivity of the former. Measures of capital productivity and profitability portray even better performance; figures on rates of return, for the reasons explained indicate the opposite. The overall trend here is corroborated by data on income and earnings of informal enterprises and their participants which are analysed later in a separate section.

One note of qualification, however, needs to be added here. The reasonably good performance of informal enterprises is possible because of very hard work, what has been called "self-exploitation", of the individuals who work in these activities. Data on intensity of work in Table 6.5 illustrate the validity of such views. An average work of 13 hours a day with no weekly or fixed holiday for most of the businesses, although perhaps not unusual for self-employment in general, nonetheless does represent an element of self-exploitation. This is particularly threatening for people in activities like driving rickshaws, pulling and pushing hand carts, and certain construction works. Absence of acceptable working conditions and sanitation facilities make it particularly

Table 6.5 Some Measures of Intensity of Work in Informal Enterprises and their Capacity Utilization

Indicator	Activity Groups					Total Sample
	Trade	Service	Manufacturing	Construction	Transport	
Hours of operation	12.9	12.5	12.4	9.5	14.4	12.5
Working days of the week	6.8	6.8	6.6	6.1	6.8	6.7
No weekly off day (%)	82.8	81.8	59.3	60.0	100.0	76.2
No fixed holiday (%)	84.7	92.4	61.1	100.0	100.0	83.5
Percentages of enterprises operating in shift	0.6	1.5	9.4	-	48.0	8.3
Structure utilized as Shelter at night (%)	28.6	44.2	68.9	-	-	50.5
Equipment exchanged with or without charge (%)	-	74.2	93.5	-	-	86.2

hazardous for health and hence working life and may even reduce life expectancy. In comparison, formal sector employees get better working conditions and their work hours are shorter, seven to eight hours a day with weekly and fixed holidays.¹⁵

Since intensity of work has implications for capacity utilization, the latter being another index of economic efficiency in the sense that

¹⁵ This difference in work hours between the two sectors shows the limitation of using "number of persons employed" as the denominator in calculating labour productivity. If, instead, "man-hours of employment" were used, it is almost certain that labour productivity of the informal sector would drop significantly given their long hours of work. That however will not alter the basic conclusion of the chapter since our arguments acknowledge greater labour productivity in the formal sector.

it would denote extent of utilization of resources, both human and physical, it seems worthwhile to examine some additional evidence on utilization of such resources in the informal sector. As Table 6.5 shows, despite (or, maybe, because of) the long-hours of work, a shift system is yet to be a regular work arrangement in the informal system. The lone exception is transport in which case most vehicles, especially rickshaws, are operated in two shifts. In manufacturing, the group in which shift system is relevant (in addition to transport of course), only 9 percent of enterprises report that their production is organized in shifts. But even without shifts, the work hours exceed 12 a day, and thus it is not difficult to see why the system is not practised widely in informal operations. In part, this is also the consequence of the very slight amount of physical capital invested in these enterprises, i.e., it is not worthwhile to run two shifts with so little capital.

Other evidence also indicates that absence of work in shifts has not constrained utilization of whatever physical assets these enterprises possess. For example, 51 percent of respondents report that the space and structure of their business operation are also utilized as a sleeping place at night. The true significance of this proportion is realized from the fact that these structures, in most cases, provide bare minimum shelter against rain, heat, and theft. Nevertheless, they serve the double purpose of shelter and security at night, in addition to their normal business use during the day. In comparison, modern buildings which house formal sector enterprises remain completely idle after a seven to eight hour work-day. Other physical assets like tools and equipment also appear to be utilized to their fullest possible extent: 86

percent of the enterprises report that they either rent out or exchange free of charge among themselves capital equipment that they use.¹⁶

Our analysis of comparative efficiency of the two sectors in question has so far implicitly assumed that alternative techniques are available for production of all goods so that they could be produced by both informal and formal sectors. In reality, this is not the case. For example, available technology permits production of fertilizer, steel and heavy capital equipment only through modern technology. Notwithstanding some Chinese experiments during the Mao era to the contrary, there is little likelihood that alternative technology will be available in the near future to produce this kind of product. High capital intensity of some enterprises, therefore, seem to be technologically warranted.

However, there are many products for the production of which the 'state of the arts' does provide alternative technology. Such technological choice allows the informal sector to utilize its resource base, economizing on scarce capital and relying more on cheap labour. As can be seen in Table 6.6, furniture, shoes and leather products, cotton textiles, wearing apparel and certain metal products are some examples of goods that are produced by both sectors using alternative technology - one more capital intensive than the other. This is illustrated in the table by the measure of capital-labour ratio. To the extent this ratio measures capital intensity accurately and captures the difference in production techniques, the figures in the table make it clear the similar

¹⁶ This seems to be more a sign of sharing capital equipment among the enterprises than an indication of any excess capacity for any single unit.

Table 6.6 Capital-Labour and Capital-Value Added Ratios in Informal and Formal Sector Industries

Industry by Product Type	Capital-Labour Ratio in Tk.		Capital-Value Added Ratio	
	Informal Sector	Formal Sector	Informal Sector	Formal Sector
Furniture	830	7,720	0.10	1.47
Shoes & other leather prod.	940	6,010	0.10	0.22
Weaving/Cotton textiles	2,050	11,460	0.17	1.58
Wearing apparel	1,530	7,000	0.16	0.52
Metal products	3,300	4,710	0.16	0.47

SOURCE: The estimates for formal sector industries are based on CMI data of 1975-76 (BBS, 1979:255). We note that industry classification by product line for the two sectors does not tally completely in all cases. We have tried to use the closest comparable groups: the CMI data on "wood furniture manufacturing", "footwear except rubber" and "leather products," "handloom weaving," "wearing apparel", and "metal products except machinery" are used against our data on furnituremakers, shoe and other leatherworkers, weavers, tailors, and metalworkers.

products¹⁷ are produced by the informal sector with a labour-intensive technology and by the formal sector with a capital intensive technology. In all cases, except metal products, capital intensity of formal sector industries exceeds those of the informal sector by a factor of 4 to 9. In the case of metal products the difference is not that high, but still is about 43 percent higher. This relatively less striking difference in capital intensity for metal product industries in the two sectors suggests that production of such goods even by the informal sector requires considerable capital equipment.

¹⁷ Available evidence indicates that product difference between large and small industries in these goods are negligible (Khan, 1972: 63).

One would expect a lower capital-output ratio if factor productivity responds to greater capital intensity. But evidence does not indicate this to be the case. As can be seen from Table 6.6, capital-output ratios are uniformly higher for formal sector as against informal sector industries. For example, while the furniture industry in the formal sector is nine times as capital intensive as those of the informal sector, the gap between capital-output ratio is even wider - almost 15 times. In the case of shoes and other leather products, the capital-labour ratio of the formal sector exceeds that of the informal sector by a factor of six; the capital-output ratio is twice as high in the former. Cotton textiles produced by weavers with handlooms require about one-sixth of capital per person as does production in cotton mills of the formal sector. Again, corresponding capital-output ratios for the two sectors do not indicate that these products are produced more efficiently by formal sector mills. In fact, the capital-output ratio is almost nine times higher in these mills. Dresses and garments made by informal enterprises use about one-fifth of capital per person compared to their production by the factory system. The outcome in production is also favourable for the informal enterprises since the capital-output ratio is also low (about one-third of that of formal sector) in their case. To a lesser extent, similar differences exist in production of metal products. Lower capital intensity in informal sector production is further complemented by a lower capital-output ratio, which is about one-third of the ratio for formal sector production units.

The figures in Table 6.6 thus make it clear that the scarce factor

capital is utilized more efficiently by the informal sector in all five product groups. Thus what was found for aggregate industries is also maintained when the analysis is extended to examine product groups that are common to both sectors. The significance of the above findings is that furniture, shoes and leather, textiles produced by traditional handloom methods, wearing apparel, and certain metal products are priority candidates for a shift from a capital-intensive to a labour-intensive development strategy.

In recounting the emerging picture on comparative performance of the two sectors, our evidence so far has made three points clear. First, informal enterprises provide more employment per average unit of investment than do formal ones. Second, labour productivity differentials are not great enough to warrant such large employment of capital in formal sector industries. Third, the scarce factor, capital, is utilized more efficiently in the informal sector. In view of such mutually consistent evidence on all three indicators, it is difficult to see either an employment-output or an employment-productivity trade-off caused by investment in the informal sector. The dynamic impacts of reinvestible surplus and innovation, however, have the potential of either casting doubt on or reinforcing this conclusion. Evidence on these two indicators is analysed in the next two sections.

Scope for Capital Accumulation

Some contributors in the debate on the informal sector tend to believe that there is little scope for capital accumulation in this sector. Gerry claims that petty producers, in most cases, merely repro-

duce their present situation. According to him, although certain of these producers do make the transition to a process of capital accumulation, the majority are believed to be stunted in terms of their individual and aggregate potential for economic growth (Gerry, 1979: 230). No evidence, however, is provided in support of this conclusion.

On the basis of scanty data on income and measures of the degree of employment stability of the participants in self-employment, Bienefeld (1975) seeks to demonstrate the general sluggishness in the sector. As does Gerry, Bienefeld argues that the informal sector's ability to accumulate capital to raise the forces of production is limited. But, he also admits to some potential for growth and accumulation in certain activities in his survey of urban self-employed in Tanzania. For example, he notes that even among trade activities, which are sometimes called unproductive, there are signs suggesting potential in capital accumulation. He appears to believe that one-third of the retailers who earn over Shs 1,000 are likely to be left with some investible surplus. In describing the overall picture, Bienefeld, however, insists on the general inability of the informal sector to contribute to capital accumulation.

Similar views are held by Allen (1977:2). Two hypotheses underline his arguments. On the one hand, he argues that the competitive nature of informal activities inhibits profit making. The other supposition is that because of obligations to an extended family, a high proportion of surplus is consumed in meeting subsistence needs. Although this may well be the case, he has not provided any data in support of these obviously empirical points. Neither does he, or others holding similar views,

recognize that even by meeting subsistence needs, the informal sector contributes significantly in development of human capital which could facilitate capital accumulation in its physical form.

In contrast to the above views, some have expressed optimism about the scope of capital accumulation within the informal sector. Sometimes such optimism is based on an indirect argument that underscores how the potential for accumulation in the formal sector is dissipated by the reality of the situation. The following excerpt from Weeks illustrates the point and accurately describes the situation that obtains in economies such as Bangladesh with reference to their formal sector businesses and industries:

... large firms in the less developed countries are in many cases foreign-owned and remit a large portion of the surplus, ... high profits in foreign firms are frequently the consequence of monopoly position, not of intrinsic competitive advantage, and ... social opportunity cost of large firms is quite high (in terms of expensive infrastructure, high wage rates, displacement of indigeneous production and attendant factor-price distortions). (Weeks, 1975:8).

Weeks argues that given the above situation, one should hesitate to be doctrinaire about the surplus-accumulating advantage of large enterprise. His argument, however, may give the impression that large firms have an edge over small ones in generating reinvestible surplus, though an apparent one, Weeks would add. Therefore, he suggests to discount such advantage for the reasons underlined by him in the above passage. It will, however, become clear from our data that even if such a discount is not made, formal sector enterprises do not appear to possess any inherent advantage in surplus accumulation.

Some ILO-sponsored studies on the informal sector have documented

evidence on this issue (see Nihan, et al, 1979; Sethuraman, 1977b). Noting the self-financing capacity of the sector, one such study cites data on the "modern informal sector" in Lome which shows that 80 percent of the entrepreneurs are left with "considerable" balances for further reinvestment after outlays for housekeeping and assistance to the extended family are deducted (Nihan, et al, 1979: 634). This evidence contradicts Allen's claim that if there is any surplus at all it would be spent for subsistence needs of the extended family.

In the case of Bangladesh, existing evidence indicates that small-scale industries generate more than two-and-a-half-times as much investible surplus per unit of capital as that of large industries (Khan, 1972: 62). Since there are some similarities between informal and small-scale industries, this provides an indication of the surplus generating potential of informal sector.

This potential is confirmed by our data on estimates of surplus per unit of capital for the two sectors. Figures in Table 6.3 suggest a dramatic difference in surplus generation between the two sectors; surplus per unit of capital for informal manufacturing units being nearly 10 times greater than their counterparts in the formal sector. However, since surplus here is measured as the difference between the wage bill and value added, the index used in the table may not accurately reflect the respective potential in capital accumulation. This is particularly true for the informal sector. Given the fact that the absolute value of surplus in each informal enterprise is much smaller than for the counterpart in the formal sector, it is more likely that the proportion of the surplus consumed by the proprietor would be higher in the case of

the informal sector than in the formal sector. In that event, actual reinvestible surplus in the informal sector will be less than what is suggested by the figures in Table 6.3. Nevertheless, it is unlikely that this consideration can totally offset the direction of evidence showing a greater rate of surplus in informal enterprises, although making such allowance may diminish the degree of comparative advantage.

If the rate of surplus is still to be considered higher in the informal sector, that raises the question why would private investment take place in the formal sector. Several factors may be noted in answering this question. Khan (1972:61) believes that private profit in large-scale industry would be higher than an estimate of rate of surplus would show if one were to include the gains from overinvoicing, scarcity premium of import licences, cheap bank credit and so on that are available to these industries. Non-economic factors like power, prestige, and influence that are associated with ownership of large establishments are also believed to be responsible for an inclination of investors to invest in these enterprises. But it seems to us that the above explanations are not really an accurate reflection of the present investment situations in Bangladesh. Our impression of the investment situation is that private initiative is actually shying away from undertaking investment in large-scale industries. Apart from a perception of lack of long-run security for such investment, greater profits in alternative investment are the underlying reasons for such reluctance to invest in factories, mills and similar industrial enterprises. Instead, the general tendency is to invest in small commercial ventures, transport sector (one only has to observe the increase in number of buses and rickshaws in Dacca city)

and similar businesses with less chance of labour unrest and greater possibility of profits. Although no work has documented this prevailing investment situation, our impression seems to be consistent with our evidence of greater rate of surplus in the informal sector. This evidence suggests that informal economic activities are likely to multiply and flourish unless some radical change takes place in the investment environment of the economy.

Other evidence in the survey further reinforce our arguments above. Data on income and savings of informal proprietors, their remittances to rural areas, new investment undertaken by them and their intention to expand further and improve their present enterprise, shown in Table 6.8, would illustrate this and corroborate our previous finding on the informal sector's potential in capital accumulation.

As Table 6.8 shows, over 35 percent of the total sample of owners earn a monthly income above Tk. 1,000, which is well above the nutritionally based poverty line of a six member family in Bangladesh.¹⁸ It is reasonable to expect that at least this 35 percent have the ability to invest part of their earnings. This expectation is supported by data on the ability to save and invest: 45 percent of owners admit of some regular savings and 80 percent report that they were able to make 'substantial' or 'some' new investment (25% reporting substantial and 55%

¹⁸ Tk. 750 is estimated to be the requirement for meeting such needs in 1979 prices, which is calculated by an upward adjustment (for price changes) of the original estimate by Khan. According to him, it required Tk. 488 per month in 1975-76 for an average 6.5 member household in Bangladesh to be above the nutritionally based poverty line (Khan, 1980:7).

Table 6.7 Some Evidence on Informal Enterprises' Ability to Save and Invest

Index	Activity Group					Total Sample
	Trade	Service	Manufacturing	Construction	Transport	
Percentage of owners earning above Tk. 1,000 monthly	28.8	24.2	67.6	12.0	24.0	35.2
Percentage of owners reporting monthly savings	52.1	27.3	50.0	18.0	64.0	45.3
Monthly average savings of those who do save (Tk.)	120	136	187	106	94	135
Annual savings (Tk.)	1,041	1,344	1,742	686	939	1,238
Savings as percentage of monthly income	14.6	15.5	13.0	16.5	11.8	12.5
Percentage of owners remitting money to rural home	63.8	40.9	42.6	78.0	40.0	54.0
Monthly average remittances (Tk.)	259	308	388	240	288	289
Remittances as percentage of total household income	28.2	26.2	25.7	35.1	29.5	26.7
Percentages of enterprises reporting new actual investment:						
i) substantially	34.4	19.7	22.2	4.0	31.3	24.8
ii) some	54.6	63.6	59.3	38.0	50.0	55.1
Percentages of owners relying entirely on enterprise income for new investment	87.7	88.9	79.1	90.9	86.7	84.7
Percentages of enterprises reporting improvement in the business (combination of sales production, etc.)	65.9	86.4	89.9	88.0	69.4	79.2

reporting some, account for the total 80%). Almost all this new investment seems to have been financed by savings from the income of the respective enterprise, as 85 percent report enterprise income as the source of their investment. This has been possible despite the fact that 54 percent of the owners send on average some 27 percent of their total income regularly to rural areas, which is of course over and above meeting subsistence needs of the remitter's urban household.

Although there is a positive element in this self-financing capacity of informal enterprises, it also reveals some limitations imposed on their expansion by the constraints on the level of their savings. While about 12 percent of income is saved, this proportion does not represent a substantial amount in absolute terms. As can be seen in the table, annual average saving is about Tk. 1,200 (for the total sample), which would hardly enable one to buy new equipment or to build a structure or even to increase the stock of goods substantially. Therefore, it is no surprise that only 25 percent of the enterprises reported substantial investment since their establishment.

Nevertheless, examination of Table 6.8 clearly suggests the forward-looking attitude of informal entrepreneurs, with the sole exception of those who work in construction activities who have little scope to change their lot through their present job, as manifested in the intention to expand their respective enterprises and the direction of such expansion as illustrated in evidence on proposed expansion. Given capital is always a constraint for small businesses, particularly in a setting in which organized credit is not accessible to them, such clearly defined

Table 6.8 Enterprises Intending to Expand and Direction of such Expansion and Improvement

Responses	Activity Group					Total Sample
	Trade	Service	Manufacturing	Construction	Transport	
1. Interest in Expanding the Enterprise						
i) Intends to expand	87.1	66.7	90.7	4.0	66.0	73.0
ii) No interest in expanding	12.3	25.8	9.3	2.0	2.1	11.3
iii) No scope for expansion	0.6	7.6	0.0	94.0	31.9	15.7
Total	100.0 (163)	100.0 (66)	100.0 (108)	100.0 (50)	100.0 (47)	100.0 (434)
2. Direction of Expansion						
i) Building structure or owning the present one	62.0	45.5	27.6	-	-	42.6
ii) Large-scale operation	12.7	31.8	24.5	-	-	17.7
iii) Owning the vehicle or buying another one	-	-	-	-	96.8	9.5
iv) More stock of goods and raw materials	9.9	2.3	5.1	-	-	6.3
v) Building structure and buying tools	1.4	4.6	13.2	-	-	5.4
vi) Modernizing the enterprise	3.5	2.3	8.2	-	-	4.4
vii) Buying more tools and equipment	-	6.8	9.2	-	-	3.8
viii) Owning the land from which the business is operated	0.7	2.3	10.2	-	-	3.8
ix) Becoming a wholesaler	6.3	-	-	-	-	2.8
x) Hiring more workers	1.4	2.3	-	-	-	0.9
xi) Starting own business	-	-	-	100.0(2)	3.2	0.9
xii) Another business	2.1	-	-	-	-	0.9
Total	100.0 (142)	100.0 (44)	100.0 (98)	100.0 (2)	100.0 (31)	100.0 (317)

objectives (see Table 6.8) in expanding businesses cannot be expected from a group if they were stagnating and had little chance of present and future hope for accumulation.¹⁹

However, we would like to note that between 20 and 25 percent of enterprises could not add anything to their original investment, as suggested by evidence in the preceding table. They can hardly think of any expansion or improvement. In fact, 27 percent report that they either have no plan to expand, or do not have any scope for expansion, depending on the nature of their activities [see 2(ii) and (iii) in Table 6.8]. Probably this is the group who are merely subsisting in their present activity which leaves little room for capital accumulation. This finding seems to be consistent with suggestions made in several other studies that informal sector activities may be classified into two distinct groups: (1) those which lead to the accumulation of capital and (2) those leading only to subsistence.²⁰ But often what is ignored by the writers who draw this distinction is that the proportion of those belonging to the second group, variously called the marginal or subsistence group, is much smaller than the proportion of those who belong to the first group. At most, a quarter of the self-employed may be called marginal in terms of their potential for growth and accumulation. In our sample, they are concentrated mainly in construction activities, although some would be found in all activities. In contrast, manufacturing activities offer the best potential in growth and accumulation. But this potential, in varying degrees, is noticeable all across the activities

¹⁹ Note that responses on proposed expansion represent answers to open-ended questions and hence reflect their plans more accurately.

²⁰ See Bose (1974), Bienefeld (1975), LeBrun and Gerry (1975), Gerry (1978), and Sinclair (1978a).

in the sector. As will be seen soon, this finding of our survey is corroborated in the analysis of individual earnings of the labour force in the informal sector.

Scope for Innovation

Innovation is another key element in economic development. If "adding new work to old" can be considered as a valid sign of innovativeness, informal activities in themselves are a product of innovation.²¹ Moreover, because of their small size, competitive nature, and above all the technology of these activities, people at work in them can develop command over their work and feel at ease to experiment and change, break and repair, add and build in the work they do. In contrast, highly sophisticated technology (largely foreign and superimposed) in the formal sector increases the bewilderment of most people who work under such technology or warrants an expensive training program for a few at the top.²² Because of the limited number of highly, technically

21 The phrase "adding new work to old" is Jane Jacobs' (1969), author of a stimulating book on the role of innovation in the survival of cities. To her innovation includes all "work" that seeks to expand economic activities by adding new work to old. In a broader sense, this may be true but if defined this way no distinction can be made between process and product innovation.

22 To make it worse, the benefits of such training, ultimately, do not accrue to the economy, since it does not take long for trained manpower to be lured away by industrially developed economies. Although data for Bangladesh are not available, loss accrued to the low income economies due to the international market for skills is well documented in the literature on "brain drain" [see, among others, Jolly and Seers (1971), Godfrey (1976)]. A dramatic illustration of this problem is provided by Mahbub ul Haq: "Pakistan used to have a program of training intermediate-level medical doctors over a two-year period, mainly to man village dispensaries. The Medical Association of Pakistan agitated successfully that this intermediate level of training should be abolished since the rural areas also deserved the best-trained doctors. The result was that only the five-year specialized medical training courses survived, which certainly gave our doctors among the best training possible but 500 out of every 800 doctors trained every year sought employment abroad: almost none went to the rural areas!" (Haq, 1976:24).

trained personnel, this technology does not create an environment within which a great number of people could develop their workmanship.

Alternatively, the informal sector in urban areas depends upon a relatively obsolete technology which nonetheless provides a broader technological environment in which a vast number of artisans, journeyman, and apprentices learn and refine their skills. Drawing an analogy between this situation and instances of building on obsolete American technology in Japanese industrial development does not seem to be far-fetched. Indeed the growth of the informal sector has generated a renewed interest in these historical lessons. This interest is underlined by the expectation that informal activities provide potential for innovation, particularly with reference to relying on domestic resources and evolving intermediate technology by copying, adapting or imitating so-called obsolete technology.

However great may be the potential, it would be more instructive to know the actual performance. Empirical investigation of innovation, however, is somewhat complicated by the absence of clearly appropriate indicators that would reveal the ability to innovate. In the case of certain informal activities, one might argue that making a living from such occupations is in itself a sign of the ingenuity of the people involved. The way they do the work, the place they select for operation of their ventures, the materials they use or deal with, the sources from which those materials are collected - all of these may bear elements of novelty. However, instances of such ingenious way of doing things are more to be perceived than quantified and hence constitute a weaker form of evidence.

In more concrete terms, innovation may take one or more of the following forms: it can arise from a new product or service, an improvement of old one, creation of products out of wastes, new work generated by simple additions to economic activity, or it may be due to finding a new source of supply of raw materials (see Schumpeter, 1949 and Jacobs, 1969). It is unrealistic to expect that informal activities, or for that matter any economic unit, would have to exhibit all these to convey their potential or success in innovation. But informal activities do show signs of innovation in the above sense.

According to Sethuraman (1977b: 202), the informal sector's ability to innovate is manifested in its ability to exploit discarded and scrap materials ranging from cigarette butts to waste paper to scrap metal from automobiles and the like for profitable use. The ability of the informal sector to manufacture import substitutes at a fraction of the imported cost is cited as another milestone in successful innovation.

Similar marks of innovation abound in Dacca's informal sector, particularly in production and repair works. A few examples are useful here. One finds a new group of shoe-sole makers emerging near the corner of Haranath Ghost Road and Azimpur Road at the old Lalbagh area who buy rejected tyres, either directly from collectors of scrap materials or wholesalers (who in the first place bought them from various sources including scrap collectors), with which to make durable shoe soles. Tyres of heavy vehicles are in greater demand since they make more durable soles. These producers operate from temporary structures having little equipment. They claim their products are in great demand and have gradually diversified both their markets and the type of products they

make. It is no longer only shoe-soles that they make or to shoe-repairers that they only sell. The whole process, in that particular location, started with pioneering workmanship of one single journeyman who learned his skills in erstwhile West Pakistan, but returned to the then East Pakistan in 1969. He seems to have lost his job in the upheaval of political unrest of that time. He is the master journeyman of all the five newly emerged workshops. Some of the people who were apprentices under him have started their own enterprise. There appears to be continuous competition among these enterprises to recruit the services of the old journeyman. The enterprise which benefited most from the service of this man now wants to expand and dreams of starting a factory. The old man still sleeps in the workshop and is totally devoted to the creative task of introducing a new type of sole with new features, art or a completely new product. The whole workplace is a fascinating insight into people's ingenuity.

Similarly from conversations with "tempo" drivers, it came to light how they rebuilt these vehicles virtually from scrap. More instructive is their story of how stoppage of imports of these type of vehicles and their spare parts forced them to make spare parts. In the process, drivers, a few in particular, transformed themselves into producers of spare parts for these vehicles. Examples of such innovation and ingenuity are plentiful, ramifications of which cannot be adequately captured in survey research. Nevertheless some of these signs are evident in the following measures of innovative ability as summarized in Table 6.9.

As the table shows, 53 percent of respondents claim that they have

either evolved new products or have improved them. This would suggest remarkable success in product innovation. But this needs to be

Table 6.9 Evidence on Innovative Ability of Informal Enterprises

Mark of Innovation	Percentage of Enterprises Showing Innovative Mark
New or improved products	52.6
Improvement in production methods	24.3
Recycled items as raw materials	29.4
Make own tools, spare parts partly or wholly	28.5
Ability to repair own equipment	42.7

qualified with the remark that what was claimed to be a new or improved product might not so qualify by national or international standards. Element of process innovation can also be traced within informal enterprises in manufacturing and repair works. As Table 6.9 shows, 24 percent of these enterprises have been able to improve their production methods and over 29 percent utilize recycled items as raw materials in their production process. Potential for innovation can also be judged from the fact that 43 percent of enterprises repair their own tools and equipment and about 29 percent even make their own tools, equipment or spare parts, partly or wholly. Thus it appears from these measures that upwards of 25 percent of informal producers and repairers demonstrate clear potential in their ability to innovate.

Comparative Performance of Labour Force in the Informal Sector

Compared with other performance indicators, income is expected to be relatively unambiguous in evaluating performance of informal enterprises and their participants. Apart from being free of some ambiguities of measurements associated with estimates of employment, productivity, efficiency, capital accumulation or innovation, income is deemed to be a better proxy for welfare.²³ This is so because better performance in other measures would only be meaningful if they are reflected in income earned. With this in view, income of informal enterprises and their participants are examined and compared with that of others in the labour force of the economy as a whole. Since current income may not tell the whole story of past events and future prospects, the scope of upward mobility within the informal sector is analysed to complement the investigation of income.

Level of Income

Probably because of the lifestyle of participants in informal economic activities, there is a tendency to assume that the bulk of urban poor are accounted for by labourers in these activities. Such a presumption is contradicted by evidence in our sample. As Table 6.12 shows, the average income of the self-employed in the sector is about Tk. 960 (\$60) per month, which is almost two-and-a-half-times more than the minimum wage in the country. When imputed wages for family labour are excluded,

²³ Weeks (1971) argues that earnings is a particularly good proxy of the welfare of those who are self-employed in the informal sector.

Table 6.10 Monthly Average Income of Self-employed in Informal Sector Compared with Formal Sector Minimum Wage

Indicator	Activity Groups					Total Sample
	Trade	Service	Manufacturing	Construction	Transport	
Gross average income of the self-employed	824	875	1,444	643	796	961
Family employment per enterprise*	0.2	0.3	1.0	-	0.1	0.4
Owner net income**	767	769	1,038	643	796	832
Number of minimum wages***	1.9	1.9	2.6	1.6	2.0	2.1

* Family labour per enterprise excluding the owner-worker.

** Owner gross income minus imputed income for unpaid family member members working in the enterprise. Income for family members are imputed at the wage rate for hired labour in the respective groups of activities.

*** Owner net income divided by minimum wage in the formal sector.

money income of the self-employed declines to Tk. 830, which is still twice as much as the minimum wage. Similarly, when compared with average earnings of heads of squatter households in the city, earnings of the informal sector fare equally well. This evidence clearly rejects the tendency to equate the informal sector with the urban poor. The lowest income in our survey is earned by those who work in construction activities, but even their income is well above both the minimum wage and the average income of heads of squatter households.

Table 6.10 also shows a familiar pattern in the ranking of the activity groups by average income: this average is highest for manufacturing (Tk. 1,444) and lowest for construction (Tk. 643). In between, we have service (Tk. 875), trade (Tk. 824) and transport (Tk. 796). The complete ranking by income being: manufacturing (1st),

service (2nd), trade (3rd), transport (4th) and construction (5th) - a rank-ordering identical to the ranking of activity groups in Chapter 4 on the basis of other indicators.

As might be expected, there exists significant variation (at 0.01 level of chi-square test) in the distribution of income across these activity groups (see Table 6.11). In the total sample of self-employed, 25 percent earn below Tk. 600 per month which corresponds to the previously identified "marginal" proportion of the informal sector. They can be considered marginal because, in addition to the reasons previously discussed, income below Tk. 600 is less than the income required to be above the poverty line. The proportion of marginal people is highest, as might be expected among construction activities (40%), followed by 30 percent in transport, 29 percent in service, 28 percent in trade and only 7 percent in manufacturing. About half of the self-employed earning over Tk. 800, are in a position to afford a nutritionally required diet for a six-member family, which is not a small achievement in an economy like Bangladesh.²⁴

This half, or to be more confident that 35 percent who earn above Tk. 1,000, are in a fair economic position and are likely to save part of their income and reinvest in business. This prospect is greatest for manufacturing since a remarkable 68 percent among them earn above Tk. 1,000, which of course is consistent with the relatively high capital-labour ratio in these activities.

²⁴ In fact the size of this proportion will be a little higher if total family (household) income were considered. This in fact would be more reasonable because poverty line income here is defined with respect to the family, not for one individual.

Table 6.11 Percentage Distribution of Self-Employed in Informal Sector According to their Monthly Income and Type of Activities

Income Bracket (in Taka)	Activity Group					Total Sample
	Trade	Service	Manufacturing	Construction	Transport	
Below 600	28.2	28.8	7.4	40.0	30.0	24.7
600 - 799	27.6	33.3	11.1	38.0	32.0	26.1
800 - 999	15.3	13.6	13.9	10.0	14.0	14.0
1,000 - 1,199	12.9	3.0	13.9	10.0	10.0	11.0
1,200 and above	15.9	21.3	53.7	2.0	14.0	24.3
Total	100.0 (163)	100.0 (66)	100.0 (108)	100.0 (50)	100.0 (50)	100.0 (437)
Monthly Average Income	824	875	1,444	643	796	961
Median Income	700	625	1,200	600	625	750

Chi-square = 95.7, df = 16 and the distribution is statistically significant at 0.01 level of probability test. Cramer's V = 0.23.

The reasonably advantageous income position of the self-employed is not evident for employees in the informal sector. As can be seen from Table 6.12, the monthly average income of these wage employees is only Tk. 375 (less than \$25) per month, which is not even half the average for the self-employed. Compared to formal sector workers, their position would be much worse than it appears from the marginal difference between the minimum wage (Tk. 400) in the formal sector and the average income of informal sector employees (Tk. 375). This is so because employees in

the informal sector lack comparable job security, accommodation (or house rent), health care and other fringe benefits, and relatively better working conditions. The distribution of income in the table shows that 34 percent earn below Tk. 300 (less than \$20) per month. The condition of these workers must be miserable especially for those whose income does not represent a second income to the household from which they come. In this regard, note that 35 percent report they are the head of the household which suggests that their earnings are the main source of income for the household from which they come. Almost two-thirds of these workers' incomes fall below Tk. 500 mark (\$30).

Therefore, it is no surprise that 61 percent of employees in the sector actively seek better work (see Table 6.15). It is interesting to note that only 46 percent express interest in wage employment or salaried jobs in the formal sector (the corresponding proportion for owners is 22 percent). This limited interest for more secure jobs in the formal sector may partly be due to their realization that the chance of getting such jobs is remote and partly due to their preference for self-employment, which is evident from the response of 37 percent who expressed their intent of "starting own business". Another piece of evidence also casts doubt about serious intent for those jobs. When asked what would they consider the minimum amount that they will demand for employment in the formal sector, everyone puts a disproportionately higher amount compared to their present income (by a ratio of almost two to one). One of the implications of this could be that employment in the formal sector is indeed a non-option so that the expected income is not put with any serious consideration. On the other hand, this could imply that the

informal sector does offer prospects for a reasonable income which justifies them to expect an inducement premium over and above their current income. Our analysis of the scope for upward mobility provides some insights into this prospect.

Table 6.12 Percentage Distribution of Employees (Hired Labour) in Informal Sector According to their Monthly Income and Type of Activities

Income Bracket (in Tk.)	Employees in			Total
	Trade	Service	Manufacturing	
Below 300	47.5	31.6	28.8	33.5
300 - 499	30.0	42.1	29.6	31.7
500 - 699	27.0	21.0	34.3	31.1
700 - 899	-	5.3	5.6	4.2
900 and above	2.5	-	1.9	1.8
Total	100.0 (40)	100.0 (19)	100.0 (108)	100.0 (167)
Average Monthly Income	285	354	406	375
Median Income	300	300	400	400

Except three units in construction and eight in transport, all activities in these two groups are one-person operation. For this reason they are not shown in this table.

Distribution of Income

The variation of income across the activity groups, shown in Table 6.11, has already indicated significant income differentials within the informal sector. This is further confirmed by a remarkably wide varia-

tion in incomes within the total sample and each of the activity groups, except construction, as illustrated by the coefficient of variation shown in Table 6.13. As can be seen, the size of the coefficient is highest for service activities implying that income is distributed most unevenly among this group. Since service activities here include a wide range of activities, from casual labour and a variety of petty repairs to relatively well established motor workshops, it is hardly surprising that the distribution of income is most skewed in this group. In contrast, income of those who work in construction activities is distributed most evenly. Since income of these people is basically labour income, as against incomes in other activity groups that include a share of return on capital, it is again not surprising that distribution of income among people in construction activities is most even.

Table 6.13 Evidence on Distribution of Income in the Informal Sector

Activity Group	Coefficient of Variation	
	Self-Employed	Employees
Trade	56.3	74.1
Service	80.4	60.8
Manufacturing	65.0	49.0
Construction	32.2	-
Transport	66.9	-
Total Sample	72.6	55.7

But what is not easily understood is the fact that this distribution is even less skewed than the corresponding distribution of income for the employees. As Table 6.13 shows, the coefficient of variation is smaller for the self-employed in construction than for employees of all activities in the sample. One plausible explanation is that the self-employed in construction possess relatively uniform skills, whereas employees in the total sample include all hired labour irrespective of their skill and experience. Such variety in the composition of employee skills would naturally give rise to the relative skewness in the distribution of employee incomes compared to those who are self-employed in construction activities.

However, the basic contrast that would be expected between self-employed and employees in the income distribution is maintained. As the table shows, distribution is more uneven among the self-employed than among employees; the coefficients of variation for the respective groups are 73 and 56. Comparable data for wage earners in the formal sector are not available. But, it is most likely that distribution of income will be less skewed for wage earners in the formal sector than the self-employed in the informal sector because the latter includes own account workers as well as petty employers. Evidence from other countries support such a hypothesis. For example, data for urban Tanzania show that income of the self-employed is much less equally distributed than for wage earners in the formal sector (Sabot, 1977:399-400).

The above evidence on distribution of income, however, does not necessarily cast doubt on the distributive role of the informal sector. The potential of such a role is not dependent so much on the distribution

of income within the sector as it is on the larger context of the total economy. For example, Rempel (1975: 11) sees the distributive role of informal sector in its ability to provide a means for rural migrants to obtain a larger share of the economic pie that is concentrated in urban areas in general, and the urban metropolis in particular.

Income Compared with Alternative Labour Income

The analysis so far has concentrated on the examination of income distribution: by activity group, employment status and finally in an equity sense. Although allusions were made to the minimum wage and incomes of the squatter population, it still remains to be seen how incomes earned by the two distinct labour groups in the informal sector compare with incomes obtained elsewhere in the economy.²⁵ Such comparisons would also enable us to examine several hypotheses that seek to predict an equilibrium income in the informal sector with respect to labour income available in other sectors of the economy.

Alternative Rural Income

One hypothesis, already called into doubt by evidence from other countries, is based on Mazumdar's model of the role of the informal sector in the process of job search which predicts an equilibrium level of informal sector income below that in rural areas (House, 1977:38). On the strength of their comprehensive survey of migration literature,

²⁵ Two distinct groups here refer to self-employed and employees (or owners and hired labour) in the labour force of informal sector. Strictly speaking, family labour forms another distinct group. Since they earn no income by themselves, it is immaterial to distinguish or to include them in this part of the analysis.

Rempel and Lobdell (1977: 5.7) declare that they "are not aware of a single migration study that has been able to establish that migrants who chose to move were in an inferior position in their urban destination than they had been in their rural homes". Our evidence is not dissimilar in this respect.

In the case of Bangladesh, in general, it appears that money income of migrant squatter family-heads has increased substantially since their migration to cities (see CUS, 1976: 68). Reported data in that study on squatter settlements in the country show that 65 percent of the migrants used to earn below Tk. 300 per month prior to their migration compared to their average income of Tk. 380 in the city at the time that the survey was taken.

Our own survey data confirm this evidence. As can be seen from Table 6.14, average income of the self-employed in the informal sector exceeds that of average rural households by a margin of 15 percent. The latter group, moreover, may not represent an appropriate comparison from the point of view of the informal sector labour force who normally would not have access to land in the rural areas. Income of non-agricultural rural occupations or of wage labour in agriculture would be more appropriate as alternative rural income for most of the labour force in the urban informal sector. When income of the self-employed in the informal sector is compared with that of non-agricultural rural occupations, it appears that the self-employed in the informal sector earn twice the income they could expect in their most probable rural alternative. They fare still better when a similar comparison is made with wage labour in agriculture, whose income is about one-third of that obtained by the

Table 6.14 A Comparison of Rural, Urban and Informal Sector Income

Income Groups	Average Monthly Income per Respective Household (in Tk.)
(1) Rural Income groups:	
i) Average rural households	940
ii) Non-agricultural rural occupations	585
iii) Wage of agricultural labour	368
(2) Informal Sector Income groups:	
i) Self-employed or owners	1083
ii) Employees or hired labour	498
iii) Total labour force	915
(3) Urban Income groups:	
i) Average Urban households	1591
ii) Formal sector factory workers	590
iii) Construction workers in Dacca city	857

SOURCE: Informal sector incomes are obtained from our survey data. Rural and urban income of respective groups are based on data provided by Farouk and Ali (1977:24). Since their data come from a 1974 survey, it was necessary to adjust them for comparability with our survey data. This adjustment was done by applying wage rate indices provided by Bureau of Statistics (see BBS, 1979:385). The figure for construction workers in Dacca city is obtained from page 384 of the same volume.

NOTE: Statistical significance of the differences of the means between informal and other sectors could not be tested because of non-availability of necessary data for the latter groups. Tests were performed for the groups within the informal sector which show that the difference in income among owners, workers and the total informal sector labour force are statistically significant at 0.01 level of z-test (calculated value of z for the two closest means is 3.64 which is greater than the tabulated value of test-statistic z at one percent level of significance).

self-employed in the informal sector.

However, as would probably be expected, employees in the sector do not fare that well when similar comparisons are made between their urban income and some plausible rural alternative. They earn much less than the income of an average rural household or of that obtainable in non-agricultural rural occupations, which is not surprising since it is unlikely that they will have access to either of these income opportunities in rural areas. Given their limited access to land, capital and

education, and in view of their personal and other migratory characteristics, and socio-economic background (see Tables 3.8 and 3.12 in Ch. 3) it is more reasonable to assume that work as wage labour in agriculture would have been their more probable rural option. Interestingly, compared to income of this group, employees in the informal labour force are found to be earning about 35 percent more. This suggests that even the income of employees in the urban informal sector is greater than their most likely alternative in rural areas.

In view of such evidence, there is little doubt that labour income in the informal sector exceeds that of its rural alternative. Two other related conclusions that emerge from above evidence are: first, the informal sector does offer some opportunities to improve economic positions of those whose rural alternative is not promising, second, which follows from the first, the decision of migrants to move to urban areas is clearly a rational economic decision. Even if they are forced into the informal sector, the prospects which draw migrants to urban areas do not vanish.

Alternative Urban Income

As discussed in Chapter 1, modelling of the informal sector in a labour market perspective often assumes that the sector is a waiting ground for those seeking jobs in the formal sector. The hypothesis derived from this assumption predicts labour income in the informal sector will be lower than in the formal sector. This hypothesis tends to be generally supported by evidence from several informal sector studies elsewhere. For example, Sethuraman (1977b:176) reports survey findings

of some ILO studies which show that the average income and earnings of the participants in the informal sector tend to be low compared with the rest of the labour force in the formal sector. For Belo Horizonte, Brazil, Merrick (1976:345) finds earnings differences of up to 65 percent between formal and informal sector workers, even after the effects of age, sex and education were allowed for. Similar results are contained in a recent work on 'Pakistan's Informal Sector', although the degree of such difference appears to be smaller (Guisinger and Irfan, 1980:416).

Our data is not that clear cut in lending support to the hypothesis that predicts lower income for the labour force in informal activities compared to their counterparts in the formal sector. As can be seen from Table 6.14, although average income of urban households is considerably greater than average earnings of the informal labour force, an altogether different picture emerges when average informal sector income is compared with average income of factory workers in the formal sector.²⁶ The latter comparison shows that income of both self-employed and total labour force of informal sector is greater than wage earners in the formal sector; this tends to contradict the hypothesis of an income differential between the labour force in the two sectors. The hypothesis, however, holds if the relevant comparison is made only between employees of

26 Comparison between the last two groups seem to be more reasonable in testing the hypothesis at hand since employment as factory workers or their equivalent (e.g., low-grade office jobs) is what the labour force in the informal sector can expect if such jobs would be available at all. This is so because "average urban households" in the preceding comparison includes urban high income earners like professionals, businessmen, and high-ranking public and private sector employees who do not form part of the formal sector labour force comparable to that of the informal sector.

the two sectors. As can be seen in the same table, employees in informal enterprises earn 18 percent less than their counterparts in the formal sector.

From the above evidence it would seem employees in the informal sector would have some economic reasons for seeking formal sector jobs while working in the informal sector. For the self-employed in the informal sector, employment in the formal sector offers little economic inducements. This finding, therefore, cautions against generalizing the informal sector's role as a stop-gap arrangement for participants in that sector while they search for wage employment or salaried jobs in the formal sector.

The observations are further illustrated by evidence in Table 6.15. As this table shows, only 22 percent of the self-employed in the informal sector show any interest in wage or salaried jobs in the formal sector. The corresponding proportion is more than double in the case of employees. This appears consistent with our previous conclusion that economic inducements (in terms of income differentials) to seek formal sector jobs operate mainly on employees of the informal sector. Similar contrasts between the two labour groups of the informal sector are observed in motivations with respect to current employment: compared with 26 percent of the self-employed, 61 percent of employees reveal that they are "looking for better work." Thus it becomes clear that the perception of current work in the informal sector as a stop-gap arrangement while searching for an alternative job is more common among the employees than the self-employed.

However, we must note that there are activities within the informal

Table 6.15 Attitudes and Motivation of Labour Force in Informal Sector Towards their Occupation

Indicator	Employment Status in the Labour Force	
	Self-employed	Employees
1. Occupation Preferred:		
i) Salaried or wage job in formal sector	22.2	45.6
ii) Own business/self-employment	77.3	36.6
iii) Others*	0.5	17.8
2. Motivation in the present Work:		
i) Satisfied with present position	20.7	1.4
ii) Looking for better work	26.4	61.1
iii) Planning for other/own business	51.3	35.8
iv) Thinking of returning to village	1.6	1.7
3 Major Concern Regarding Present Occupation		
i) Lack of security/stability	45.1	46.4
ii) Low Income	33.9	38.0
iii) Long hours of work	20.4	14.4
iv) Others	0.6	1.2

* For employees, others often refer to their intention to go for more education, training, acquiring skills. In few instances they imply going back for farming or inability to specify the preference.

sector which do not provide even the self-employed with a satisfactory level of job security or income. This becomes evident in Table 6.16 which provides data on occupational preference and motivation in current work by activity groups. As can be seen, 80 percent of our sample in construction activities express their preference for a regular job in the formal sector; only 2 percent are inclined to continue in their present

Table 6.16 Attitudes and Motivation of Self-Employed in Informal Sector Towards their Occupation by Activity Group

Indicator	Activity Group					Total Sample
	Trade	Service	Manufacturing	Construction	Transport	
1. Occupation Preferred:						
i) Salaried or wage job in formal sector	19.0	6.0	1.9	80.0	40.0	22.2
ii) Continue with current one or business in similar line	81.0	94.0	98.2	20.0	56.0	77.3
iii) Returning to farming	-	-	-	-	4.0	0.5
2. Preference Between Current or Different Business:						
i) Present One	42.3	31.8	75.0	2.0	22.0	41.9
ii) Different One	55.2	56.1	13.0	68.0	52.0	46.0
iii) Others	2.4	12.1	12.0	30.0	26.0	12.1
3. Major Concern Regarding						
i) Lack of security / stability	47.1	44.7	36.7	44.1	51.3	45.1
ii) Inadequate Income	29.7	33.0	53.2	27.9	32.9	33.9
iii) Long hours of work	22.6	21.4	9.2	27.9	15.8	20.4
iv) Others	0.7	1.0	0.9	-	-	0.6

occupation. In identifying the reasons for their dissatisfaction, the majority put lack of security or stability of their employment as the major concern. This response is easily understood on recalling the casual nature of this industry which depends on the availability of construction work in the city. Also, strictly speaking, self-employment is a misnomer for this group since they usually work through subcontractors in construction business and hence have a dependent status. Therefore, it is no surprise that they consider their present employment in much the same way as do employees in the informal sector. To a lesser extent, the same is true for those who are self-employed in transportation, as a sub-

tantial proportion of them are dependent on the owners of the vehicles they drive and, therefore, are self-employed only in some limited sense. The self-employed in trade, service and manufacturing activities are not constrained by such dependencies. As a result, they show little interest in formal sector jobs and express their overwhelming preference for self-employment either in their present activity or in a business in some different line [see 2(i) and (ii)].

Thus the hypothesis that views informal activities as a temporary arrangement of those waiting for employment in the formal sector has limited validity in Dacca informal sector. It is only employees in the sector and their like among the self-employed who appear to regard informal sector employment as a means to subsist during a wider job search. Whether they would succeed, however, remains a big question. The more important point here is that the bulk of self-employed in informal trade, service and manufacturing activities do not consider their present employment as facilitating a job search aimed at formal sector employment.

The absence of widespread interest in jobs in the formal sector among the labour force of the informal sector in general and self-employed in particular is one of the puzzling findings of this study. This is puzzling because even if pay is no higher in the formal sector, regular pay, job security, health benefits, pension/provident fund/gratuity benefits, better working conditions, better status and other fringe benefits that are associated with such employment are not available to the labour force of the informal sector. Indeed, nearly half of the labour force, of both self-employed and employee categories, do

recognize the lack of security and stability of their employment in the informal sector as a major concern. In comparison, low income as a factor of dissatisfaction appears to be relevant for one-third of the respondents. A sizeable proportion (20 percent) complain about long hours of work. But the puzzle remains: despite this realization of lack of security and stability that is associated with income and employment in informal activities, the great majority of the participants in these activities intend to remain self-employed in the informal sector.

What could explain such a preference? One possible explanation is that since participants in the informal sector know very well that there is little chance of getting jobs in the formal sector, they do not consider such alternative employment as a realistic option. Although there may be some truth in this explanation, it seems to be an inadequate one. If such were the case, 80 percent of the self-employed in construction activities and 46 percent of employees in the total sample would not have indicated that they are interested in jobs in the formal sector. If realization of paucity of wage jobs were an adequate explanation for absence of greater interest among the informally employed labour force, then that would have been equally applicable for all employees as well as those who are employed in construction.

Therefore, an alternative explanation must be sought in explaining the overwhelming interest of the informal sector labour force in self-employment rather than wage employment in the formal sector. In offering one explanation, we hypothesize that informal activities provide opportunities to fulfill (or the hope of fulfilling) the wide-spread petty-

bourgeois aspirations that are prevalent among participants in these activities, particularly among the self-employed. As observed previously, the prevalence of petty-bourgeois aspirations is noticeable from the evidence on entrepreneurs' planned expansion of enterprise. This becomes particularly evident from the specific intention in such plans: ownership of land and structures from which the enterprises are operated, ownership of vehicles in case of transport, intentions to improve, expand and modernize. All this points to the conclusion that, in place of an industrial reserve army hypothesis, a prevalence of petty-bourgeois aspirations is likely to be a better abstraction of the participants in the informal sector. Even for employees in the informal sector, 37 percent would like to own a business; a further indication of such aspirations. For a more conclusive test, it is essential to demonstrate that these activities do provide opportunities to fulfill such aspirations. Our examination of the scope of upward mobility within the informal sector in the next section provides some empirical verification of the hypothesis advanced here.

Scope for Upward Mobility in Dacca Informal Sector

During the survey, conversations with participants produced conflicting indications on the scope of upward mobility within the informal sector. On the one hand, instances of transition from work as domestic servants to casual work in construction activities to rickshaw driving and, still better, to petty trade were not found to be uncommon. Similarly, examples of erstwhile employees and apprentices of the sector now having their own businesses and workshops were also met with

frequently.²⁷ On the other hand, conversations with a second-hand cloth seller revealed that it took nearly 30 years for him to reach his present self-employment status. The enterprise he owns has total assets below Tk. 1,000 (about \$60); although it provides him a living, clearly it does not represent a symbol of great success. In between his long journey from domestic servant to present self-employment as a petty trader, he worked as an ice-cream seller by peddling through city streets. One cannot be certain whether this is an exception or the norm to expect in the informal sector.²⁸ Similar examples of stagnancy or very slow upward mobility or, even of owners becoming employees were not rare either.

Such conflicting patterns based on casual observations underscores the need to collect systematic data through a questionnaire survey in order to examine the scope of upward mobility in the informal sector. Ideally, as Mazumdar (1976:655) notes information on lifetime performance of workers should come from longitudinal studies. As a second best alternative, information on job history was collected in the survey.²⁹

Information on the past three jobs, in addition to the current one, for each individual participant was collected for this purpose. As can be seen from Table 6.17, only 4 percent of those currently self-employed

27 For data in this respect, see Table 6.18.

28 As a matter of fact, it will soon become evident from our survey data that too much reliance on case studies in the above fashion may exaggerate the overall picture.

29 The major weakness of this method is its inability to include those who failed in their ventures in the informal sector.

Table 6.17 Percentage Distribution of Self-Employed in Informal Sector
According to Number of Job Histories (by Activity Group)

Activity Group	Number of Job Histories				Total
	Just the Present One	One More	Two More	Three More or Above	
Trade	55.8	35.6	7.4	1.2	100.0 (163)
Service	47.0	31.8	16.7	4.5	100.0 (66)
Manufacturing	28.7	43.5	20.4	7.4	100.0 (108)
Construction	68.0	18.0	12.0	2.0	100.0 (50)
Transport	32.0	44.0	18.0	6.0	100.0 (50)
Total Sample of Self-Employed	46.5	35.9	13.7	3.9	100.0 (437)
Total Sample of Employees	52.5	31.5	9.5	6.5	100.0 (200)

worked in more than three jobs, 14 percent worked in two, and 36 percent worked in just one before starting the present one. For the rest, 47 percent, the present job is their first employment in the city. Thus, our analysis of job histories is comprised of (1) 17 persons who had three or more previous job experiences, (2) 60 persons who had two and, (3) 157 persons who had one such experience before starting the present enterprise. For the remaining 203 of the sample, present employment is their first job.

Table 6.18 shows that 73 percent of the currently self-employed were employees in their preceding job. This provides an indication of self-improvement since change of employment status from employee to self-

Table 6.18 Percentage Distribution of Currently Self-Employed in Informal Sector According to their Employment Status in the Preceding Job

Activity Group	Employment Status in Preceding Job		Total
	Self-employed	Employees	
Trade	46.5	53.5	100.0 (91)
Service	17.2	82.9	100.0 (31)
Manufacturing	18.2	81.8	100.0 (31)
Construction	12.5	87.5	100.0 (34)
Transport	26.4	73.5	100.0 (16)
Total Sample	27.5	72.5	100.0 (203)

employed implies higher current income and better future prospects. However, some qualifications need to be made about the figures in the table. As pointed out previously, a substantial proportion of our sample in transport and construction activities are not self-employed in the sense of having scope to take self-initiative or control over the fruits of their labour. Therefore, it is likely that the actual proportion of change from employee status to self-employment, in a more meaningful sense, would be smaller than what is suggested by the figures in our table. Having said that, however, there remains little ambiguity in the evidence that 54 percent of the currently self-employed in trade and over 80 percent of those in both service and manufacturing activities were employees in their preceding employment. Since our analysis of

income showed that those self-employed earn substantially more than do employees, this transition in employment status must be considered a significant step forward in self-improvement and upward mobility.

This view gains additional impetus from cross-tabulation of data on age and employment status, which shows that the ratio of the self-employed to employees in the labour force of the informal sector rises with age (see Table 6.19). This is an indirect indication of upward mobility within the informal sector as one advances in age and experience.

Table 6.19 Employment Status by Age of the Informal Sector Labour Force (Percentage)

Age Group	Total	Employment Status in Preceding Job		Total
		Self-employed	Employees	
Under 15	100	7	93	7.9 (62)
15 - 24	100	36	64	38.9 (307)
25 - 34	100	69	31	33.7 (266)
35 - 44	100	89	11	14.8 (117)
45 and over	100	89	11	4.8 (38)
Total Sample	All	55 (437)	45 (353)	100.0 (790)

Since the same criterion of mobility cannot be applied to formal sector employment, a comparison of such opportunities for mobility in the two sectors cannot be made. Although as one advances in seniority, promotions are assured for competent formal sector employees, it is unlikely that such upward mobility would be faster than the possibilities in the informal sector. As Guisinger and Irfan note (1980: 415) there exists within the informal sector much scope for ingenuity and motivation to be

"rewarded by sharp and rapid increase in income". In an attempt to test this proposition, we examine the income profile of the labour force in the informal sector from our data on their job histories.

Table 6.20 provides chronological average income of the presently self-employed in their past and present employment. Two distinct patterns

Table 6.20 Income Profile (from job history) of Self-Employed in the Informal Sector

Total Sample of Self-Employed According to Number of Job(s) Held	Average Monthly Income (in Tk.) in Chronological Order of Jobs			
	Third Last	Second Last	Last One	Present One
(1) Those who worked in 3 more jobs previously (n = 17)	294	443	488	1,494
(2) Those who worked in two more jobs (n=60)	-	340	467	1,115
(3) Those who worked in one more job (n=157)	-	-	282	1,021
(4) Those for whom the present activity is the first employment in city (n = 203)	-	-	-	825

Except the difference between 443 and 488 on the one hand and 1,021 and 1,115 on the other, all other differences among the means are statistically significant at 0.05 level of z-test.

are observed in these income figures. First, income tends to increase steadily as one proceeds from one job to another, reaching its maximum in the present one. As can be seen from the table, money income in each job is greater than that of the preceding one: (1) 17 individuals who have three past job histories earned Tk. 294 in the third last job (which may or may not be the first job), Tk. 443 in the next one, Tk. 488 in the following one, and finally Tk. 1,494 in the present one; (2) similarly,

60 individuals who had worked in two more jobs in addition to the current one earned Tk. 340 in their first work, Tk. 467 in the next one and finally Tk. 1,115 in the present activity; (3) likewise, 157 individuals who worked in only one job before the current one used to earn Tk. 282 in that work compared to their present income of Tk. 1,021. In contrast, 203 individuals for whom the present work is their first work in the city earn the least - about Tk. 825 per month, which is below the average income of the self-employed (the average being Tk. 961).

The second pattern of these results is illustrated in the last column of Table 6.22 which shows that income from present activity steadily rises with number of job histories or experiences: (1) those with no job history, except of course the current one, earn the least, Tk. 825; (2) those with one job history earn Tk. 1,021, (3) those with two job histories earn Tk. 1,115 and (4) those with three or more job histories earn the maximum, Tk. 1,494.

Since the figures in the table represent money income (or income at market prices), some uncertainty remains as to the validity of the first pattern of the results which suggest a steady increase in income over time as participants in the informal sector move from one job to another. But there is no such ambiguity about the second pattern which illustrate higher income for those who have worked through the various phases of informal work. Although experience is more than mere accounting for number of past jobs, the second pattern does suggest a direct relationship between income and experience.

Turning to the complication posed by inflationary considerations in

interpreting the results of steady increase income over time, it is certain that the real margin of difference in income between one job to another will be lower than what it appears from the figures in Table 6.20. But it is safe to claim that at least part of the increase in income from one job to another represents true economic improvement. This does not seem to be an unjustified claim because while the self-employed usually raise the service charge when pressed with higher prices of essential commodities, the wage and salary earners are faced with an unenviable condition of "fixed income" because there is no provision of yearly renewal of service contract or making adjustments to income for inflation. Thus it is the money income which is fixed, not the real income. Against this background, it seems reasonable to conclude that the above evidence of increase of income over time does indicate the scope of upward mobility within the informal sector.

To a lesser extent, the same pattern holds for employees in the informal sector. As can be seen from Table 6.21, the margin of increase

Table 6.21 Income Profile (from job history) of Employees in Informal Sector

Total Sample of Employees According to Number of Job(s) Held	Average Monthly Income (in Tk.) in Chronological Order of Jobs			
	Third Last	Second Last	Last One	Present One
(1) Those who worked in 3 or more jobs previously before the present one (n = 13)	244	346	435	562
(2) Those who worked in two more jobs previously (n = 22)	-	242	338	423
(3) Those who worked in one more job before present one (n = 70)	-	-	295	441
(4) Those for whom the present work is the first employment	-	-	-	334

Unlike the findings for owners in the preceding table, the differences in means in this table are not statistically significant for most cases.

in income from one job to another is much smaller in this case compared to that of the self-employed. Thus the scope of self-improvement appears limited for employees in the sector. As previously discussed, employees in the informal sector have little future prospect unless they gain employment in the formal sector or become self-employed in the informal sector.

Summary

In summing up the chapter, first we would like to note that the generally optimistic indicators of economic performance in informal enterprises and of their participants should be interpreted with some caution. Since the number of business failures are likely to be greater in the informal sector than in the formal sector, our survey results may be biased in favour of informal sector performance. There was no simple way to include within the survey those who failed in their attempt to become established in the informal sector. But one need not be overly concerned about this since there is no reason to suspect that our sample, drawn randomly from a well-defined sampling frame, over-represents successful enterprises. After all, existing firms also include those which may be on the verge of failure or may fail in future.

Against this background, let us briefly summarize some of the unambiguous findings of this chapter. First, informal sector enterprises in Dacca are found to have substantially lower capital-labour and capital-output ratios than their counterparts in the formal sector; these are clear indications of the former's ability to absorb more labour and to utilize capital more efficiently. The informal sector maintains an

advantage even when dynamic considerations of capital accumulation and innovation are introduced into the comparison. Since, due to technological constraints, all goods cannot be produced by both the informal and formal sectors, a comparison of capital intensity and capital-output ratios was made for products that are produced by both sectors. This comparison showed an unambiguous comparative advantage in the informal sector production of furniture, shoes and leather products, cotton textiles, wearing apparel and certain metal products.

This comparative advantage of the informal sector is maintained when dynamic effects of capital accumulation is considered. This is illustrated by evidence that informal enterprises generate greater surplus per unit of capital than do enterprises in the formal sector. Data on savings, ex poste and ex ante investment and the self-financing capacity of these enterprises corroborate the informal sector's potential for capital accumulation. Although no direct comparison with the formal sector could be made on innovative ability, several findings of the survey suggest that the informal sector has been successful in experimentation with innovative efforts. Greater reliance on indigeneous resources, scrap materials and second-hand equipment provides a technological environment congenial for successful innovation in the sense of "adding new work to old". These findings on the performance of informal enterprises thus generate well-founded optimism about their potential for contributing to employment, the efficient utilization of resources, capital accumulation and innovation.

This chapter has also examined the labour force of the sector with respect to earnings, attitudes and motivations. On the basis of our

results, about 25 percent of the self-employed in Dacca's informal sector may be genuinely considered as members of the marginal group. Thus, about 25 percent of the sample earn below the nutritionally required poverty line income, 20 percent could not undertake new investment since the establishment of their enterprise, 28 percent do not show any interest in expanding or improving the business and 22 percent express a readiness to join wage employment in the formal sector. Many of this marginal group are concentrated in casual self-employment mainly being concentrated in construction and transport activities. They are also observed, in relatively smaller proportions, among petty trade and certain repair activities.

In contrast to this marginal group, 68 percent of informal producers, 29 percent of traders, 25 percent of repairmen and 24 percent of self-employed in transport and 12 percent in construction, all of whom earn a monthly income of above one thousand taka, show definite signs of future prospect and improvement. This is illustrated by the following findings: 73 percent of informal enterprises in the survey want to expand and improve their respective enterprises, 80 percent have been able to undertake new investment, 79 percent report some improvement in their enterprise, 77 percent express a preference to continue in self-employment. These data provide a clear indication that an industrial reserve army hypothesis does not hold for the vast majority of the self-employed in the informal sector, although it may have some validity for the marginal group comprising about one-quarter of the self-employed and one third of employees in the sector. For the rest, the informal sector seems to offer an opportunity to transform participants' "unfavourable personal

characteristics" into productive assets through ingenuity and hard labour. This opens up some ways for self-improvement and breaking out of poverty. This opportunity, however limited it may be, explains the prevalence of widespread petty-bourgeois aspirations among the labour force of the informal sector. These aspirations are not necessarily false hopes since our data on job histories provide a clear indication of upward mobility within the informal sector, both in terms of change in employment status (from employee to self-employed) and a steady increase in money income over time.

CHAPTER 7
CONCLUSIONS

The main purpose of this dissertation has been to reassess the economic potential of the informal sector. The basis for the reassessment was a survey of the sector in Dacca city. The need for such an assessment arises because of the continued debate about the role of the informal sector in the process of economic development of low income countries. Although interest in the sector grew in the early 1970's against the backdrop of frustrating experiences of growth strategies pursued in the preceding two decades in a number of countries, by the mid 1970's questions were raised regarding its concept, function and, above all, regarding the optimism expressed about its potential as a means to development.

This optimism was essentially based on a technological argument concerning the sector's potential for adapting a technology most appropriate to resource availability, and thus absorbing more labour, distributing income more equitably, spreading basic skills, developing human resources, and the production of basic goods, all by indigeneous entrepreneurs using locally available resources and technology. Critics reject this view by arguing that no such development can occur in the "periphery" of the "world capitalist system" unless drastic change occurs in the socio-economic structure of the dependent economies. This argument is illustrated in the claim that the informal sector is dependent either directly on imported materials for its various supply needs or indirectly on supplies obtained from formal sector industries

which are usually assumed to be domestic subsidiaries of multinational corporations. On the demand side, it is argued, the informal sector is dependent on the formal sector for marketing its output. As a consequence, the informal sector's ability to contribute to capital accumulation is assumed to be severely limited. Further objections are raised against the informal sector on the ground that it facilitates labour exploitation, directly and crudely within the informal sector and indirectly in the formal sector by facilitating relatively low formal sector wages through the provision of cheap consumer goods.

In addition to the general preference of political leadership not to disturb the status quo, the above criticism have the potential of being used, sincerely or as a pretext, to ignore the existence of the informal sector in formulating development policy. The original case for the informal sector way of doing things, however, is too important to be hastily sacrificed at the altar of intellectual controversy and political expediency. It is important that a dispassionate re-examination of the issues takes place and that attempts are made to resolve them empirically. Also, it is essential that the rich insights and knowledge generated by this debate be assessed systematically within a framework of well-established theory and analytical methods.

This dissertation has thus attempted to view the informal sector debate within a theoretical framework to derive testable propositions, to test empirically the hypotheses so obtained with our survey data and, finally, to draw inferences on such practical questions as the role and potential of this sector.

The outcome of this endeavour has been two-fold. First, an analy-

lytical framework which integrates the labour market and industrial organization modes of analysis is found suitable in addressing the central question, namely the economic potential of the informal sector. Within this framework, the informal sector is conceived as collectives of people and their economic activities. An analysis of characteristics of the labour force, their attitudes and motivations and the sector's role in job search constitutes the labour market perspective. Analysis of the informal sector's market structure, market relationships, and market performance constitutes the industrial organization analysis.

The most fulfilling outcome of the study is its empirical findings which, on the whole, lead to an optimistic conclusion. By virtue of the range of goods and services produced and the manner in which these are produced, the informal sector provides an important means for pursuing the previously mentioned development objectives. This conclusion is based on a wide variety of findings on the composition, functioning, linkages and performance of the sector. Before summarizing them, let us briefly note some major findings of the study from which the above general conclusion is drawn.

Since labour is abundant but material and natural resources are scarce, we attach considerable significance to our finding that informal activities in Dacca utilize labour to economize on capital and foreign exchange. This is most evident in the re-use of second-hand capital equipment, the rebuilding of rejected vehicles, the significant presence of repair activities and the use of scraps or rejected items as raw materials. There is strong evidence in the survey data that informal activities rely primarily on locally produced goods, inputs and capital

equipment for their supply needs, and produce a range and type of goods and services which meet many basic needs of the majority of population at an affordable price. These enterprises use a very labour intensive technology in producing these goods and services. All this evidence provides strong support to our general conclusion.

A comparative performance of the informal and formal sectors with respect to absorbing labour, utilizing scarce resources efficiently and generating surplus reflects the potential of informal enterprises for playing a strategically significant role in the process of economic development. For instance, with a capital intensity of less than one-eighth of formal sector industries, informal sector manufacturing enterprises achieve nearly half of the former's labour productivity. The measure of capital productivity portrays an even more optimistic picture. This trend in the evidence is confirmed by the highly favourable capital-output ratio for the informal sector: compared with 1.35 for the formal sector, the value of this ratio is only 0.19 for the informal sector.

Despite several case studies demonstrating the contrary, an impression persists in the literature that formal sector industries have the potential of offsetting any current sacrifice in employment by future investment and expansion because of their capacity to generate higher reinvestible surplus. Such a possibility is not supported by our data, neither is it evident in any other available evidence on the performance of manufacturing industries in Bangladesh. Measures of the rate of return and profitability also indicate a positive performance of informal sector enterprises. Since all goods are not produced by the informal sector, a separate comparison was made by grouping the enterprises by

product type in order to compare the performance of the two sectors in producing similar products. This exercise does not alter the overall results arrived at a more aggregated level. Capital intensities as well as capital-output ratios are consistently higher by a wide margin, in formal sector industries for all industry groups compared.

Our conclusion is strengthened by our findings on labour force characteristics, comparative labour income, the scope for upward mobility of participants and their motivations. Informal activities offer opportunities for self-improvement for disadvantaged groups of the labour force. The sector assumes additional significance for Dacca since, unlike the informal sector elsewhere, its role is not limited to the absorption of secondary labour in the urban economy. It is not the young and the old, the females or recent in-migrants who are in a majority in informal activities of this rapidly growing metropolis. Neither does the income obtained from these activities represent a second or complementing source of household income for the majority of the participants. Of particular significance is the finding that two-thirds of the self-employed in the informal sector belong to the prime age group 25-44. This proportion is not much different from the corresponding figure for the total urban labour force. Thus the informal sector in Dacca appears to absorb many prime candidates in the urban labour market. Significant differences do exist between the labour force in the informal and formal sectors with respect to education and economic background. It therefore seems reasonable to suggest that any disadvantages in the personal characteristics of informal sector participants are more likely to be socio-economic in nature rather than purely demographic.

The survey indicates that involvement in informal activities is perceived as a means of altering the personal misfortunes of people from a poor economic background. This is illustrated by the overwhelming preference of those self-employed in the sector to continue in current or similar activity within the sector. Few consider their involvement in informal activity as temporary; this is evident in the low response of "looking for better work" or "would prefer wage employment in formal sector" to questions exploring attitudes and motivations. That such responses are based on genuine economic considerations is supported by the data on income which compare favourably with income of comparable groups in both urban and rural areas.

It is not merely the current level of income that offers hope to the participants; prospects for the future also are perceived as good. This does not seem to be delusionary since there is evidence of occupational mobility within the sector. Instances of improvement in employment status (from employee to own-account worker or from self-employed to employer), in skills (from apprentice to journeyman), in income (from preceding job to the following one), or in switching to a more desirable occupation within the sector (as for example, from work as domestic servant to rickshaw driving, from the latter to petty trading, from hawking to shop-keeping, or street repairer becoming workshop owner) are not uncommon in Dacca's informal sector. Some quantitative evidence in this respect is obtained from the ratio of the self-employed to employees that appears to increase with the age of the former. Further evidence on upward mobility within the informal sector is observed in the income-profile of the self-employed obtained from their job histories. This

shows a steady increase in income, in a chronological order, from one job to another.

As further support for our conclusion, let us briefly summarize the major findings with respect to some of the major criticisms raised against the informal sector.

The fundamental methodological point stressed repeatedly in this study is the need for formulation of an appropriate framework within which to study the informal sector. It is argued that the tendency to study the informal sector at an aggregated level and the failure to explore adequately the sector's linkages and dynamics in the existing literature do not indicate a conceptual problem. Rather, these tendencies reflect the underdeveloped state of research on and knowledge of the sector.

This study has attempted to make some improvements in this respect by adopting a method of study in which, first, the informal sector is conceived as a collective of distinguishable groups of people and their activities in the urban economy of low income countries. It is further argued that this distinction can be drawn on the basis of either employment or enterprise characteristics. The latter was preferred since investigation of the economic potential of these enterprises is the main objective of this study.

At the conceptual level, the informal sector is defined as those enterprises which have in common one major and dominant attribute: official non-status. Thus, enterprises and individuals within the informal sector operate outside the incentive or social security system offered by the state and its institutions. Of course, this status emanates largely

from the minuscule size of these enterprises and their unauthorized operations. In contrast firms which enjoy official recognition, protection, and support are defined as the formal sector.

At the empirical level, enterprises were distinguished by some easily identifiable physical features and legal characteristics. Thus rather than relying on the size of the enterprise as a sole criterion, the definition adopted here comprises those enterprises which employ less than ten workers (including the owner) and satisfy at least one of the following additional criteria: the enterprise is not registered under the Factory or Commercial Enterprise Establishment Acts, it operates from an unauthorized location and because of this condition of its operation or for some other reasons it operates illegally, it operates from a temporary structure or from residence or backyard.

The criticisms raised regarding aggregation, linkages, and dynamics of the sector are given particular attention in this study. Although enumeration of the economic activities in the sector yielded a long list, we found it possible to group them into meaningful classes for analytical convenience. While enterprises in the survey were grouped according to the nature and type of the activity, participants engaged in these activities were grouped by employment status. Further disaggregation of the activity groups followed according to type of products sold or produced, and raw materials and capital equipment used. Such classification is not only necessary for analytical purpose, it provides interesting insights as to the composition of the sector and facilitates investigation of its functioning, linkages and performance at alternative levels of aggregation. Thus we do not find that the informal sector is such a

highly aggregated concept that no meaningful analysis can be pursued.

With reference to linkages and dynamics, the main criticism is that these have not been given adequate attention in informal sector studies. This study has attempted to meet this criticism by exploring the nature of the market in which informal enterprises operate, the nature and magnitudes of their market links on the supply as well as demand sides of their business operations, and the comparative economic performance and future prospects.

One major reason for the pessimism regarding the informal sector is the popular view that the informal sector is largely a provider of services. Some critics consider these services as non-essential or unproductive. Our survey does show that trade and service activities are the major occupations in the informal sector. But does it necessarily follow that these services do not constitute useful economic functions?

For some evidence in this respect, let us recall our findings on the composition of the five activity groups in the survey. Selling clothes, food and drink retailing, and businesses in wastes and scraps appear as the major activities in the trade group. Repair activities account for nearly two-thirds of the service enterprises, whereas shoe-shining, a frequently mentioned informal activity, accounts for only nine percent of this group or less than two percent of the total sample. Tailoring (29%), metalworks (26%), shoe-making and other leatherworks (23%), weaving (11%), and furniture-making (10%) are the major activities in the manufacturing group. In construction, the major activities are earth digging or removing, work as helper to masons, brick-breaking and brick-laying. Carpentry, painting, masonry, and plumbing together account for

22 percent of construction activities. An archetype of informal activity in Dacca is driving rickshaw, which is a major means of transportation in the city. The other notables in the informal transport system are the passenger shuttle services of the tempos, complementing the more organized services of buses and taxis, and goods-carrying services of hand and bullock carts, representing informal alternatives to modern truck services.

In view of this composition of the sector, it seems unwise to dismiss the informal sector as a set of economically inconsequential activities simply because they appear so insignificant beside the glaring neon signs of modern business houses. Composition aside, trade and commerce need not be considered less important in the process of development as many do in giving their reasons for rejecting the economic potential of the informal sector. Seldom it is acknowledged that these activities may have an historical role in the accumulation of surplus. In this regard, it is worth quoting N. Islam (1978), who seems to be responding to concerns expressed about the disproportionate growth in mercantile capital in Bangladesh in recent times, and Bienefeld (1975), who, despite his general scepticism about the economic potential of informal sector, sees the role of distributive trade in its correct perspective:

As the scarcity of supplies, of both imports and domestic output declines, profit margins on the trading activities will decline. An increase in the number of trading intermediaries over time as well as an intensification of competition amongst them would have the same effect. They will seek and find alternative avenues of investment of their accumulated profits in the manufacturing sector. (N. Islam, 1978:58)

... the development of forces of production must begin with the accumulation of surplus, and such surplus may be originally accumulated through trade. ... tradeable commodities that are unable to reach their markets become useless junk. (Bienefeld, 1975:65)

With regards to the service group, one should note that about two-thirds of this group are repair activities comprising appliance repairing, shoe repairing, motor vehicle repairing, watch, pen and eyeglass repairing, lock and key repairing, garments repairing, cycle and rickshaw repairing. To appreciate the significance of these services one needs to remember the extreme paucity of durable goods and capital equipment in the overall economy. Such goods are useable beyond their normal life span precisely because of easy availability of repair services at minimal costs. This is particularly important for urban low and lower-middle income groups who can seldom afford to buy new durables.

The usefulness of manufacturing activities requires hardly any explanation since its composition illustrates the highly functional role of the informal sector. It is impossible to conceive urban living of the majority of wage and salary earners without the low-cost, albeit low quality, products of informal producers.

An insight into the overall function and composition of the informal sector is obtained from a classification of the surveyed enterprises according to the needs they meet. This exercise shows that nearly two-thirds of these enterprises cater to such basic needs as food, clothing, construction and transportation. The informal sector also enriches cultural life through services provided by newspaper hawkers. Street entertainers and canvassers of various commercial products provide

entertainments to working people. As discussed above, repair services, the collection and utilization of scraps, and re-building from rejected items constitute important ways and means of deriving maximum utility from material resources that are scarce and expensive. Other needs met by the informal sector include the wide variety of services offered by such diverse groups as medicine men, barbers, street typists and the like.

In urban labour absorption models, the informal sector is hypothesized to be an absorber of secondary labour and that segment of the urban labour which possesses some unfavourable personal characteristics. Although not conceived to cast doubt on the informal sector's economic prospects, these two hypotheses have adverse implications for the sector's development potential. To be explicit, if these hypotheses hold, that would imply that participants in the sector will not be sufficiently motivated to invest in their current economic activities for future gain. As discussed above our survey data do not provide much evidence in support of either of these two hypotheses. Let us briefly recount this evidence.

The nearly hundred percent male composition of the labour force in our survey of course is atypical of most other informal sector studies elsewhere. This, however, is not surprising in view of very low female participation in the non-agricultural sector of the economy. Hence one ought not read too much into the near absence of females in the Dacca informal sector. What is of significance is the finding that 66 percent of the enterprise operators come from the prime working age group, i.e., 25-44 years. Similarly our attempts to determine the size of "secondary" labour from other evidence in the survey suggest that the proportion of

such labour is not high. Depending on the measure used, between 7 and 20 percent of the owners may be considered secondary labour. A vast majority of the total sample claim that the activity in which they are engaged represents their only source of income.

Our findings also contradict the view that informal activity represents a temporary source of living for recent migrants to the city. In fact, over two-thirds of owners have lived in Dacca for five or more years and are still engaged in informal activity. Thus Dacca data provide a clear warning against generalizations which see the informal sector of urban labour markets as an absorber of residual or secondary labour.

For our purpose, these findings, in conjunction with the previously reviewed evidence on income and the overwhelming expressed preference to continue in self-employment, clearly indicate that involvement in the informal activity is not considered as a temporary condition prior to eventual employment in the formal sector. It is therefore difficult to accept that participants in the informal sector would not be sufficiently motivated to invest in their current or similar activity. Indeed, responses to several questions on attitudes and motivation show consistent interests of the respondents in self-employment and expanding and modernizing their enterprises.

Entry conditions to the informal sector are discussed in the literature both from a labour market and a market structure perspective. While easy accessibility is crucial for modelling the urban labour market such that the informal sector facilitates the job search of recent migrants and other residual urban labour force, several informal sector studies characterize the sector by ease of entry to denote its competitive

market structure. It seems to us that undue emphasis on easy entry conditions is not helpful in illustrating the sector's economic potential. To give an example, if the informal sector is truly an open-entry sector, new entrants, especially recent migrants, would swell the informal sector labour force in order to finance their initial stay in the city and during the period of a job search. In such circumstances, involvement in informal activity would be perceived as temporary by the individual concerned. In these circumstances, attitudes and motivations are likely to be inimical to realizing the economic potential of the sector because of an absence of a long-run commitment. Moreover, overcrowding of the sector would be a real possibility which in turn, will have negative implications especially including decreasing average productivity. Thus characterization of the informal sector as an open-entry sector seems to be inconsistent with optimism regarding its economic potential.

A similar inconsistency is observed in the pessimistic view. On the one hand, it is claimed that significant barriers to entry prevail for new entrants to the sector. On the other, any economic potential of the sector is rejected by claiming that the sector is marked by low productivity, low income, little savings, no capacity for accumulation and extreme competition. It seems to us that both of these claims cannot be true at the same time. It is inconceivable that significant barriers to entry can exist for those activities which are marked by very low income and extreme competition.

If the "ease of entry" and the "barriers to entry" hypotheses are theoretically inconsistent, it is unlikely that they will hold

empirically. Indeed our data show that empirical reality lies between these two polarized views of entry conditions. While casual work such as brick-breaking or brick-laying, roof setting in a construction site, driving a rickshaw or hawking in city streets requires little capital and skill, starting a repair or metal workshop or a tailoring business requires considerable skill, experience, urban residency and above all, capital.

Overall, the evidence on entry conditions portrays a consistent pattern reflecting the variation in difficulties associated with entry among the five activity groups in the survey. This pattern shows that access to construction activities is least difficult, followed by transport, trade, service, and manufacturing in the ascending order of difficulty experienced by entrepreneurs. It is interesting to note that the same pattern and rank order of the activity groups is maintained in average income earned by owners in the respective groups; i.e., income is least for those who are engaged in construction and highest for those who operate in to the manufacturing group. Between the two ends of this spectrum, we have transport, trade, and service as before and in the same order. This suggests that activities in which higher income can be earned are more difficult to enter and those which are easily accessible offer lower income.

Overall, our findings suggest that both "ease of entry" and "barriers to entry" hypotheses are neither logically consistent with the arguments presented by various writers nor are they empirically tenable. While the optimists do not acknowledge the consequences of a wide open sector for its economic potential, the pessimists do not explain how

"barriers to entry", declining productivity and low income are compatible. It seems our portrayal of entry conditions that associates varying degrees of difficulty with the type of activity describes the empirical reality more accurately. Making such distinctions within the sector also facilitates identification of activities with greater economic potential.

The most potentially damaging criticism against an optimistic view of the informal sector is based on the argument that the main characteristic of the enterprises that constitute this sector is their incapacity for capital accumulation. This argument is sustained by positing a dependent/exploitative relationship between the informal and formal sectors. Since many of the formal sector firms are subsidiaries of multinational corporations, in the final analysis the dependence is extended to international capital. Because of the nature of this relationship, it is argued, the potential surplus of the sector is siphoned off by economic agents outside the sector or, at its worst, outside the national economy.

In order to provide evidence in respect of this proposition, the demand and supply market relationships between the informal and other sectors of the economy were examined. On the supply side, the informal sector's market links are found in purchasing (1) trade goods, (2) raw materials, (3) tools and equipment. Survey data made it possible to determine the immediate sources of these purchases, their origin by domestic and foreign sources, their sectoral origin if they are produced domestically, and whether any of these goods originate from rural areas. This investigation was pursued at a disaggregated level by dividing the

trade enterprises according to types of products sold, and service and manufacturing enterprises according to types of raw materials and capital equipment used.

The results clearly reject the hypotheses of a "heavy dependence" of the informal sector on imports for any of its major supply needs. Less than 11 percent of the trade enterprises report that imported products are their major sale items. Reliance on imports for raw materials and capital equipment is even less: in both cases only four percent of the enterprises admit a main reliance upon imports. In contrast between 50 and 59 percent of surveyed enterprises, depending on the type of supplies, report that they rely primarily on domestically produced goods, raw materials, and capital equipment. However, between 31 and 43 respondents state that their supplies include "both" domestic and imported items. This certainly reveals that import content will be higher than initially supposed; nonetheless this latter finding cannot alter the overwhelming evidence of a reliance on domestic supplies.

At a more disaggregated level, it appears that raw materials used by furniture- and shoe-makers are almost entirely available within the country. The major dependence for imported raw materials is found among weavers who need cotton yarn. What is of greater significance is the finding that it is the second-hand (or recycled) goods, raw materials, and equipment that tend to be identified as of foreign origin by their users in the informal sector. Given the scarcity of imported items in the economy, this may be considered as an indication of the informal sector's role in re-using scarce materials. Thus the informal sector's dependence on imports is clearly very limited in Dacca. Whatever products of

foreign origin are used tend to enter the informal sector for re-use after their original purpose has been served.

The survey confirms a significant relationship between the informal and formal sector in the former's need of equipment, inputs, and final products in that order. Fifty-five percent of the enterprises using tools and equipment report that these items are produced by the formal sector. The corresponding proportions for raw materials and trade goods are 47 and 29 percent respectively.

An attempt to specify the reliance on the formal sector by product, input, and equipment type reveals that processed goods and clothes sold by traders, raw materials and equipment used by tailors, weavers, and metal workers mainly originate from formal sector sources. Since we do not have data on terms and conditions of these market links, the issue of an exploitative relationship or an unequal exchange between the two sectors remains unexplored.

It should be noted that a large number of informal sector enterprises rely on sources other than the formal sector for supplies. This is particularly true for foodstuffs and recycled goods. To a lesser extent, the same also holds for clothing and footwear. Similarly raw materials for shoe-makers and furniture-makers originate from sources other than the formal sector one. While reliance upon the formal sector is highest for equipment, the significant use of second-hand machinery diminishes the chance of exploitation by the original producers.

With reference to market links on the demand side, objections have been raised on two grounds. First, it is argued that by supplying wage goods and services at relatively cheap prices to urban dwellers, the

informal sector lowers the reproduction cost of labour power and hence reduces real wages. Thus, the informal sector is seen as facilitating the exploitation of wage and salary earners by employers. The second concern centres on subcontracting. It is argued that selling informal sector products to large firms creates an unequal exchange relationship between the two. As a result, the weaker partners, i.e., the informal enterprises, are forced to sell their products at or near cost. Its consequence for the capital accumulation process is that the surpluses generated from the final sales of these commodities accrue to large formal sector firms.

Evidence from the survey confirms that wage and salary earners are the principal buyers of informal sector goods and services: 79 percent of the respondents report that people from their own ranks, factory workers, and lower-ranking office employees are the major customers of sales made directly to consumers. There is also evidence that these goods meet some basic needs of the majority of the urban population at a relatively cheaper price. But whether the informal sector thus facilitates exploitation of those whom it serves remains undetermined. This is clearly a complex question and we do not have the necessary data to resolve this issue. But it can safely be said that those on behalf of whom these concerns are expressed perceive the service of the informal sector as a boon rather than an agent in keeping their wages and salaries down.

It seems to be more sensible to be concerned about labour exploitation within the informal sector. After all, there is considerable social protection for formal sector employees which is completely absent for the labour force in the informal sector. While the self-employed in the

sector appear to have opportunities for self-protection, employees in the informal sector are in a precarious situation: they are young or recent migrants who work more and earn less than their employers. Employment in the informal sector offers little future prospect. This is reflected in their overwhelming response indicating a lack of satisfaction in their present job and an interest for wage employment in the formal sector.

On the question of exploitation, we do observe some signs that may be interpreted as exploitation of labour within the informal sector. In contrast to a positive correlation between income and hours of work for owners, a negative association is observed between these variables for workers. Distribution of income cross-classified by hours of work also shows that employees work more but earn less. Therefore, it is no surprise that workers' overall condition compares so unfavourably with owners throughout this study.

Concerning the informal sector's dependence on the formal sector as a source of demand, evidence presented in this study offers limited support to the hypothesis that informal enterprises are heavily dependent upon oligosopnistic buyers. Our survey reveals that only five percent of all surveyed enterprises make their sales to large businesses. This proportion rises to a maximum of 14 percent for the manufacturing subset. Compared to this, 23 percent of surveyed enterprises report they sell their products to small businesses. About 56 percent of the total sample state that they deal only with individual consumers. This proportion varies between 61 and 84 percent for service, transport, and trade enterprises. But none of construction and only 30 percent of manufacturing units appear to be selling to individual consumers. Thus

except for construction and manufacturing, sales to firms (as opposed to consumers) appear to be few. Since transactions with firms may be considered as an index of subcontracting, the above evidence indicates that instances of subcontracting is limited to construction and manufacturing.

Whether this system leads to exploitation is largely a theoretical question in Dacca. However, it is instructive to note that the two groups of activities (manufacturing and construction) in which subcontracting does play a significant part, fare very differently. Although factors such as capital and skill would probably explain the contrasting income of these two groups, it is instructive to note that the people in manufacturing earn the highest income inspite of subcontracting being a principal means for marketing their output.

Therefore, it would be logically inconsistent to claim that income in construction is at a minimum simply because of subcontracting. In short, subcontracting in itself cannot be held responsible for the ills of informal sector enterprises. Indeed, on the contrary, it appears from our discussion with entrepreneurs that they would be more than happy to get subcontracts from large firms because it would provide a measure of certainty with respect to demand and income. Their problem appears to be obtaining such contracts or meeting the standards with their limited capital, skill, and capacity.

Overall, findings on the supply and demand conditions seem to have shown the following. The informal sector relies primarily on domestic resources for all types of its supply needs. Of particular significance is the sector's role in economizing capital and foreign exchange through re-use of second-hand goods and machinery and recycled scraps as raw

materials. Subcontracting is not yet a systematic practice for marketing informal sector products. Direct sale to consumers with low and middle income is the chief source of demand for these enterprises.

Of the different variants of dependent/exploitation hypotheses, the informal sector's dependence upon the formal sector for supplies and capital equipment seems to have greater plausibility. But we do not know whether this reliance on the formal sector leads to exploitation of informal enterprises. Of the other two variants of exploitation hypotheses, exploitation of the informal sector's own labour appears to be more potent. Although we could not test the other hypothesis, it seems indefensible, without supporting evidence, to claim that the informal sector aids exploitation of formal sector employees by providing them essential goods and services at a cheaper price.

The conclusion on the informal sector's capacity to accumulate capital must be based on more direct evidence. This is all the more important because our investigation of supply and demand conditions did not allow a determination of whether the observed linkages could or does lead to a systematic transfer of surplus from the informal to the formal sector.

Allusion to the informal sector's ability to generate surplus was already made in reference to the performance of enterprises in this sector as compared to their counterparts in the formal sector. Here, we shall limit ourselves to a brief re-examination of our overall evidence with respect to the claim that proletarianization rather than the trend towards the growth of small-scale capitalist sector is the major feature in the informal sector.

The best way we can address this claim is to identify the respective proportions of enterprises in the total sample reflecting the marginal characteristics of the "community of the poor" and the dynamic attributes of the "intermediate sector". Table 7.1 summarizes findings on a number of indicators which reflect the attributes that are associated with the group in the informal sector which has variously been called the "marginal" group, "the community of the poor" or the "irregular sector". The table shows that the proportion of enterprises reflecting marginal characteristics ranges between 25 and 35 percent depending on the index used. The various measure in the table clearly suggest that this is the group which has little growth potential since they have no long-term commitment to their occupation. This is of course expected because their involvement in informal activities does not allow them a level of living even above the poverty line.

But obviously the vast majority of entrepreneurs in our sample is not characterized by a tendency towards proletarianization. Although people who are struggling to eke out a living will be found in some proportion in all activities in the sector, they appear to be largely concentrated in construction. It will be recalled that construction activities in our sample represent mostly work of a casual nature. Thus, those in construction are more similar to employees than to the self-employed. To a lesser extent, this is also true for those in transport. Most measures indicate that between one-third to one-half of the sample in transport reflect marginal characteristics, while trade and service groups appear to have relatively lower proportions of marginal people. This proportion is lowest in manufacturing.

Table 7.1 Proportion of Informal Sector Enterprises Reflecting Marginal Characteristics by Activity Group (Percentage)

Index	Activity Group					Total Sample
	Construction	Transport	Trade	Service	Manufacturing	
Below poverty level income (>Tk.600)	40.0	30.0	28.2	28.8	7.4	24.7
Will be happy to get wage employment	80.0	40.0	19.0	6.0	1.9	22.2
Looking for better work	82.0	50.0	14.7	23.4	9.3	26.4
No interest or scope for expanding the enterprise	94.0	34.0	12.9	33.4	9.3	27.0
No new investment since establishment	58.0	18.8	11.1	16.7	18.5	20.0
Recent Migrants	56.2	40.9	32.2	22.2	14.7	31.3
In current activity for less than three years	40.0	38.0	26.4	25.7	27.0	29.1
No improvement in business (sales or otherwise)	12.0*	30.6	36.7	18.2	14.8	24.9

* This figure is out of line with the general trend of the evidence in the table. It merely indicates that construction work has been generally available in the last few years. Hence, this should not be considered an indication of economic potential of those who are employed in these activities.

In contrast to the above evidence, Table 7.2 shows that the proportion of enterprises reflecting strong growth potential ranges between 35 and 40 percent, depending on the measures used. Some measures indicate even higher proportions of enterprises with potential for expansion and development. In what has now become a familiar pattern, the proportion of enterprises reflecting growth potential varies widely across the activity groups.¹ Consistently, manufacturing enterprises show maximum potential. Therefore, the bulk of the so called "intermediate sector" or "modern informal sector" enterprises is likely to be found within this group.

Overall, the presence of two distinct groups in the informal sector with different economic prospects is confirmed by evidence from Dacca. This study further indicates that these groups occur in varying proportions in different informal activities. The overall trend in the data, however, casts doubt on the proposition that proletarianization is the major feature of the informal sector. While at most a quarter of the total enterprises could be considered as tending towards proletarianization, it seems safe to conclude that upwards of one-third show significant economic potential. In between we have the rest of the total for whom the informal sector offers an average living, not a bad contribution in the context of a general scarcity of income earning opportunities.

¹ In view of this, emphasis is put on the respective proportions of "marginal" and "dynamic" enterprises within each activity group. This is also important because the total sample in the survey, as noted in Chapter 2, is not based on "actual" proportions of the activity groups in the "population" of the informal sector. In the absence of a complete census of all activities in the whole city those proportions cannot be determined accurately. The task of adjusting the figures corresponding to the total sample, therefore, remains for future research.

Table 7.2 Proportion of Informal Sector Enterprises Reflecting Economic Potential by Activity Group (Percentage)

Index	Activity Group					Total Sample
	Manufacturing	Service	Trade	Transport	Construction	
Below average income (Tk. 1,000>)	67.6	24.2	28.8	24.0	12.0	35.2
Regular monthly savings	50.0	27.3	52.1	64.0	18.0	45.3
Interest in expanding the enterprise	90.7	66.7	87.1	66.0	4.0	73.0
Enterprises reporting substantial investment	22.2	19.7	34.4	50.0	4.0	24.8
Improvement in business (sales and otherwise)	89.9	86.4	65.9	69.4	88.0*	79.2
Have lived in the city for ten or more years	57.3	43.2	35.0	31.8	20.8	38.8
In current activity for ten or more years	25.0	21.2	18.4	14.4	4.0	18.3
Prefers to continue in the present business	75.0	31.8	42.3	22.0	2.0	41.9
Present activity is a chosen occupation	81.3	39.4	22.4	18.0	10.0	37.6
Satisfied with the present occupation	33.3	26.6	13.5	22.0	8.0	20.7
Want to continue in the present occupation for whole life	87.0	37.9	31.9	14.0	12.0	42.1

* As indicated in the note with the preceding table, this figure in isolation of other figures provide a misleading indication of prospect of construction activities. High response here simply indicates an increase in construction activities in the city in recent years.

We would, however, stress that the case for an informal sector strategy of development does not rest on the relative proportions of these two groups. Even if the group of enterprises reflecting dynamic attributes were fewer, the informal sector's role is too important to be ignored in the prevailing socio-economic conditions in Bangladesh: helping to absorb the growing urban labour force, putting material resources to their maximum use, adapting a technology that responds to factor availability and over which the users have command, providing some basic needs at affordable prices. To be realistic, it seems that the informal sector way of doing things is almost inescapable in the short and medium term, no matter whether the economy traverses through the traditional path of gradual development or a revolutionary course. In one sense the growth of the informal sector epitomizes the overall crisis in the economy and in another it offers the opportunity to overcome that crisis.

SELECTED BIBLIOGRAPHY

- Abu-Lughod, Janet and Hay, R., eds. (1977). World Urbanisation, Chicago: Marufa Press.
- Adelman, Irma (1961). Theories of Economic Growth and Development, Stanford: Stanford University Press.
- Allen, H. (1977). "The Informal Urban Industrial Sector and Growth: Some Thoughts on a Modern Mythology." Discussion Paper No. 259, Institute for Development Studies, University of Nairobi.
- Aryee, G. (1977). "Small-Scale Manufacturing Activities: A study of the Interrelationships Between the Formal and the Informal Sectors in Kumasi, Ghana", International Labour Office, Geneva.
- Bain, J.S. (1962). Industrial Organization, New York: Wiley.
- Baran, P.A. (1969). The Longer View, New York: Monthly Review Press.
- BBS (1977). Bangladesh Population Census Report, 1974, Bangladesh Bureau of Statistics, Government of the People's Republic of Bangladesh.
- BBS (1978a). Census of Manufacturing Industries in Bangladesh, 1969-70, Bangladesh Bureau of Statistics, Government of People's Republic of Bangladesh.
- BBS (1978b). Sample Survey Data on Unregistered Small and Household Manufacturing Industries, Bangladesh Bureau of Statistics, Government of the People's Republic of Bangladesh.
- BBS (1978c). Statistical Pocket Book of Bangladesh, 1978, Bangladesh Bureau of Statistics, Government of the People's Republic of Bangladesh.
- BBS (1979). Statistical Year Book, 1979, Bangladesh Bureau of Statistics, Government of the People's Republic of Bangladesh.
- Banaji, Jairus (1977). "Modes of Production in a Materialist Conception of History", Capital and Class, 3:1-44.
- Beavon, K.S.O. (1981). "From Hypermarkets to Hawkers: Changing Foci of Concern for Human Geographers", Occasional Paper No. 23, Department of Geography and Environmental Studies, University of Witwatersrand, Johannesburg, South Africa.
- Berry, R.A. (1973). "Urban Labour Surplus and the Commerce Sector: Colombia", Discussion Paper No. 178, Economic Growth Centre, Yale University.
- Berry, R.A. (1974). "Factor Proportions and Urban Employment in Developing Countries", International Labour Review, 109(3):217-233.

- Berry, R.A. (1975a). "Open Unemployment as a Social Problem in Urban Colombia: Myth and Reality." Economic Development and Cultural Change, 23(2): 276-291.
- Berry, R.A. (1975b). "Wage Employment, Dualism and Labour Utilization in Colombia: Trends over Time." Journal of Developing Areas, 9(4): 563-76.
- Bhalla, A.S. (1973). "A Disaggregative Approach to Employment in LDCs." Journal of Development Studies, 10(1):50-65:
- Bhalla, A.S. (1974). "Small Industry, Technology Transfer and Labour Absorption," in Transfer of Technology for Small Industries, Paris: OECD, pp. 107-20.
- BIDS (1979). "The Rickshaw Industry of Dacca: Preliminary Findings," Bangladesh Institute of Development Studies, Dacca.
- Bienefeld, M.A. (1975). "The informal Sector and Peripheral Capitalism: The Case of Tanzania," Bulletin, Institute of Development Studies, University of Sussex, Brighton, 6(3):53-73.
- Bienefeld, M.A., and Godfrey, M. (1975). "Statistical Problems of Measuring Employment and the Informal Sector", Bulletin, University of Sussex, Brighton, 7(3):4-10.
- Birkbeck, C. (1978). "Self-Employed Proletarians in an Informal Factory: The Case of Cali's Garbage Dump," World development, 6(9-10):1173-1185.
- Bopeganage, A. (1972). "Caste and Occupation in Rural India: A Regional Study in Urbanization and Social Change". Rural Sociology, 31(3): 352-88.
- Bose, A.N. (1974). "The Informal Sector in the Calcutta Metropolitan Economy", Working Paper of World Employment Program, International Labour Office, Geneva.
- Bose, S.R. (1975). Some Aspects of Unskilled Labour Markets for Civil Construction in India: Observations Based on Field Investigation, IBRD Staff Working Paper No. 223, Washington, D.C.: IBRD.
- Breman, J. (1976). "A Dualistic Labour System? A Critique of the Informal Sector Concept." Economic and Political Weekly, 11(48): 1810-1816, 11(49):1905-1918; 11(50):1939-1944.
- Bromley, R. (1978a). "Introduction - The Urban Informal Sector: Why is it Worth Discussing?" World Development, (699-10):1033-1039.
- Bromley, R. (1978b). "Organization, Regulation and Exploitation in the So-Called 'Urban Informal Sector': The Street Traders of Cali, Colombia," World Development, 6(9-10):1161-1171.

- Bromley, R., and Gerry, C. (1979). "Who are the Casual Poor?" in R. Bromley and C. Gerry, eds. Casual Work and Poverty in Third World Cities, New York: Wiley.
- Bromley, R.J. and Symanski, R. (1974). "Marketplace Trade in Latin America", Latin American Research Review, 9(3):3-38.
- Bujra, J.M. (1975). "Women 'Entrepreneurs' of Early Nairobi." Canadian Journal of African Studies, 9(2):213-34.
- Chana, T., and Morrison, H. (1975). "Nairobi's Informal Economic Sector." Ekistics, 40(237):120-30.
- Chenery, H., et al. (1974). Redistribution with Growth, Oxford University Press.
- Chaudhury, R.H. (1977). "Married Women in Non-agricultural Occupations in a Metropolitan Urban Area of Bangladesh - Some Issues and Problems," Bangladesh Development Studies, 5(2):153-200.
- Chaudhury, R.H. (1978). "Determinants and Consequences of Rural Out-Migration: Evidence from Some Villages in Bangladesh." A paper presented at the IUSSP conference on "Economic and Demographic Change: Issues for 1980's," Helsinki.
- Child, F.C. (1973). "Employment, Technology and Growth: The Role of the Intermediate Sector," in F.C. Child and M.E. Kemp (ed) Small-Scale Enterprise occasional paper No. 6, Institute of Development Studies, University of Nairobi.
- Child, F.C., and Kemp, M.E. eds. (1973). Small-Scale Enterprise, Institute for Development Studies, University of Nairobi.
- Clifton, R.A. (1978). Socio-economic Status, Attitudes, and Educational Performance, IEA Monograph Studies No. 8, Stockholm.
- Cohen, R., and Michael, D. (1973). "The Revolutionary Potential of the African Lumpenproletariat: A Skeptical View." Bulletin, Institute of Development Studies, University of Sussex, 5(2-3):31-42.
- Cornelius, W., and Trueblood, F. (1975). Urbanization and Inequality, the Political Economy of Urban and Rural Development in Latin America, London: Sage.
- CUS (1976). "Squatters in Bangladesh Cities," Centre of Urban Studies, Department of Geography, University of Dacca, Bangladesh.
- CUS (1977a). "Demra Bastuhara Camp," Centre for Urban Studies, Department of Geography, University of Dacca, Bangladesh.
- CUS (1977b). "Suritola: An Inner-City Slum in Dacca, Bangladesh," Centre for Urban Studies, Department of Geography, University of Dacca, Bangladesh.

- CUS (1979). "The Urban Poor in Bangladesh," Centre for Urban Studies, Dacca: UNICEF.
- Dasgupta, B. (1973). "Calcutta's Informal Sector, Bulletin, Institute of Development Studies, University of Sussex, 5(2-3):53-75.
- Davies, R. (1979). "Informal Sector or Subordinate Mode of Production? A Model," in Bromley, R. and Gerry, C. (eds.) Casual Work and Poverty in Third World Cities, New York: Wiley. pp. 87-104.
- Davies, O., Y. Fisseha, and C. Kirton (1979). "Small-Scale, Non-Form Enterprises in Jamaica: Initial Survey Results." Working Paper No. 8, Department of Agricultural Economics, Michigan State University, East Lansing.
- Dore, R. (1974). "The Labour Market and Patterns of Employment in the Wage Sector of Less-Developed Countries: Implications for the Volume of Employment Generated," World Development, 2(4-5):1-7.
- Drakakis-Smith, D.W. (1976). "Urban Renewal in an Asian Context: A Case Study in Hong Kong." Urban Studies, 13(3):295-305.
- Elkan, W. (n.d.). "The Informal Sector in Low Income Countries." Mimeo.
- Elkan, W. (1970). "Urban Unemployment in East Africa," International Affairs. 46:517-528.
- Elkan, W. (1976a). "Is a Proletariat Emerging in Nairobi?" Economic Development and Cultural Change, 24(4):695-706.
- Elkan, W. (1976b). "Concepts in the Description of African Economies," Journal of Modern African Studies, 14(4):691-95.
- Emmerij, L. (1974). "A New Look at Some Strategies for Increasing Productive Employment in Africa," International Labour Review, 110(3):199-218
- Farouk, A., and Ali, M. (1977). The Hardworking Poor (A Survey on How People Use Their Time in Bangladesh), Bureau of Economic Research, University of Dacca.
- Fei, J.C.H., and Ranis, G. (1964). Development of the Labour Surplus Economy, Homewood: Irwin.
- Fowler, D.A. (1978). "The Informal Sector of Freetown (Sierra Leone)," Working Paper of World Employment Programme, International Labour Office, Geneva.
- Friedmann, J. and Sullivan, F. (1974). "The Absorption of Labour in the Urban Economy: The Case of Developing Countries," Economic Development and Cultural Change, 22(3):385-413.

- Gerry, C. (1974). Petty Production and the Urban Economy: A Case Study of Dakar, World Employment Programme, Working Paper No. 8, International Labour Office, Geneva.
- Gerry, C. (1976). "The Wrong Side of the Factory Gate: Casual Workers and Capitalist Industry in Dakar, Senegal." Manpower and Unemployment Research, 9(2):17-27.
- Gerry, C. (1978). "Petty Production and Capitalist Production in Dakar: The Crises of the Self-Employed", World Development, 6(9-10):1147-1160.
- Gerry, C. (1979). "Small-Scale Manufacturing and Repairs in Dakar: A Survey of Market Relations within the Urban Economy", in Bromley, R. and Gerry, C. (eds.) Casual Work and Poverty in Third World Cities, New York: Wiley. pp. 229-250.
- Godfrey, M. (1976). "The International Market in Skills and the Transmission of Inequality", Manpower and Unemployment Research, 9(1): 40-54.
- Griffin, K. (1977). "Increasing Poverty and Changing Ideas about Development Strategies," Development and Change, 8(4):491:508.
- Guisinger, S. and Irfan, M. (1980). "Pakistan's Informal Sector", The Journal of Development Studies, 16(4):412-426.
- Gutkind, P.C.W. (1967). "The Energy of Despair: Social Organization of the Unemployed in Two African Cities: Lagos and Nairobi: A preliminary Account", Civilization. 17:186-214 and 380-405.
- Gutkind, P.C.W. (1969). "Tradition, Migration, Urbanization, Modernity, and Unemployment in Africa: The Roots of Instability", Canadian Journal of African Studies, 3:343-365.
- Gutkind, P.C.W. (1973). "From the Energy of Despair to the Anger of Despair: The Transition from Social Circulation to Political Consciousness Among the Urban Poor in Africa", Canadian Journal of African Studies, 7:179-198.
- Hackenberg, R.A. (1980). "New Patterns of Urbanization in Southeast Asia; An Assessment", Population and Development Review, 6:391-420.
- Hake, A. (1977). African Metropolis: Nairobi's Self-Help City, London: Sussex University Press.
- Haq, M. (1963). The Strategy of Economic Planning, New York: Oxford University Press.
- Haq, M. (1971). Keynote Address to the 12th World Conference, Society for International Development, Ottawa.

- Haq, M. (1976). The Poverty Curtain: Choices for the Third World, New York: Columbia University Press.
- Harris, J. R. (1972). "On the Concept of Entrepreneurship, With an Application to Nigeria", in S.P. Schatz (eds.) South of the Sahara: Development in African Economies, London: MacMillan, pp. 5-27.
- Harriss, B (1978). "Quasi-Formal Employment Structures and Behaviour in the Unorganized Urban Economy, and the Reverse: Some Evidence from South India", World Development, 6(9-10):1077-1086.
- Hart, K. (1973). "Informal Income Opportunities and Urban Employment in Ghana", Journal of Modern African Studies, 11(1):61-89.
- Harvie, C.H. (1977). "Some Basic Ideas on the Informal Sector in Kenya" in S.B. Westley, (ed.), The Informal Sector in Kenya, Occasional Paper No. 25, Institute of Development Studies, University of Nairobi, pp. 69-78.
- Holmstrom, M. (1976). South Indian Factory Workers: Their Life and Their Work, London: Cambridge University Press.
- Hoselitz, B.F. (1953). "The Role of Cities in the Economic Growth of Underdeveloped Countries", Journal of Political Economy, LX1(3):195-208.
- Hoselitz, B.F. (1955). "The City, The Factory and Economic Growth", American Economic Review, XLV(2):166-184.
- Hoselitz, B.F. (1973). "The Development of a Labour Market in the Process of Economic Growth", in A. Sturthall, and J.G. Scoville (eds.), The International Labour Movement in Transition: Essays on Africa, Asia, Europe, and South America, Urbana, Illinois: University of Illinois Press, pp. 34-57.
- House, W.J. (1977). "The Urban Informal Sector: Its Potential for Generating Income and Employment Opportunities in Kenya, in S.B. Westley (ed.), The Informal Sector in Kenya. Occasional Paper No. 25, Institute for Development Studies, University of Nairobi, pp. 35-45.
- House, W.J. (1978). "Nairobi's Informal Sector: A Reservoir of Dynamic Entrepreneurs or A Residual Pool of Surplus Labour", Working Paper No. 347, Institute for Development Studies, University of Nairobi.
- House, W.J. (1981). "Redistribution, Consumer Demand and Employment in Kenyan Furniture-Making", The Journal of Development Studies, 17(4): 336-356.
- Huq, A.F.M.H. (1978). "Labour Force Analysis: Bangladesh, 1974", Bangladesh Development Studies, 6:163-190.
- Hunter, G. (1973). "Employment Policy in Tropical Africa: The Need for Radical Revision", in Employment in Africa: Some Critical Issues, International Labour Office, Geneva, pp. 107-129.

- IDS (1973). "The Informal Sector and Marginal Groups", Bulletin, Institute of Development Studies, University of Sussex, 5(2-3):2-3.
- ILO (1970). Towards Full Employment: A Programme for Colombia, International Labour Office, Geneva.
- ILO (1972). Employment Incomes and Equality: A Strategy for Increasing Productive Employment in Kenya, International Labour Office, Geneva.
- ILO (1976). Growth, Employment and Equity: A Comprehensive Strategy for the Sudan, International Labour Office, Geneva.
- ILO (1977). Employment, Growth and Basic Needs, New York: Praeger.
- ILO (1978). "The Informal Sector of Colombo City, International Labour Office, Geneva.
- Isaac, B.L. (1981). "Price, Competition, and Profits Among Hawkers and Shopkeepers in Pendembu, Sierra Leone: An Inventory Approach", Economic Development and Cultural Change, 29(2):353-373.
- Ishikawa, S. (1976). Appropriate Technologies, Some Aspects of the Japanese Experience, Paper presented at the International Economic Association Conference, Teheran, September, 1976.
- Islam, N. (1978). Development Strategy of Bangladesh, Toronto: Pergamon.
- Islam, R. (1978). "Reasons for Idle Capital: The Case of Bangladesh Manufacturing." Bangladesh Development Studies, 6:27-51.
- Jacobs, Jane (1969). The Economy of Cities, New York: Random House.
- James, J. (1976). "Products, Processes and Incomes: Cotton Clothing in India", World Development, 4(2):143-149.
- Jellinek, L. (1977), "Circular Migration and the 'Pondok' Dwelling System: A Case Study of Ice-Cream Traders in Jakarta", in P.J. Rimmer, D.W. Drakkis-Smith, and T.A. McGee, eds., Food, Shelter and Transport in Southeast Asia and the Pacific, The Australian National University, pp. 135-154.
- Jolly, R. (1975). "Redistribution with Growth -- a Reply", Bulletin, Institute of Development Studies, University of Sussex, 7(2):9-17.
- Jolly, R., and Seers, D. (1971). "The Brain Drain and the Development Process", IDS (Sussex) Discussion Paper No. 3.
- Jolly, R., et al (1973). Third World Employment, U.K.: Penguin.
- Jolly, R., and Singer, S.W. (1973). "Unemployment in the African Setting." International Labour Review, 107(2):103-15.
- Joshi, H., Lubell, H. and Mouley, J. (1974). "Urban Development and Employment in Abidjan", Working Paper of World Employment Program, International Labour Office, Geneva.

- Joshi, H., and Joshi, V. (1976). Surplus Labour and The City: A Study of Bombay. London: Oxford University Press.
- Kannappan, S. (1968). "The Brain Drain and the Developing Countries", International Labour Review, 98(1):1-26.
- Kannappan, S., ed. (1977). Studies of Urban Labour Market Behaviour in Developing Areas. The International Institute for Labour Studies, Geneva.
- Kennedy, P. (1976) "Cultural Factors Affecting Entrepreneurship and Development in the Informal Economy in Ghana." Bulletin, Institute of Development Studies, 8(2):17-21.
- Khan, A.R. (1970). "Capital-Intensity and the Efficiency of Factor Use", Pakistan Development Review, 10(2):232-263.
- Khan, A.R. (1972). The Economy of Bangladesh, London: MacMillan.
- Khan, M.R. (1980). "National Self-Sufficiency in Food: Role of Landless and Marginal Farmers, and Political Economy of Poverty in Rural Bangladesh", paper presented at the seminar on Employment Opportunities for Landless and Marginal Farmers, Institute of Bangladesh Studies, Rajshehi University, Bangladesh.
- King, K. (1974). "Kenya's Informal Machine-Makers", World Development, 2(4):9-28.
- King, K., (1975). "Skill Acquisition in the Informal Sector of an African Economy", The Journal of Development Studies, 11(2):108-122.
- King, K. (1977). The African Artisan: Education and the Informal Sector in Kenya. London: Heinemann.
- King, K. (1979). Petty Production in Nairobi: "The Social Context of Skill Acquisition and Occupational Differentiation", in R. Bromley and C. Gerry, eds., Casual Work and Poverty in Third World Cities, New York: Wiley, pp. 217:228.
- Kowarick, L. (1979). "Capitalism and Urban Marginality in Brazil", in R. Bromley and C. Gerry, eds., Casual Work and Poverty in Third World Cities, New York: Wiley, pp. 69-85.
- Kuran, T. (1978). "Internal Migration: The Unorganized Urban Sector and Income Distribution in Turkey, 1963-1973", Discussion Paper No. 82, Research Programme in Development Studies, Woodrow Wilson School, Princeton University, Princeton, N.J.
- LeBrun, O., and Gerry, C. (1975). "Petty Producers and Capitalism." Review of African Political Economy, 3:20-32

- Lewis, O. (1966). "The Culture of Poverty", Scientific American, 215(4): 3-9.
- Lewis, W.A. (1954). "Economic Development with Unlimited Supplies of Labour", The Manchester School of Economic and Social Studies, 22(2): 139-91.
- Leys, C. (1973). "Interpreting African Underdevelopment: Reflections on the ILO Report on Employment, Incomes and Equality in Kenya", African Affairs, 72:419-429.
- Leys, C. (1975a). Underdevelopment in Kenya: The Political Economy of Neo-colonialism, London: Heineman.
- Leys, C. (1975b). "The Politics of Redistribution with Growth: The 'Target Group' Approach." Bulletin, Institute of Development Studies, University of Sussex, 7(2):4-8.
- Lipsey, R.G. (1976). Economics, New York: Harper and Row.
- Lubell, H. (1973). "Urban Development and Employment in Calcutta", International Labour Review, 108(1):25-41.
- Lubell, H. (1974). Calcutta: Its Urban Development and Employment Prospects, Geneva: ILO.
- Marsden, K. (1971). "Progressive Technologies for Developing Countries", in W. Galenson (ed.), Essays on Employment, International Labour Office, Geneva.
- Mazumdar, D. (1976). "The Urban Informal Sector", World Development, 4(8):655-679.
- Mazumdar, D. (1977). "Analysis of the Dual Labour Markets in LDCs" in Kannappan, S. (ed.) Studies of Urban Labour Market Behaviour in Developing Areas, Geneva: International Institute for Labour Studies, pp. 13-33.
- Mazumdar, D. (1979). "Paradigms in the Study of Urban Labour Markets in LDCs: A Reassessment in the Light of an Empirical Survey in Bombay City", World Bank Staff Working Paper No. 366.
- McGee, T.G. (1971). "Revolutionary Change and the Third World City", in his The Urbanization Process in the Third World, London: G. Bell and Sons, pp. 64-96.
- McGee, T.G. (1973a). "Hawkers in Hong Kong: A Study of Planning and Policy in a Third World City", University of Hong Kong, Centre of Asian Studies.
- McGee, T.G. (1973b). "Peasants in the Cities: A Paradox, A Most Ingenious Paradox", Human Organization, 37(2):135-142

- McGee, T.G. (1974). "The Persistence of Proto Proletariat: Occupational Structures and Planning for the Future of Third World Cities", Los Angeles: University of California, School of Architecture and Urban Planning.
- McGee, T.G. (1976). "Hawkers and Hookers: Making out in the Third World City: Some Southeast Asian Examples", Manpower and Unemployment Research, 9(1):3-22.
- McGee, T.G. (1977). "Rural-Urban Mobility in South and Southeast Asia", in J. Abu-Lughod and R. Hay Jr. (eds.), Third World Urbanization, Chicago: Marufa Press, pp. 257-270
- McGee, T.G. (1979). "The Poverty Syndrome: Making Out in the Southeast Asian City", in R. Bromley and C. Gerry (eds.), Casual Work and Poverty in Third World Cities, New York: Wiley, pp. 45-68.
- Meadows, D. H. et al. (1972). The Limits to Growth, A Report for the Club of Rome's Project on the Predicament of Mankind, New York: Universe Books.
- Meller, P., and Marfan, M. (1981). "Small and Large Industry: Employment Generation, Linkages, and Key Sectors", Economic Development and Cultural Change, 29(2):263-274.
- Merrick, T.W. (1976). "Employment and Earnings in the Informal Sector in Brazil: The Case of Belo Horizonte", Journal of developing areas, 10(3):337-353.
- Mishan, E.J. (1969). The Costs of Economic Growth, U.K.: Pelican Books.
- Moir, H. (1978). "The Jakarta Informal Sector", Working Paper of World Employment Program, International Labour Office, Geneva.
- Morawetz, D. (1974). "Employment Implications of Industrialization in Developing Countries: A Survey," The Economic Journal, 84:491-542.
- Moser, Caroline, O.N. (1977). "The Dual Economy and Marginality Debate and the Contribution of Micro-Analysis: Market Sellers in Bogota." Development and change, 8(4):465-89.
- Moser, Caroline, O.N., (1978). "Informal Sector or Petty Commodity Production: Dualism or Dependence in Urban Development?", World Development, 6(9-10):1041-1064.
- Muench, L.H. (1977), "A Final Demand Approach to the Informal Sector and Implications for Public Policies", in S.B. Westley (ed.), The Informal Sector in Kenya, Occasional Paper No. 25, Institute for Development Studies, University of Nairobi, pp. 5-34.

- Mukui, J.T. (1977). "Anatomy of the Urban Informal Sector: A study of Food Kiosks and Shoeblocks in Nairobi" in S.B. Westley (ed.), The Informal Sector in Kenya, Occasional Paper No. 25, The Institute of Development Studies, University of Nairobi, pp. 119:146.
- Murty, M.N. (1967). Sampling Theory and Methods, Calcutta: Statistical Publishing Society.
- Nihan, G., and R. Jourdain (1978). "The Modern Informal Sector in Nouakchott", International Labour Review, 117(6):709-719.
- Nihan, G., E. Demal, and C. Jondoh (1979). "The Modern Informal Sector in Lane", International Labour Review, 118(5):631-644.
- Oyeye, O.Y. (1980). "Apprentices in the Informal Sector of Nigeria", Labour Capital and Society, 13(2):68:79.
- Pack, H., (1977). "Unemployment and Income Distribution in Kenya: A Review Article", Economic Development and Cultural Change, 26(1): 157:168.
- Paine, S. (1971). "Lessons for LDCs from Japan's Experience with Labour Commitment and Subcontracting in the Manufacturing Sector", Bulletin of Oxford University Institute of Economics and Statistics, 33(2): 115-34.
- Peattie, Lisa, R. (1974). "The Informal Sector: A Few Facts from Bogota, Some Comments and a List of Issues", Mimeo, Department of Labour Studies and Planning, MIT.
- Peattie, Lisa, R. (1975). "'Tertiarization' and Urban Poverty in Latin America", in W. Cornelius and F. Trueblood, Urbanization and Inequality, London: Sage, pp. 109-23.
- Peek, P., and Antolinez, P. (1977). "Migration and the Urban Labour Market: The Case of San Salvador." World Development, 5(4):29:302.
- Peil, Margaret (1976). "African Squatter Settlements: A Comparative Study." Urban Studies, 13(2):155-66.
- Perlman, Janice, E. (1976). The Myth of Marginality, Berkley and Los Angeles: University of California Press.
- Portes, A., (1971). "The Urban Slum in Chile: Types and Correlates", Land Economics, 47(3):235-248.
- Porto, M.S.G. (1980). "Informal Labour Market and Capital Accumulation: A Theoretical Approach and an analysis of the Brazilian Case", Labour Capital and Society, 13(2):40-67.
- Ranis, G. (1975). "Employment, Equity, and Growth: Lessons from the Philippine Employment Mission", Ekistics, 40(237):131-134.

- Rempel, H. (1974). "The Informal Sector", Mimeo, Institute for Development Studies, University of Nairobi.
- Rempel, H. (1980). "The Role of the Urban Informal Sector in the Urbanization Process", Mimeo., Department of Economics, University of Manitoba.
- Rempel, H. (1981). Rural-Urban Labour Migration and Urban Unemployment in Kenya, Laxenburg (Austria): International Institute for Applied Systems Analysis.
- Rempel, H., and House, W.J. (1977). "The Operation of Urban Labour Markets in Kenya", in S. Kannappan (ed.) Studies of Urban Labour Market Behaviour in Developing Areas, Geneva: International Institute for Labour Studies, pp. 170-179.
- Rempel, H., and House, W.J. (1978). The Kenya Employment Problem: An Analysis of the Modern Sector Labour Market, Nairobi: Oxford Economic Press, pp. 163-73.
- Rempel, H., and Lobdell, R.A. (1976). The Rural Impact of Rural-Urban Migration in Low Income Economies, Draft Manuscript, Department of Economics, University of Manitoba.
- Rempel, H., and Lobdell, R.A. (1977). The Rural Impact of Rural-Urban Migration in Low Income Economies, Draft Manuscript (New Edition) Department of Economics, University of Manitoba.
- Reynolds, L.G. (1969). "Economic Development with Surplus Labour: Some Complications", Oxford Economic Papers, 21(1):89-103.
- Rimmer, P.J., Drakakis-Smith, D.W., and McGee, T.G. (eds.), Food, Shelter and Transport in Southeast Asia and the Pacific, The Australian National University, Canberra.
- Riskin, C. (1976). "Intermediate Technology in China's Rural Industry", International Economic Association Conference, Teheran, September 1976.
- Sabot, R.H. (1977). "The Meaning and Measurement of Urban Surplus Labour", Oxford University Papers, 29(3):389-411.
- Sandbrook, R., and Arn, J. (1977). The Labouring Poor and Urban Class Formation: The Case of Greater Accra. Occasional Monograph No. 12. Montreal: McGill University, Centre for Developing-Area Studies.
- Sarin, M. (1976). "Growth and Vitality of Non-plan Services in Chandigarh." Ekistics, 42(249):79:91.
- Sarin, M. (1979). "Urban Planning, Petty Trading, and Squatter Settlements in Chandigarh, India", in R. Bromley and C. Gerry, eds., Casual Work and Poverty in Third World Cities, New York: Wiley, pp. 133-160.

- Scherer, F.M. (1970). Industrial Market Structure and Economic Performance, Chicago: Rand McNally.
- Schumacher, E.F. (1974). Small is Beautiful, London: Abacus.
- Schumpeter, J.A. (1949). The Theory of Economic Development, Cambridge, Mass.: Harvard University Press.
- Scott, A.M. (1979). "Who are the Self-Employed?", in R. Bromley and C. Gerry (eds.), Casual Work and Poverty in Third World Cities, New York: Wiley, pp. 105-129.
- Senghaas-Knobloch, E. (1977). "Informal Sector and Peripheral Capitalism: A Critique of a Prevailing Concept of Development", Manpower and Unemployment Research, Centre for Developing-Area Studies, McGill University, Montreal. 10(2):3-24.
- Sethuraman, S.V. (1975). "Urbanization and Employment: A Case Study of Djakarta." International Labour Review, 112(2-3):191-206.
- Sethuraman, S.V. (1976). "The Urban Informal Sector: Concept, Measurement and Policy", International Labour Review, 114(1):69-81.
- Sethuraman, S.V. (1977a). "Employment Promotion in the Informal Sector in Ghana", Working Paper of World Employment Programme, International Labour Office, Geneva.
- Sethuraman, S.V. (1977b). "The Informal Urban Sector in Developing Countries: Some Policy Implications", Social Action, 27:195:205.
- Sethuraman, S.V., (1977c). "The Urban Informal Sector in Africa", International Labour Review, 116(3):343-352.
- Sinclair, S.W. (1976a). "The 'Intermediate' Sector in the Economy", Manpower and Unemployment Research, 9(2):55-60.
- Sinclair, S.W. (1976b). "Research on Small-Scale Retailing in Lagos, 1976", Manpower and Unemployment Research, 9(2):61-63.
- Sinclair, S.W. (1976c). "Informal Economic Activity in African Cities: Proposal for Research". Journal of Modern African Studies, 14(4): 696-99.
- Sinclair, S.W. (1977). "Ease of Entry into Small-Scale Trading in African Cities: Some Case Studies from Lagos", Manpower and Unemployment Research, 10(1):79-90.
- Sinclair, S.W., (1978a). Urbanization and Labour Markets in Developing Countries. London: Croom Helm Ltd.,
- Sinclair, S.W. (1978b). The Informal Sector, Bibliography Series, No. 10, Montreal: Centre for Developing-Area Studies, McGill University.

- Singer, H. (1970). "Dualism Revisited: A New Approach to the Problems of the Dual Society in Developing Countries," Journal of Development Studies, 7(1):60-75.
- Singer, H. (1977). "Changing Thought on Economic Development with Special Reference to the Arthur Lewis Model", Paper Presented at Study Seminar on Rural-Urban Migration, Institute of Development Studies, 28, November - 22, December, 1977.
- Sobhan, R., and Ahmed, M. (1980). Public Enterprise in an Intermediate Regime: A Study in the Political Economy of Bangladesh, Bangladesh Institute of Development Studies, Dacca,
- Souza, R.P., and V.E., Tokman (1976). "The Informal Urban Sector in Latin America." International Labour Review, 114(3):358-368.
- Standing, G. (1977). "Urban Workers and Patterns of Employment", in S. Kannappan (ed.), Studies of Urban Labour Market Behaviour in Developing Countries, Geneva: International Institute for Labour Studies, pp. 35-58.
- Steel, W.F. (1976a). Urban Unemployment and Small-Scale Enterprises in Developing Countries: Evidence from Ghana. New York: Praeger.
- Steel, W.F. (1976b). "Empirical Measurement of the Relative Size and Productivity of Intermediate Sector Employment: Some Estimates for Ghana." Manpower and Unemployment Research, 9(1):23-31.
- Steel, W.F. (1977). "Static and Dynamic Analysis of the Intermediate Sector: A Synthesis", Manpower and Unemployment Research, 10(1):73-78.
- Steele, D., (1975). "The Theory of the Dual Economy and African Entrepreneurship in Kenya", Journal of Development Studies, 12(1):18-38.
- Stewart, F. (1975). "Manufacture of Cement Blocks in India", in A.S. Bhalla (ed.), Technology and Employment in Industry, International Labour Office, Geneva, pp. 203-240.
- Streefland, P. (1977). "The Absorptive Capacity of the Urban Territory Sector in Third World Countries:", Development and Change, 8(3):293-305.
- Sussex Group (1970). "Science and Technology for Development - Proposals for the Second Development Decade", U.N.
- Sveikauskas, L.A. (1975). "The Productivity of Cities", Quarterly Journal of Economics, LXXXIX(3):393-413.
- Thorbecke, E. (1973). "The Employment Problem: A Critical Evaluation of Four ILO Comprehensive County Reports." International Labour Review, 107(5):393-423.

- Todaro, M.P. (1969). "A Model of Labour Migration and Urban Unemployment in Less Developed Countries", The American Economic Review, 59:138-48.
- Tokman, V.E. (1978a). "An Exploration into the Nature of Informal-Formal Sector Relationships." World Development, 6(9-10):1065-1075.
- Tokman, V.E., (1978b). "Competition Between the Informal and Formal Sectors in Retailing: The Case of Santiago", World Development, 6(9-10):1187-1198.
- Van Velsen, J. (1975). "Urban Squatters: Problem or Solution", in L. D. Parkin (ed.), Town and Country in Central and Eastern Africa, Oxford University Press, pp. 294-305.
- Wade, R. (1973). "A Culture of Poverty?" Bulletin, Institute of Development Studies, University of Sussex, 5(2-3):4-30.
- Walter, J.P. (1973). "The City as a Source of Regional Economic Disparity in Latin America", Review of Social Economy, XXXI(1):66-84.
- Ward, Barbara (1969). "The Cities That Came Too Soon", The Economist, 233(6589):56-70.
- Webb, R. (1975). "The Urban Traditional Sector in Peru", Washington, D.C.: World Bank Staff Working Paper.
- Weeks, J. (1971). "Does Employment Matter?" Manpower and Unemployment Research, 4(1):67:70.
- Weeks, J., (1973). "An Exploration into the Nature of the Problem of Urban Imbalance in Africa", Manpower and Unemployment Research in Africa: A Newsletter, 6:9-36.
- Weeks, J. (1975). "Policies for Expanding Employment in the Informal Urban sector of Developing Countries", International Labour Review, 111:1-13.
- Werlin, H.H. (1974). "The Implications of the ILO's Study of Kenya". African Studies Review, 17(1):205-12.
- Westley, S.B., and Kabagambe, D. (1977). "Introduction to the Workshop Papers", in S.B. Westley (ed.), The Informal Sector In Kenya. Occasional paper No. 25, Institute for Development Studies, University of Nairobi, pp. 1-4.

APPENDIXES

A. SCHEDULE FOR ENUMERATION OF INFORMAL SECTOR ENTERPRISES IN DACCA

1. Serial no.
2. Name of head of enterprise
3. Sign board, if any
4. Location (areawise)
5. Location (fixed/variable)
6. Nature of the economic activity
7. Activity group in which the enterprise belongs*
8. No. of persons working in the enterprise**
9. Present residential address
10. Age of the establishment
11. Total asset of the enterprise

* Leave for office work.

** Including the head of the enterprise.

B. ACTIVITY CATALOGUE

Trade Activities

Banana selling
Biscuit selling
Biryani (cooked rice) selling
Bag, flower wreaths selling
Buttons, zippers
Brassieres
Balloons
Birds selling
Fodder
Cooked rice
Comb selling
Chair, table selling
Clothes ('cut pieces')
Cement bag seller
Clothes ('than Kapar')
Cosmetic store
Cosmetic seller
Cigarettes shop
Cotton thread seller
Cement selling
Bicycle parts selling
Chapati seller
Chemical items
Chocolate seller
Coal seller
Dried fish seller
Dal (lentils)
Egg seller
Electric goods seller
Finger ring seller
Fish selling
Electric goods
Fruit seller
Flower base
Green coconut ('dub') selling
Glass seller
Grocery
Ganje, socks, lungi
Hardware seller
Hawking fruits
Hawking (cuckoos)
Hawker (food items)
Hosiery items
House building materials
Handkerchief, cap
Iron place selling
Ice cream hawker
Iron sheet seller

Jute bag selling
Jute seller
'Kabiraj sharbat' (drinks)
Kerosene seller
Local fruits
Laces, cosmetics
Meat seller
Medicine shop
Mobil and wires selling
'Moa and Muri'
Motor parts
Metal goods seller
Mat, 'shitol pathi'
Mora, belt
'Muri and chanachur'
Newspaper, magazines, books
Onion and ginger
Ointment seller
Old leather suitcase seller
Old drum seller
Old motor parts selling
Oil selling
Old iron piece selling
Old nickel good polishing
'Orna' (scarfs)
Pan-cigarettes
Pharmacy
Peanuts seller
Photographer (footpath)
Paratha, sweets
Plants seller
Processed food seller
Restaurants
Rotis
Rice selling
Rice selling
Ring, 'atar', stone
Scraps (iron pieces)
Scraps (old pieces)
Scraps (old rubbers)
Scraps (old bottles)
Scraps (all kinds)
Stationery shops
Shoe-lace
Sweets
Pickles ('chatney')
Threads, buttons
Scent, 'surma'
Shon papri
Soaps
Steel items
Studio

Saree, lungi
 Sun glass
 Shoes and sponge randals
 Suitcases, 'jhurees', etc.
 Shoe and sandal selling store
 Soap store
 'Tabiz, tosbees'
 Tea stalls
 Tea
 Toys
 Warm clothes
 Wholesalers ('aratdar') of vegetables
 Woods (for fuel)
 Wool
 Vegetables

Service Activities

Airconditioning works
 Art on 'baby' Taxi and Rickshaw
 Barber
 Book, mirror binding
 Casual labour
 Commercial art
 Renting carom board
 Day labourer
 Dowakhana (medicine men)
 Dyeing cloth
 'Dentist' (footpath teeth healer)
 Flour mill
 Haircutting
 Homeopath
 'Hakimi' tooth powder
 Laundry
 Loud speaker services
 Lock and key repairer
 Old rickshaw repairing
 Palmist
 Pumping air to tyres
 Repairing (baby taxis)
 Repairing (automobiles)
 Repairing (motor cycles)
 Repairing (electric)
 Repairing (tin, and aluminum items)
 Repairing (tube and tires)
 Repairing (radio, T.V.)
 Repairing (motor spring)
 Repairs (fridge)
 Repairing (old tyres) battery charging
 Repairing (cycle, rickshaw)
 Repairing (shoes)
 Repairing watch, pen and selling spectacles

Sharpening of knife
Tailors (repairer)
Weigher

Manufacturing Activities

Bag making
Making traps to kill rats
Blacksmithing
Block printing
Bread and biscuit making (bakery)
Bicycle tyre maker
Bed sheet maker
Cloth printing
Bakery
Cake making
Carpet making
Carom board accessory maker
Dice-making and repairing
Drum maker
Doll making
Engineering works
Electric plate making
Furniture-making (wood)
Furniture-making (plastic)
Jarees
Goldsmiths
Gate and door maker
Handicrafts
Weavers (handlooms)
Handlooms block-making
Ice cream box making
Kites maker
Lock and key making
Metal workshop
Lock and key making
Metal workshop
Mini truck-making (from rejected vehicles)
Necklace making
Ointment manufacturer
Paper packets and paperboard makers
Printing press
Potters
Quilt-making
Rickshaw painting and body making
Rubber stamps ('seal') making
Shoemakers
Shoe-sole making
Shoe-dice making
Sanitary fittings
Stove-making and repairing
Saree designer

Steel alimirah making
Railors
Tooth powder maker
Upholsters
Weaving
Welding
Window grill making
Wood box making

Construction Activities

Brick-breaking
Brick-laying
Carpenter
Carpenter helper
Earth digging and moving
Gas line 'mistry' (worker)
'Gharami' (building house)
Mason
Mason helper
Painter
Plumber

Transport Activities

Bullock carts
Hard carts
Rickshaws
Tempos

C. QUESTIONNAIRE FOR SURVEY OF INFORMAL SECTOR IN DACCA

SAMPLE NO. _____

1. Interviewer's name _____
2. Enumerated area _____
3. Enumeration Serial No. of the enterprise _____
4. Name of owner/operator _____
5. Name, if any, of the enterprise _____
6. Address of the enterprise _____
7. Residential address of the owner/operator _____
8. Activity group _____
9. Size Class _____
10. Date of interview _____

I: Enterprise SurveyLocation

Ask Q. 1-10 to enterprises which are location-specific.

1. Type of location
 1. Fixed
 2. Variable within an area
 3. Variable among areas
 4. Mobile
 5. Other (specify)
2. If in a fixed location, is the enterprise located in
 1. Pavement or any other open space
 2. Temporary structure
 3. Semi-permanent structure
 4. Permanent structure
 5. Other (specify)
3. If the enterprise is housed in a structure, is it equipped with
 1. Water only
 2. Electricity only
 3. Both water and electricity
 4. Neither water nor electricity

* In developing this questionnaire I have benefited by several ILO questionnaires on informal sector research and W.J. House's questionnaire on a similar project on Nairobi.

4. If the location is variable, specify the mode of operation.
 1. Standing on or sitting in an open space or pavement
 2. Moving on foot
 3. Moving with wheel carts
 4. Other (specify)

Ownership

5. Ownership of premise/land where the enterprise is located.
 1. Government owned
 2. Privately owned
 3. Owned by the enterprise
 4. Unknown
6. Ownership of structure (if any)
 1. Government owned
 2. Privately owned
 3. Owned by the enterprise
 4. Other (specify)
7. Do you pay rent for any of the following for your business operation?
 1. For land/premise only
 2. For structure only
 3. For both land and structure
 4. Regular payments to policy/local touts, etc.
 5. Free use

Clustering/Localisation

8. What reason do you consider to be most important for the present location of the enterprise? Rank the answers if more than one reason is given.
 1. Proximity to buyers
 2. Proximity to suppliers
 3. Transport facilities
 4. Location of similar enterprises
 5. Close to relatives' and friends' enterprises
 6. Close to residence
 7. Other (specify)
9. Would you like to move your enterprise to another part of Dacca?
 1. Yes
 2. No

10. If the government built a marketplace or a workshop centre for which rent would be charged, would you prefer

1. to move your enterprise to that place?
2. to remain in present location?

Legal Status

11. Is permission from the government necessary to operate this business?

1. Yes
2. No (If the answer is 2 or 3 go to question 15)
3. Don't know

12. Does the enterprise have a license?

1. Yes (If yes, go to question 14)
2. No

13. Did the enterprise seek any permission from the government to conduct the business?

1. Yes
2. No (If no, go to question 15)

14. Did you pay any bribe in getting or attempting to get a license?

1. Yes
2. No

15. Is the enterprise subject to inspection by people from the government departments on a regular or irregular basis?

1. Yes, regularly
2. Yes, from time to time
3. No

16a. Does the enterprise pay any money regularly or irregularly to police/inspectors/local touts/others for conducting the business?

1. Yes, regularly
2. Yes, from time to time
3. No.

16b. If yes, how much and how often?

Tk. daily/weekly/monthly/yearly

17. Does the enterprise pay any tax or fee to the government or its departments? Check more than one, if necessary.

1. None
2. Yearly license fee only
3. Income tax
4. Other (specify)

18. If the enterprise has water and electricity, does it pay for these or get free?

1. Pays for both water & electricity
2. Pays for electricity only
3. Pays for water only
4. Gets free

Type of Activity

19a. List some major item of goods produced and/or sold and services offered by the enterprise, (use code sheet)

1. Trade - Sells:
2. Services offered:
3. Manufactures:
4. Construction:
5. Transport

19b. Ask manufacturing and repairing units. List the main raw materials you use in your production process or repairing work.

- i)
- ii)
- iii)
- iv)
- v)

20. Is the enterprise involved in producing, processing, selling, repairing, constructing, carrying or offering items of the following type? Check the one, which is major to the enterprise.

1. Food and drink (processed)
2. Food and drink (unprocessed)
3. Tobacco (pan-cigarette seller, etc.)
4. Hardwares and household items
5. Clothes, garments, footwear, etc.
6. Clothes (second hand ones)
7. Repair services
8. Cheap transport
9. Recycling of wastes
10. Health and personal care
11. Construction work
12. Other (specify)

History of the Enterprise

21. For how many years have you been operating this enterprise?
_____ months/years
22. Has the enterprise been located in the same place all these years?
1. Yes
 2. No
 3. Not applicable
23. What was your original position in the enterprise?
1. Sole owner
 2. Part owner with relatives
 3. Part owner with non-relatives
 4. Employee
 5. Apprentice
 6. Operator (specify)
24. What position do you have now in the enterprise?
1. Sole owner
 2. Part owner with relatives
 3. Part owner with non-relatives
 4. Other (specify)
25. If you are not the owner, specify the occupational background of the owner of the enterprise?
1. Big businessmen
 2. Small businessmen
 3. Professionals (doctors, lawyers, engineers, etc.)
 4. Salaried persons
 5. Wage employees
 6. Co-operative
 7. Other (specify)
26. What were the three most difficult problems to overcome in establishing the enterprise? Checklist, Use 1, 2, and 3 to rank
1. Capital
 2. Finding a good location
 3. Government regulations (e.g., need for license)
 4. Skilled workers
 5. Getting a vehicle to drive
 6. Other (specify)

27. What are the problems you face in keeping the business going? Check ~~TT~~ ~~st~~. Rank as above if more than one answer is given.

1. Inadequate capital
2. Few customers
3. Harassment by the Police, etc.
4. Skilled workers
5. Thefts, cheating
6. Shortage of tools and equipment
7. Supplies of goods and raw materials
8. Premise to operate the business
9. Other (specify)

Development, Technology, Innovation

28. Has there been an improvement of the enterprise in terms of the following since it was established? Check more than one, if relevant.

1. Sales
2. Volume of work/services
3. Production
4. Production and sales
5. Employment
6. Production methods
7. None
8. Other (specify)

Ask Questions 29-32 only if the enterprise is engaged in manufacturing, repairing services or any other activity which requires some skills, entrepreneurship etc. Observe and trace carefully any sign of innovative ability.

29. Has there been an improvement of the enterprise in terms of the following since it was established?

- (a) Tools and equipment
 1. Yes
 2. No
- (b) New or improved products
 1. Yes
 2. No
- (c) Better production methods
 1. Yes
 2. No
- (d) Acquiring new skills (yourself and workers)
 1. Yes
 2. No
- (e) Apprentice training
 1. Yes
 2. No
- (f) Hiring workers with better skills
 1. Yes
 2. No

- (g) Keeping accounts, hiring managers, salesmen, etc.)
 - 1. Yes
 - 2. No
- (h) Expansion of existing premises
 - 1. Yes
 - 2. No
- (i) Improvement of physical structure
 - 1. Yes
 - 2. No
- (j) Better location
 - 1. Yes
 - 2. No
- (k) Other (specify)
 - 1. Yes
 - 2. No

30. Procurement of major tools and equipment in use of the enterprise and few related information.

Type of Equipment	How Procured*	Cost in Producing	Cost of Replacement	How Old	Expected Life
-------------------	---------------	-------------------	---------------------	---------	---------------

(i)

(ii)

(iii)

* Code for how procured:

- 1. Purchased new
- 2. Purchased second hand
- 3. Purchased second hand but made major improvements
- 4. Self-constructed
- 5. Rented
- 6. Inherited

31. Does the enterprise itself take care of all repairing works of its tools and equipment, machines, vehicles, etc.?

- 1. Yes, all
- 2. Yes, mostly
- 3. No, call for some informal repairing services
- 4. No, go to a modern workshop
- 5. No repairs required

32. Does the enterprise also attempt to make its own tools and equipment, machinery, spare parts? Check more than one, if necessary.

1. Yes, all
2. Yes, some tools
3. Yes, all spare parts
4. Yes, some spare parts
5. Combination of 2, 3, and 4
6. No.

Linkages

(i) Purchases

33. From where does the enterprise get most of its supplies, e.g., sales goods, raw materials, etc. Check more than one, if required and rank.

1. Wholesalers/factories
2. Big retail shops
3. Small retail shops
4. Government agencies
5. Other informal economic units
6. Individuals and households
7. Other (specify)

34. From where did these goods originate?

(a) Rural or urban area?

1. Rural area
2. Urban area
3. Both
4. Don't know.

(b) Domestically produced or imported?

1. Domestically produced
2. Urban area
3. Both
4. Don't know

(c) If domestically produced, specify the production origin of the major items.

1. Modern industrial sector
2. Cottage industries
3. Households and individuals
4. Farm products
5. Informal enterprises
6. Other (specify)

35. What is the usual method of payments for the supplies:
1. Cash only
 2. Credit only
 3. Both cash and credit
 4. Cash, credit, kind - all
36. To get a better deal do you ever buy goods and raw materials jointly with other similar enterprises to yours?
1. Yes
 2. No, but I would like to
 3. No, and I don't want to
- (ii) Sales
- 37a. Who are the three most important buyers of the goods and services sold directly to consumers by your enterprise? Rank.
1. Low income groups
 2. Lower middle income groups
 3. Middle income groups
 4. Upper middle income groups
 5. Rich
 6. All income groups
 7. Can't say
- 37b. If some enterprises also buy from you, are they mostly
1. Large enterprises
 2. Small enterprises like yours
 3. Both
 4. Not applicable
- Ask Question 38-42 to Manufacturing, Trade and Service Units only.
38. Does the enterprise produce or sell items which are used by other enterprises as inputs in their production process?
1. Yes
 2. No
- 39a. Do you receive contracts for large orders?
1. Yes, regularly
 2. Yes, sometime
 3. No
- 39b. If yes, from whom do you receive these contracts?
1. Large enterprises/factories
 2. Small enterprises
 3. Government agencies
 4. Households and individual buyer
 5. All of the above
 6. Other (specify)

- 39c. Do you attempt to obtain contracts?
1. Yes
 2. No
40. Do you feel the government agencies and the large enterprises could buy more of your goods and services?
1. Yes
 2. Probably
 3. No
 4. Don't know
41. Do you receive orders for your goods and services from outside Dacca?
1. Yes, from rural areas
 2. Yes, from district towns
 3. Both
 4. No
42. When you have a large order, do you ever join together with other enterprises like yours to meet such an order?
1. Yes, we do join
 2. No, but I would like to
 3. No, and I don't want to
 4. N.A.

Competition

43. Do you feel there are too many similar enterprises like yours in your area?
1. Yes, too many
 2. No, there are not too many
 3. Just enough
 4. No, not enough
 5. Don't know
44. Are there large enterprises selling goods and services similar to yours?
1. Yes
 2. No
45. In what way do they affect your business?
1. For worse
 2. For better
 3. No way
 4. Don't know

46. Are the goods sold by these large enterprises,
1. Cheaper than yours?
 2. More expensive than yours?
 3. About the same price as yours?
 4. Of better quality than yours?
 5. Better quality and expensive?
 6. Both cheaper and of better quality?
 7. Same price but better quality?
 8. Don't know
47. Do all the enterprises similar to yours charge same price for same type of goods and services?
1. Yes
 2. No
48. Would you have to consult with enterprises similar to yours for raising the prices of the goods and services you sell?
1. Yes
 2. No
49. Enterprise expenditure:
- | | Daily | Weekly | Monthly | Yearly |
|---|-------|--------|---------|--------|
| i) Value of goods purchased for sale | | | | |
| ii) Value of raw materials | | | | |
| iii) Wage bill | | | | |
| iv) Value of any free items provided to the workers | | | | |
| v) Rent (land, buildings) | | | | |
| vi) Rent (tools, equipment) | | | | |
| vii) Maintenance costs (repairs, etc.) | | | | |
| viii) Water, electricity bills. | | | | |
| ix) Other (specify) | | | | |

50. Enterprise revenue:
- | | Daily | Weekly | Monthly | Yearly |
|--|-------|--------|---------|--------|
| i) Value of Sales
(goods or services) | | | | |
| ii) Value of production | | | | |
| iii) Net income
(for office use) | | | | |

Capital Employed

51. When you started or joined this enterprise how much money did you and your partners together invest?
Tk. _____
52. What are the three most important items for which the money was used? Rank.
1. For possession (lease money)
 2. For license
 3. To purchase stock of goods for resale
 4. To purchase capital equipment
 5. To purchase raw materials
 6. For building structure
 7. For furniture (racks, boxes, etc.)
 8. Other (specify)
53. What are three main sources of these initial funds? Rank.
1. Own savings
 2. By selling property
 3. By mortgaging property
 4. Loans from relatives, friends
 5. Loans from moneylenders
 6. Bank loans
 7. Government agency loans
 8. Gifts from relatives, friends
 9. Other (specify)
54. After your initial investment, could you add more to increase your stock of goods and raw materials, tools and equipment or in improvement of the structure, furniture, etc.?
1. Yes, substantially
 2. Yes, some
 3. No

55. If there has been some increase in investment, what were the three main sources of these funds? Rank.

1. Reinvested profit of the enterprise
2. By selling property
3. Loans from moneylenders
4. Bank loans
5. Government agency loans
6. Loans/gifts from relatives, friends
7. Savings (from wage employment, etc.)
8. Other (specify)

56. Ask only if borrowed money has been used.

Do you pay any interest against your borrowings?

1. Yes, _____ per cent per annum
2. No

57. What will be the current market value of your assets? (include all assets of the enterprise owned by you).

58. Capital employed in the enterprise:

(a) Fixed assets:

Items	Ownership*	Value in Tk.
i. Land		
ii. Buildings		
iii. Machines		
iv. Vehicles		
v. Tools & Equipment		
vi. Furniture		
vii. Other (specify)		

* Code for column 2: 1 = Owned 2 = Rented 3 = Free use

(b) What is the value of stock of goods and raw materials that you have now?

Tk _____

(c) What is the value of usual stock of goods and raw materials held?

Tk _____

Capacity Utilization

59. How many days per week does the enterprise usually operate?

60. How many hours does the enterprise operate or remain open on average each day?

61. Does the enterprise observe any weekly holiday?
1. Yes
2. No
62. Does the enterprise close on fixed holidays?
1. Yes
2. No
- 63a. Does the enterprise operate in shifts each day?
1. Yes, three shifts
2. Yes, two shifts
3. No shift system
- 63b. If the answer is 3 in the above question, why is it so? Rank if more than one reason is given.
1. No scope
2. Inadequate supply of raw materials
3. Need for wage premium in shift system
4. Inadequate supply of other inputs (e.g., electricity)
5. Inadequate demand for the product
6. Other (specify)
64. Ask if the enterprise is housed in a structure.
Is the structure used for other purposes when the enterprise is closed for the day?
1. Yes, for sleeping purposes
2. No
65. Ask if the enterprise owns vehicle, machinery, tools and equipment and the like.
Does the enterprise hire out such assets?
1. Yes, on rent
2. Yes, free of charge
3. Yes, on rent and free of charge
4. No

Work Force

66. Does anybody else work for you in this enterprise?
1. Yes
 2. No
- 67a. Does the enterprise hire persons with some previous experience only?
1. Yes
 2. No
- 67b. If no, does the enterprise recruit people for training them up?
1. Yes
 2. No
- 67c. Do these people work?
1. With full wage
 2. With reduced wage
 3. Without wage
 4. Combination of 2 and 3
 5. All of above
68. Do the people trained by the enterprise stay to work with it?
1. Yes, for less than a year
 2. Yes, for one or two years
 3. Yes, indefinitely
 4. No, they leave soon after finishing training
69. How many workers did you have at the beginning of 1978?
- _____
70. How many of them are no longer with this enterprise?
- _____
71. Why do the workers usually leave?
1. To start own business
 2. To work in a similar enterprise
 3. Got a government job
 4. Got job in large enterprises/factories
 5. To attend school
 6. Return to farm work
 7. To look for better job
 8. Don't know why left
 9. Other (specify)

Constraints on Expansion

- 72a. Does the enterprise intend to expand in future?
1. Yes
 2. No
 3. No scope
- 72b. If yes, what are the proposed expansion? _____

- 72c. If no, why? _____
73. What are the three most difficult problems that prevent you from expanding? Rank.
1. Government regulations on business location, licensing, permit, etc.
 2. Lack of capital
 3. Lack of raw materials
 4. Lack of skilled workers
 5. Inadequate demand
 6. Too many similar enterprises
 7. Thefts, lack of security, etc.
 8. Harassment by police, local touts, etc.
 9. Other (specify)
- 74a. Does the minimum wage legislation of the government affect the wage demand by the employees of the enterprise?
1. Yes
 2. No
 3. Not applicable
- 74b. Have you felt any pressure (e.g., higher wage demand or shortage of skilled labour) from the manpower export programme to Middle-Eastern countries?
1. Yes, losing skilled hands
 2. Yes, in terms of higher wage demand
 3. No, not yet
 4. No.
- 75a. Which kind of law-enforcing people or others visit the enterprise?
1. Police/traffic police
 2. Mobile court
 3. Inspectors from the Municipality
 4. Local touts
 5. More than one of the above
 6. Other (specify)

75b. How many times in the last year was the enterprise visited by them?

76a. Has the enterprise ever been demolished, closed down or forced to move by the police?

1. Yes, a number of times
2. Yes, once
3. No

76b. If yes, why? _____

Incentives and Attitudes

77. If you were given a choice what type of work would you like to do for a living?

1. Join service (wage, employment, etc.)
2. Join service but keep operating this enterprise
3. Continue with this enterprise only
4. Start another one in addition to this enterprise
5. Give up this one and start another in different line
6. Go to rural area and live off on farming
7. Other (specify)

78. If you get a chance of wage employment, what would be the minimum salary/wage that would induce you to go for it?

Tk. _____ Monthly

79. If you win Tk. 50,000 in the "Prize Bond Draw", which one of the following would you do?

1. Improve the present enterprise (buildings, tools and equipment, stock of goods, etc.)
2. Start another enterprise and dispose of this one
3. Pay off outstanding debts
4. Buy land for farming
5. Build/improve house
6. Other (specify)

Miscellaneous

80. Are you a member of the following?

- (a) A cooperative
1. Yes
 2. No

(b) A trade association

1. Yes
2. No

(c) A trade union

1. Yes
2. No

81. Which three things would you like to see done by the government to help your enterprise? Rank.

1. Abolish license system
2. Easy licensing
3. Stop harassment by police, etc.
4. Provide premises
5. Provide loans
6. Encouraging government departments and large enterprises to buy from you
7. Provide raw materials, spare parts, tools
8. Don't know
9. Other (specify)

Sector Specific Questions

82. Ask Transport Operators Only

(a) Ownership of the vehicle

1. Owned
2. Rented

(b) Do you drive the vehicle for one shift only?

1. One shift
2. Both shifts
3. No shift system

(c) Do you prefer any particular shift?

1. Yes, morning shift
2. Yes, evening shift
3. No

(d) Do you do any other work after your shift is over?

1. Yes
2. No

(e) If you do not own, how much are you to pay to the owner for one shift?

Tk. _____

(f) How much are you left with on an average after the payment to the owner?

Tk. _____

(g) Do you or the owner have the license for this vehicle?

1. Yes
2. No (If no, go to (i))
3. Don't know

- (h) Did you or the owner pay more money than the legally required license fee?
 - 1. Yes, several times more
 - 2. Yes, a bit more
 - 3. No
 - 4. Don't know
- (i) Have you got a driving license?
 - 1. Yes
 - 2. No (If no, go to k)
- (j) If yes, did you pay any bribe for this?
 - 1. Yes
 - 2. No
 - 3. Won't say
- (k) Why do you drive rickshaw instead of doing something different?
 - 1. Got it easily
 - 2. Don't get any better work
 - 3. Take it like any other work

83. Ask Construction Group Only

- (a) Do you work in
 - 1. Building constructions
 - 2. Road constructions
 - 3. Both
 - 4. Other (specify)
- (b) Nature of the work:
 - 1. Carpentry
 - 2. Painting
 - 3. Masonry
 - 4. Mason helper
 - 5. Roof setting
 - 6. Earth worker
 - 7. Electrical work
 - 8. Brick breaking
 - 9. Brick layer
 - 10. Other (specify)
- (c) Are you doing currently government or private construction work?
 - 1. Government
 - 2. Private
 - 3. Both
- (d) Do you get work daily?
 - 1. Yes
 - 2. No

II: Labour Force SurveyPersonal Characteristics

84. Sex
1. Male
 2. Female
85. Age
86. Religious background
1. Islam
 2. Hindu
 3. Buddhist
 4. Christian
87. Ethnic background
1. Bengalee
 2. Non-Bengalee
88. Employment status
1. Owner/operator of the enterprise
 2. Partner in the enterprise
 3. Family labour
 4. Hired labour
89. Nature of employment
1. Full-time
 2. Part-time
90. Skill level
1. Skilled
 2. Unskilled
 3. Apprentice paid
 4. Apprentice unpaid
 5. Semi-skilled

Skill Acquisition

- 91a. If skilled where did you learn it?
1. Technical School
 2. As an apprentice in a large enterprise
 3. As a wage employee in a large enterprise
 4. As an apprentice in this enterprise
 5. As an apprentice in a similar enterprise
 6. From friends and relatives
 7. Self-taught while working in this enterprise
 8. Other (specify)

91b. Length of apprenticeship

1. Less than 1 year
2. 1-2 years
3. 2-3 years

91c. Any payment of fees during training/apprenticeship?

1. Yes
2. No

92. Attendance of school

1. None
2. Primary
3. High School
4. College
5. University

93a. Had you ambition for more education?

1. Yes
2. No, couldn't afford to think of
3. No, didn't think worth

93b. If yes, what was the most important reason for not having it?

1. Economic reasons
2. Preferred business
3. Didn't do well in studies
4. Other (specify)

Migration History

94a. Place of birth

1. Outside Dacca city
2. Dacca city

94b. If born outside Dacca city, which is your home District?

1. BARISAL
2. BOGRA
3. CHITTAGONG
4. CHITTAGONG HILL TRACTS
5. COMILLA
6. DACCA (Excluding natives of Dacca city)
7. DINAJPUR
8. FARIDPUR
9. JAMALPUR

94b. cont'd

10. JESSORE
11. KHULNA
12. KUSHTIA
13. MYMENSINGH
14. NOAKHALI
15. PABHA
16. PATUAKHALI
17. RAJSHAHI
18. RANGPUR
19. SYLHET
20. TANGAIL

95. How long have you been living in Dacca city?
96. What was the occupation before coming to the city?
1. Farming
 2. Farm worker
 3. Trading
 4. Artisans (all types)
 5. Wage employee
 6. Unpaid family worker
 7. Student
 8. Unemployed
 9. Minor
 10. Other (specify)

Job Search

97. Did you come to the city to look for job?
1. Yes
 2. No
- 98a. Did you register with the employment exchange bureau?
1. Yes
 2. No
- 98b. How long did it take you to get the first work after arrival in the city?
- 98c. How did you finance your initial stay and period of job search?
- 99a. Did you get or start the present work through
1. Relatives & friends
 2. Self search

99b. Did you get or start the present business/work

1. Without much effort
2. After a long search

Occupational History

100a. How many different types of business/work you did after your arrival in the city? (Exclude the present one.)

100b. Information on the last three jobs/work (after arrival in the city).

Last Job:

1. Description of activity....
2. Length of stay....
3. Income/wage (monthly)....
4. Experience/training....
5. Capital invested (if was in business)....
6. Reason for leaving (use codes)....
7. Without work after leaving....

Second Last Job:

1. Description of activity....
2. Length of stay....
3. Income/wage (monthly)....
4. Experience/training....
5. Capital invested (if was in business)....
6. Reason for leaving (use codes)....
7. Without work after leaving....

Third Last Job:

1. Description of activity....
2. Length of stay....
3. Income/wage (monthly)....
4. Experience/training....
5. Capital invested (if was in business)....
6. Reason for leaving (use codes)....
7. Without work after leaving....

Hours of Work

101a. How many days of the week do you work on this enterprise?

101b. How many hours a day?

101c. Any other work?

1. In own/other business
2. Service in informl sector
3. Work in similar enterprises

Earnings

102a. Income/wage (monthly from this enterprise) Tk. _____

102b. Do you consider this activity as your main source of income?

1. Yes
2. No

102c. What are your other sources of income? Check more than one if relevant

1. Farm income
2. Other business income
3. Income from wage employment
4. None
5. Other (specify)

102d. Monthly income from all sources.

103. Ask Employees Only

103a. Given cash wage?

1. Yes
2. No

103b. Given free food?

1. Yes
2. No

103c. Given free shelter?

1. Yes
2. No

103d. Given clothes?

1. Yes
2. No

- 104a. Did you take up this business/work because you didn't get a job?
1. Yes
 2. No, I wanted this
 3. Guardian wanted to do this
 4. Other (specify)
- 104b. Have you got any special advantage in doing this particular business/work?
1. Yes, family tradition
 2. Yes, I have the skill/I know this business
- 104c. Are you satisfied with your present work?
1. Yes
 2. No, looking for better job
 3. No, planning for own business
 4. No, thinking of going back to rural home
- 104d. If no, why are you not satisfied? Check more than one if relevant
1. No security
 2. Income/wage is bad
 3. Little future prospect
 4. Long hours of work/hard work
 5. Don't like employer
 6. Not related to my training
 7. Other (specify)
105. Ask employees only
- (a) If want to change, what occupation would you like?
1. Service (wage or salary employment)
 2. Start own business
 3. Go for acquiring better skills
 4. Go for more education
 5. Go for farming
 6. Not sure/don't know
 7. Other (specify)
- (b) If formal sector job is offered, what would be the minimum monthly wage to induce you to go for it? Tk. _____

Household Information

106. Marital status
1. Married
 2. Unmarried
 3. Other (specify)

107. Do you live in Dacca with your family?
1. Yes
 2. No
108. If yes, please give the following information about all the members of your household. (Include yourself)
1. No. of males
 2. No. of females
 3. No. of males over 15 years
 4. No. of females over 15 years
 5. No. of earning members
109. How many members of your household, (exclude yourself)
1. Work in this enterprise
 2. Work in similar enterprise
 3. Formal sector employee
 4. Looking for work
 5. Attending school
 6. Household work
 7. Doing nothing
 8. Other (specify)
110. What would you estimate as the total monthly income of the household? (Add the income of other household members with yours)
Tk. _____
111. Are you head of the household?
1. Yes
 2. No
112. What is the distance from the place you sleep to this enterprise?
1. Lives on the site
 2. Up to 1 mile
 3. 1-3 miles
 4. 3-6 miles
 5. Over 6 miles
- 113a. Housing status of the household
1. Own house
 2. Rented house
 3. Mess
 4. With friends and relatives
 5. Homeless (e.g., sleep in public places)
 6. Other (specify)

113b. Type of houses: (use codes)

1. Pucca buildings
2. Semi-pucca
3. Kutcha
4. Jhupries
5. Other (specify)

113c.

1. Tap water
2. Electricity
3. Water & electricity
4. Neither water nor electricity

114a. What do you estimate as the total monthly expenditure of your household? Tk. _____

114b. Breakdown of the expenditure:

1. Food (monthly)
2. Housing (monthly rent)
3. Clothing (annually)
4. Medical care (annually)
5. Education (monthly)
6. Transport (monthly)
7. Festivals (annually)
8. Miscellaneous (monthly)
9. Remittances (monthly)
10. Loan repayment (monthly)
11. Other (specify)

115a. What is your usual monthly savings?

115b. How much were you able to save last year?

116a. Do you own any land?

1. Yes
2. No

116b. If yes, how many acres?

117. With the income you earn, can you meet your all expenses?

1. Can't make both ends meet
2. Manage it with difficulty
3. Can also afford education and health care of dependents
4. Can save something

118. Do you want to remain in this occupation all your life?

1. Yes
2. No
3. Don't know

119. When you retire where will you live?

1. Continue to reside in the city
2. Go to village home
3. Don't know
4. Other (specify)

D. PERCENTAGE DISTRIBUTION OF OWNERS ACCORDING TO TIME ENGAGED IN
PRESENT ENTERPRISE BY ACTIVITY GROUP

Years Engaged in Current Activity	Activity Group					Total
	Trade	Service	Manufacturing	Construction	Transport	
<1	3.7	4.6	5.6	16.0	4.0	5.7 (25)
1	14.7	10.6	18.5	12.0	4.0	13.5 (59)
2	8.0	10.6	13.0	12.0	24.0	11.9 (52)
3	10.4	12.1	7.4	14.0	10.0	10.3 (45)
4	8.6	6.1	6.5	10.0	8.0	7.8 (34)
5	9.8	9.1	9.3	12.0	14.0	10.3 (45)
6	8.0	3.0	4.6	4.0	4.0	5.5 (24)
7	4.3	7.6	4.6	4.0	4.0	4.8 (21)
8	8.6	9.1	1.9	8.0	14.0	7.6 (33)
9	5.5	6.1	3.7	4.0	0.0	4.4 (19)
10	4.9	3.0	2.8	0.0	4.0	3.4 (15)
11	1.2	0.0	0.0	2.0	2.0	0.9 (4)
12 - 14	3.7	3.0	3.7	0.0	0.0	2.8 (12)
15 - 19	4.3	10.6	9.3	2.0	6.0	6.4 (28)
20 - 29	3.7	3.0	5.6	0.0	2.0	3.4 (15)
30 and over	0.6	1.5	3.7	0.0	0.0	1.4 (6)
Total	100.0 (163)	100.0 (66)	100.0 (108)	100.0 (50)	100.0 (50)	100.0 (437)

E. PERCENTAGE DISTRIBUTION OF TOTAL ASSETS OF THE ENTERPRISES BY
ACTIVITY GROUP

Assets in Tk.	Activity Group					Total
	Trade	Service	Manufacturing	Construction	Transport	
<100	1.8	7.6	0.0	56.0	0.0	9.0 (36)
100 - 499	13.5	25.8	8.5	36.0	0.0	16.5 (66)
500 - 999	22.7	13.6	3.8	4.0	13.3	13.5 (54)
1,000 - 4,999	51.5	37.9	50.9	2.0	26.7	42.0 (168)
5,000 - 9,999	5.5	6.1	14.2	0.0	33.3	8.3 (33)
10,000 - 14,999	1.8	4.6	5.7	2.0	6.7	3.5 (14)
15,000 - 19,999	0.6	1.5	3.8	0.0	6.7	1.8 (7)
20,000 - 24,999	0.6	0.0	5.7	0.0	0.0	1.8 (7)
25,000 - 29,999	1.2	1.5	0.9	0.0	0.0	1.0 (4)
30,000 - 49,999	0.6	0.0	3.8	0.0	6.7	1.5 (6)
50,000 and Over	0.0	1.5	2.8	0.0	6.7	1.3 (5)
Total	100.0 (163)	100.0 (66)	100.0 (106)	100.0 (50)	100.0 (15)	100.0 (400)