

COMPARATIVE STUDY OF INFORMAL ECONOMY OF INDIA WITH BANGLADESH

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Abstract: *The Asian Development Bank (ADB) recent research indicates that the most of the developing member countries (DMCs) economies continue to grow at high rates that inequalities in standards of living are widening and the poor are being bypassed by growth. Based on the reports of DMCs, the Key Indicators (ADB 2008) provides evidence that absolute inequality has increased in many countries in Asia and that the rich have grown richer faster than the poor. To cope with poverty, the poor take on informal employment, such as subsistence informal jobs, secondary jobs, and occasional jobs. Asia's informal labour markets suffer from two main features. The first is considerable underutilization of labour, which manifests itself in unemployment and underemployment. This type of labour arrangement has grown in many DMCs, making the informal sector a major component of the economy. The "informal economy" thus refers to all economic activities by workers that are – in law or in practice – not covered (or insufficiently covered) by formal employment arrangements. The Interregional Cooperation on the Measurement of Informal Sector and Informal Employment (ICMISIE) ventures that the informal sector accounts for more than 50% of non -agricultural employment and about 30% of non -agricultural gross domestic product (GDP) . At present in India's 90% of informal worker doesn't have the privileges – likes social security and work place benefits. Situation is more or less same in case of Bangladesh, where more than 80% of the workers in all divisions are engaged in informal jobs. The present paper is based on secondary data to focus on the comparative analysis of the informality, gender discrimination, livelihoods, and the nature and pattern of employment in the informal sector of these two Asian countries, viz., India with Bangladesh. after globalisation. This paper also made an attempt to analyse the changing scenario of economic growth and development in these two countries.*

Keywords: *Informal economy, Informal employment, gross domestic product (GDP), Social security, Gender discrimination*

JEL Classification: *E26, J46, O17, O57*

1. Introduction:

The classical development theories based on **Lewisian framework**, assumed that the traditional or informal sector would gradually shrink with the process of industrialisation, urbanisation and modernisation. The prevalent view was that the informal sector, which occupied a large space in the economies of the developing countries, would gradually disappear with the enforcement of appropriate policies for the development of the modern sector that provided gainful employment in the formal sector. When the rural migrants and urban dwellers are not provided enough job opportunities by the modern sector, they find employment in small scale, micro level production and distribution of goods and services in the informal sector. According to the ILO (1998: June), the informal sector consists of "small scale, self employed activities, mostly at a low level of organization and technology with the primary objective of generating employment and incomes". These activities are usually conducted without

proper recognition from the authorities and escape the attention of the administrative machinery responsible for enforcing laws and regulations [1]. The ILO(2003) drew together some of these strands in a wider conceptualization of the “informal economy” (Chen, 2004). This covers any business or employment relationship that is not seen to be sufficiently covered by formal arrangements (Larsson, 2006). This implies both employment and self-employment in informal enterprises, and also employment outside of informal enterprises. The intention was to “extend the focus from *enterprises* that are not legally regulated to *employment relationships* or protected” (Chen, 2004:10) [2].The experts recognized that the informal sector ought to be an important element of the social protection; the traditional wisdom of economic development represented by Prebisch’s doctrine of post-Keynesian developments suggested that appropriate macroeconomic policies and institutions together with the availability of sufficient funds are needed [3]. The Economic Census of 2013 shows that the informal economy has been an important component of the growth dynamics in Bangladesh. This sector has been growing from 79% in 2002 which reached 89% of the total number of jobs in the labour market, and accounts for 43% of GDP. It is more prevalent in the rural areas than in the urban areas. Women’s employment in the informal economy has a higher incidence at 93% compared to males’ at 87%. Data from the Informal Sector Survey (ISS) 2010 of Bangladesh demonstrated a linkage between education level and informal work, i.e. as the level of education of a worker improved, the worker is more likely to hold a formal job [5]. According to the NSSO survey reports showed that more than 92% of total workforces in India were employed in informal sector. The contribution of this sector to the net domestic product and its share in the total NDP at current prices has been over 60% [6].

2. Literature Review:

The informal sector has been defined in several ways in the literature. During the 1990s, Globalization of the economy contributed to the informalization of the workforce in many industries and countries (Standing 1999). Whereas Globalization can generate new jobs and open new markets, many of the jobs are not “good jobs and many of the new markets are inaccessible to small-scale disadvantaged producers”. This is because, in response to global competition, formal firms tend to hire all but a few core workers under informal arrangements or to outsource the production of goods and services to other firms and countries (Rodrik 1997). Further, informal firms and small producers often lack the market knowledge and skills to compete with formal firms for export markets and often face competition from imported goods in domestic markets. At present, there is renewed interest in the informal economy worldwide and also emerged in new guises and in unexpected places. This stems from the fact that informal employment expanded significantly during the recent great recession (Horn 2009). Today, informal employment is more than half of non-agricultural employment in most developed regions and as high as 82% of nonagricultural employment in South Asia (Vanek et al. 2012) [10]. In 1993, the international conference of Labour statisticians (ICLS) agreed to a unique statistical definition of the informal sector as including micro-enterprises. Comprising informal employers and hiring one or more employee on a continuing basis or family workers on an occasional basis. In 2003, the 17th International conference of Labour Statisticians (ICLS) amended the definition of the informal sector, by taking into account certain types of informal wage employment, and employment outside informal enterprises. According to the 17th ICLS, “employees are considered to have informal jobs if their employment relationship is, in law or in practice, not subject to labour legislation, income taxation, social protection or entitlement to certain employment benefits (advance notice of dismissal, severances of pay, paid annual or sick leave, etc)”[7]. In today World, various demand factors are also at work. An increasing share of informal work is sub- contracted from the formal sector; the low costs of subcontracted work contribute to profits in the formal sector. In their pursuit of global Competitiveness, employers in a wide range of key export industries favour the kinds of employment relation associated, rightly or wrongly, with women, namely those with insecure contracts, low wages, and few benefits self-employed women producers are also affected by current trends. Given the rapid shifts in market demand, both domestically and globally, self- employed women producers find it difficult to retain their traditional market niche or

negotiate access to emerging markets.[8]For example, a recent study by the World Bank found that a sample of companies surveyed in Year 2000 all around the world did not report 19% of gross revenues.(G. Battra et al, “The Firms Speak” 2002[9]. Women in South Asia suffer from discrimination in all spheres of life, and at all ends. The economic discrimination that they endure reinforces other discriminations and perpetuates their low status. Although there are differences among the countries of the region, some key conclusions emerge from the statistics and analyses, especially, in context of India and Bangladesh concerning women's participation, recognition ,and remuneration in economic activities, which needs to be analysing beforethe Socio-economic status of women workers in both the countries (UNDP,2000 [10].

3. Concept of the Informal Economy: Various labels have been used by Scholars to refer the “ informal economy” : it has been called the irregular economy(Ferman & Ferman,1973), the subterranean economy (Gutmann,1977), the underground economy (Simon & witte, 1982; Houston, 1987), the black economy (Dilnot & Morris, 1981), the shadow economy(Frey, Weck & Pommerehne, 1982; Cassel & Cichy, 1986) and the informal economy (McCrohan &Smith, 1986). The popular terms such as invisible, hidden, submerged, shadow, irregular, non-official, unrecorded, or clandestine(U.S. department of labour, 1992). The concept of the “ **informal sector**” was first coined in an International Labour Organization(ILO) study of urban labour markets in Ghana(Hart, 1973).which encompasses all jobs which are not recognized as normal income source which taxes are not paid. The term is sometimes used to refer to only illegal activity, such as an individual earn wages but does not claim them on his or her income tax, or a cruel situation where people are forced to work without pay”.

The **informal economy** refers to activities and income that are partially or fully outside government regulation, taxation, and observation. The main attraction of the undeclared economy is financial. The activity allows employers, paid employees, and the self employed to increase their take-home earnings or reduce their costs by escaping taxation and social contributions. It is means of employment who cannot find a job in the formal sector. Tanzi (1982) defines the ‘underground economy’ as ‘gross national product that, because of UN reporting and/or under reporting, is not measured by official statistics’. Del Boca Forte defines the ‘parallel economy’ as those activities that are characterized by lack of formal transactions [20].

3.1. Different views of Informality:

The first and most important point is that the share of employment in small informal enterprises tends to fall as income per capita rises. Amin (2002) shows how the proportion of informal labour falls from about 60-70% of the labour force in low income South Asian economies, to 30 – 50% in middle income SE Asian countries, to less than 25% in high income Taiwan, Japan and Singapore. Chen (2004) outlines three basic approaches to explaining the informal sector: “**the dualist school**” contend that with development and rising per capita incomes, the informal sector would disappear, particularly in so far as these entities were considered to be peripheral to capitalist production systems. A high prevalence of informal firms would simply be seen as a sign of underdevelopment.‘**The legalist school**” argue that the informal sector is comprised of entrepreneurs who want to avoid the costs and hassle associated with formalisation, particularly in relation to business and labour regulation and company tax. In this case, informal firms resemble their formal counterparts. ‘**The structuralist school**” considers the informal sector as part of a continuum within the market, albeit located in a subordinate position. This approach would consider the interactions between formal and informal, whether in buyer-supplier relationships, or in employment relationships such as contracting out or casualisation.The informal sector contributes to the formal sector’s risk mitigation and cost reduction strategies [2].

3.2. General Characteristics of informal sector:

The informal sector is characterized by a large number of small-scale production and service activities that are individually or family owned and uses labour-intensive and simple technology (Todaro and Stephen, 2003).

Characteristics of the people engaged in the informal sector:

- ✚ Absence of official protection and recognition
- ✚ Non coverage by minimum wage legislation and social security system
- ✚ Predominance of own-account and self-employment work
- ✚ Absence of trade union organization
- ✚ Low income and wages
- ✚ Little Job Security
- ✚ No fringe benefits from institutional sources

Characteristics of the activities in the informal sector:

- ✚ Unregulated and competitive markets
- ✚ Small scale operation with individual or family ownership
- ✚ Ease of entry
- ✚ Reliance on locally available resources
- ✚ Family ownership of enterprises
- ✚ Labour intensive and adapted technology
- ✚ Absence of access to institutional credit or other supports and protections

(ILO, 1972)

In these two Asian countries with high rates of population growth or urbanization, the informal sector tends to absorb most of the expanding labour force in the urban areas. **Informal employment offers a necessary survival strategy in these countries** that have lack of social safety nets, such as unemployment insurance, or where wages and pensions are low, especially in the public sector [13]. Smith (1994,) defines it as “market-based production of goods and services”, whether legal or illegal that escapes detection in the official estimates of GDP [11].

3.3. Factors responsible for informal Sector:

The driving force of informal sector is different from one country to another that affected by culture, politics and economic backgrounds. The different schools of thoughts debated on the causes based on the relationship between formal and informal sector and also different in countries or industries because of it work in different contexts. Some of the factors summarize in the following.



3.4 Informal Enterprises (IEs):

Generally businesses categories in four enterprises: **illegal enterprises** that fully activity related to criminals, **subsistence enterprise** that use as means of income or for survival, **unofficial enterprises** who seek avoid or reduce cost and **formal enterprises** that works based on rules and regulations. There are different kinds of informal businesses that category

- ✚ depending on the industry that is informal businesses in agriculture, in domestic services, in manufacturing, in construction and commerce, among others.
- ✚ depends on the geographic region, i.e, rural and urban informal businesses.
- ✚ depends on the size survival business and there are the micro enterprises.

Table1: Criteria of informal enterprises

| | substantial enterprises | Unofficial enterprises | |
|------------------------------|--|---|--|
| Degree of informality | Completely informal | Completely informal | Partially formal |
| Types of activity | Street trading, microenterprises, subsistence farmers. | Small manufacturer, service provider, distributors, contractors | Small and medium manufacturer, service provider, distributors, software firm |
| Technology | Labour intensive | Mostly labour intensive | Knowledge and capital intensive |

| | | | |
|---------------|---|--|--|
| Market | Law barriers to the entry, Highly competitive, high product, homogeneity | Law barriers to the entry, Highly competitive, some differentiation | Significant barriers to the entry, Established market(product nich) |
|---------------|---|--|--|

Source: Based on CSD 2003 Paper

On the other hand ILO segmented Informal sector in to three divisions: Income generating activities, Micro enterprises, and Small enterprises .The following table shows the main differences of informal sector segments.

Table2: Types of informal enterprises

| Income generating activities | Micro enterprises Small | Small enterprises |
|--|--|---|
| <ul style="list-style-type: none"> ❖ Mixed with household economy ❖ Self- employment (with some help from family members ❖ Little or no fixed assets (less than US\$ 500) ❖ Traditional manual technologies ❖ Profits for household | <ul style="list-style-type: none"> ❖ Mixed with household economy, but shifting towards separation ❖ Up to ten workers ❖ Moderate fixed asset(less than US\$ 10,000) ❖ Mixed but obsolete technology ❖ Profits used for household consumption and reinvestment in the firm. | <ul style="list-style-type: none"> ❖ separate from household economy ❖ Numbers of workers 11-50 ❖ Fixed asset up to US\$ 100,000 ❖ More modern technology ❖ Profits used for reinvestment in the firm (10,000) |

Source: ILO 2001 cited on (UGANDA) 2005

3.5 Globalization and the Informal economy: Informality is principally a governance issue. The growth of the informal economy can often be traced to: inappropriate, ineffective, misguided or badly implemented macroeconomic and social policies frequently developed without tripartite consultation; the lack of good governance for the proper and effective implementation of policies and laws; and a lack of trust in institutions and administrative procedure. Analysis of the relationship between economic growth, employment and poverty reduction has gone through various phases during the development. Over the past decade, many developing countries like India and Bangladesh have experienced a growth revival, with exceptionally high growth rates. In India and other Asian countries shows that has sizeable informal sectors. **Globalization has given it new importance through outsourcing and global value chains**, while the current international financial and economic crisis poses additional challenges for reducing decent work deficits in the formal economy. The informal economy operates in a complex environment of linkages between the formal and informal sectors, with workers and a producer in this economy is being linked to the global economy in various ways [14].

3.6 The social and economic costs of informality: **The characteristics of the informal economy are largely negative.** It can trap individuals and enterprises in a spiral of low productivity and poverty. A coherent national strategy to facilitate transitions to formality needs to recognize that the costs of working informally are high for businesses, workers and the community. From the perspective of unprotected workers, the negative aspects of work in the informal economy far outweigh its positive aspects. They are not protected, exercise or defend their fundamental rights. Workers in this economy are characterized by varying degrees of dependency and vulnerability. Women, young persons, migrants and older workers are especially vulnerable to the most serious decent work deficits in the informal economy. Most economic units in the informal economy do not enjoy secure property rights,

which deprive them of access to both capital and credit. They have difficulty accessing the legal and judicial system to enforce contracts, and have limited or no access to public infrastructure and public markets. The informal enterprises often do not pay taxes or benefits, or entitlements to workers, which not only denies the protection of workers, but also means that they compete unfairly with other enterprises. Moreover, **informality is often associated with weak institutional arrangements and poor governance structures, and therefore with susceptibility to corrupt practices [14].**

4. Objectives of the study:

- i) the degree of informality in these two Asian countries
- ii) Size and composition of informal employments.
- iii) Comparative statistics of GDP in India & Bangladesh.
- iv) Gender discrimination in the informal sector.
- v) Informal trade between two countries and constraints & risks involved in their informal trade patterns.
- vi) National and Global linkages.
- vii) Policy prescription by their governments.

5. Data Source: This paper based on secondary data from different journals, labour survey reports, organizational reports, books, and websites. Based on the data the paper explained analytical results of these two countries.

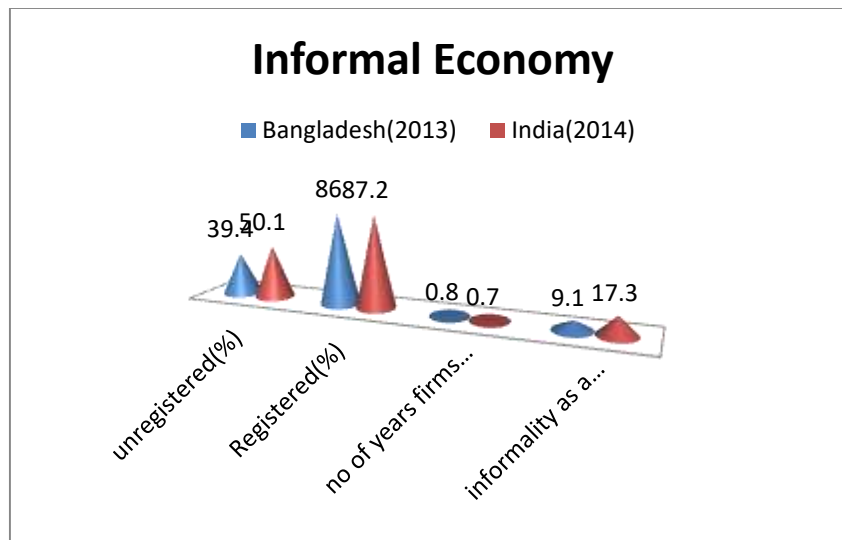
Analysis and Interpretation:

5.1 Degree of Informality: The ILO describes the IEs falling into two rough categories: coping strategies (survival activities) and unofficial earning strategies (illegality in business), the latter including both unregistered and criminal activity. While there are many examples of overlap between the two categories, much of the IE remains completely legal and accepted by governments [28]. The four indicators measure the degree of informality among businesses in two Asian countries.

Table: 3.

| Economy | % of firms unregistered or informal firms | % of firms formally registered when they started operations in the country | No. of years firm operated without formal registration | % of firms identifying practices of competitors in the informal sector as a major constraint |
|------------------|---|--|--|--|
| Bangladesh(2013) | 39.4 | 86.0 | 0.8 | 9.1 |
| India(2014) | 50.1 | 87.2 | 0.7 | 17.3 |

Source: World Bank Group (Enterprise Survey) [16]



Compounded from above table.

5.2 Size & Composition of Informal sector in India and Bangladesh: In Bangladesh, mainly two types of informal sector activities are evident, depending on the nature of the jobs and the nature of the businesses. The nature of jobs focuses mainly on casual jobs, temporary jobs, unpaid jobs, and subsistence agriculture, sometimes this category also includes multiple jobs holding. On the other hand, the nature of the business mainly steers the illegality of business, that is, tax evasion, the avoidance of labour regulations, and other government or institutional regulations, lack of registration for the company, and underground activities, that is, activities like crime, taking of bribes, or corruption.

Table 4: Estimate of the Size of the Informal Sector as a Percent of the GDP (Bangladesh)

| ISIC Sector | Total share to GDP (%) | Share to GDP (%) | |
|--|------------------------|------------------|----------|
| | | Formal | Informal |
| Agriculture | 16.65 | 0.94 | 15.71 |
| Fishing | 4.71 | 0.66 | 4.05 |
| Mining and quarrying | 1.02 | 0.75 | 0.45 |
| Manufacturing | 17.65 | 11.88 | 5.77 |
| Electricity, gas and water supply | 1.60 | 1.51 | 0.10 |
| construction | 9.23 | 2.64 | 6.59 |
| Wholesale and retail trade | 14.24 | 1.32 | 12.92 |
| Hotels and restaurants | 0.70 | 0.47 | 0.23 |
| Transport, storage and communication | 9.93 | 6.98 | 2.95 |
| Financial intermediation | 1.71 | 1.60 | 0.10 |
| real estate, renting and business activities | 7.62 | 0.47 | 7.15 |

| | | | |
|---|-------|-------|-------|
| Public administration and defence | 2.81 | 2.64 | 0.17 |
| Education | 2.51 | 1.98 | 0.53 |
| Health and social works | 2.31 | 1.89 | 0.42 |
| community, social and personal services | 7.12 | 0.66 | 6.46 |
| Total | 100.0 | 36.40 | 63.60 |

Source: ADB (2009) [7]

ADB (2009) provided some estimates of the contribution of the informal sectors to the GDP of Bangladesh (Table 4). It is evident that the informal sector accounts for 63.6 per cent of GDP. It is also estimated that 94.3 per cent of the agricultural activities are informal. The corresponding figures for fishing, construction, wholesale and retail trade, real estate business, and community services are 86 per cent, 71.4 per cent, 90.7 per cent, 93.8 per cent, and 90.7 per cent, respectively.[17]

Table 5. Percentage share of informal workers to total workers and their average annual growth rate (in percent) by industry group between 1999-2000, 2004-05 and 2009-10(India)

| Industry group | Estimated number of informal workers (in millions) | | | Share of informal workers to total Workers (in %) | | | Average Annual growth rate between 1999-2000 to 2009-10 |
|---------------------------------|--|-----------|-----------|---|-----------|-----------|---|
| | 1990-2000 | 2004-2005 | 2009-2010 | 1990-2000 | 2004-2005 | 2009-2010 | |
| Agriculture | 234.79 | 256.07 | 243.11 | 98.79 | 98.89 | 99.29 | 0.35 |
| Manufacturing | 36.85 | 49.30 | 48.08 | 83.65 | 88.38 | 94.76 | 3.05 |
| Mining | 1.56 | 1.78 | 1.90 | 71.75 | 67.39 | 69.09 | 2.18 |
| Electricity, gas & Water Supply | 0.21 | 0.24 | 0.28 | 18.75 | 18.72 | 23.72 | 3.33 |
| Construction | 16.90 | 25.32 | 42.70 | 96.40 | 97.33 | 96.61 | 15.27 |
| Non-manufacturing | 18.67 | 27.33 | 44.88 | 89.59 | 91.22 | 92.96 | 14.04 |
| Trade | 35.41 | 42.54 | 41.60 | 96.69 | 98.11 | 98.85 | 1.75 |
| Hotels and restaurants | 4.35 | 5.80 | 5.70 | 94.30 | 95.02 | 96.45 | 3.10 |
| Transport & Communication | 11.44 | 15.28 | 16.80 | 78.30 | 82.70 | 86.78 | 4.69 |
| Banking and Insurance | 0.61 | 1.21 | 1.62 | 27.80 | 39.24 | 43.12 | 15.71 |
| Real estate | 2.24 | 3.73 | 5.25 | 83.73 | 80.09 | 91.30 | 13.44 |
| Public administration | 1.60 | 1.91 | 1.20 | 15.27 | 13.46 | 13.27 | -2.5 |
| Education | 3.24 | 5.29 | 5.40 | 38.22 | 46.28 | 50.95 | 6.67 |

| | | | | | | | |
|-----------------------|--------|--------|--------|-------|-------|-------|------|
| Health | 1.50 | 2.18 | 2.05 | 52.51 | 58.80 | 59.59 | 3.67 |
| Other Social services | 11.02 | 12.69 | 11.53 | 95.15 | 94.99 | 95.90 | 0.46 |
| Total Services | 71.43 | 89.91 | 91.91 | 75.82 | 79.70 | 78.35 | 2.76 |
| Total | 361.74 | 422.61 | 427.22 | 91.17 | 92.38 | 92.83 | 1.81 |

Source: Computed from NSS 55th (1999-2000), 61st (2004-05) and 66th (2009-10) round Survey.

The table 5gives the estimated number of informal workers and their share to total workers and average annual growth rate by industrial classification between 1999-2000 and 2009-10. Out of the total 427.22 million informal workers in 2009-10, 243.11 million belongs to the agriculture sector which forms 60 percent of the total and within the agriculture; the share of informal workers to total workers is 99.29 percent. Next to agriculture, other industry groups whose share of informal workers to total workers is more than 90 percent are manufacturing (94.76 %), trade (98.85 %), construction (96.61%), hotels and restaurant (96.45 %) and other social activities (95.90 %) as per the data of 2009-10. The growth rate of informal workers by industry group shows that highest rate is recorded in banking and insurance (15.71%), followed by construction sector (15.27%), real estate (13.44 %), education (6.67%) etc. [32]

5.3 Macroeconomic Aggregate: The Bangladesh economy has demonstrated considerable reliance with attainment of GDP growth averaging at 6% for years (2004-2008). Its GDP dipped slightly to 5.4% during FY2009 but the performance was better than in other Asian countries during the same period. The budget increases spending on social safety net programs to protect the poor, while preserving macroeconomic stability. Three critical broad-based sectors namely agriculture, industry and services have posted remarkable achievement at 49.7%, 29.7% and 20.6% to GDP respectively. The Government continues its policy aimed at sustaining macroeconomic stability and investment climate, improving welfare and poverty reduction initiatives to the people of Bangladesh [21].

Table: Comparative Scenario of Economic growth of India & Bangladesh

| Year | Economic growth rate (%) | |
|------|--------------------------|-------|
| | Bangladesh | India |
| 2007 | 6.3 | 9.4 |
| 2008 | 6.0 | 7.3 |
| 2009 | 5.4 | 5.7 |
| 2010 | 5.4 | 8.8 |
| 2011 | 5.9 | 8.4 |
| 2015 | 6.2 | 8.1 |

Source: IMF World Economic Outlook, April, 2010

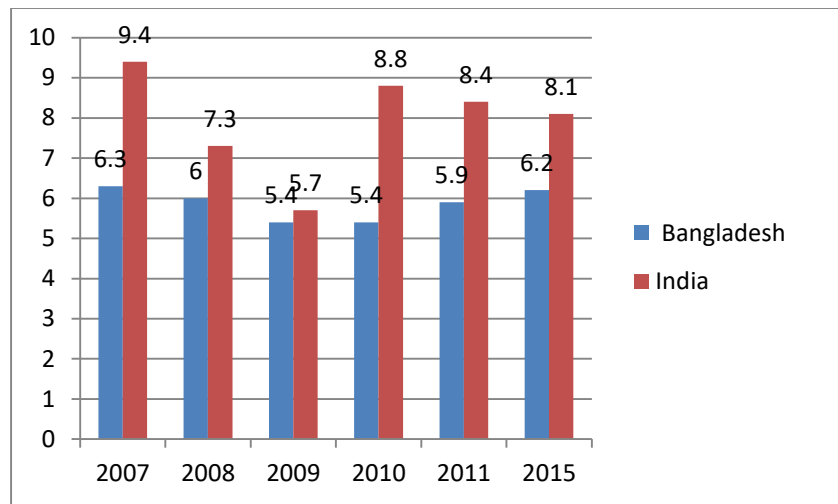


Figure: Compounded from the above table

Nobel laureate Prof Amartya Sen (15th march, 2015) remarked that Bangladesh has performed better than India in terms of economic and social development of women despite the latter’s faster economic growth. He said in 1990 per capita GDP of India was 50 percent higher than Bangladesh, now it is 100 percent. Yet, Bangladesh’s social indicators such as gender equity, women’s empowerment, mortality rate, life expectancy, immunization etc are remarkably better than India. “India can learn from Bangladesh on its success in gender equity,” In 1990, life expectancy was 3 years higher in India than Bangladesh, now it is just reversed,” added. Prof Sen, with his book titled “An Uncertain Glory: India and Its Contradictions”, co-authored by Belgium-born Indian economist Jean Drèze [22].

5.4 Gender discrimination in informal sector employments in India and Bangladesh:

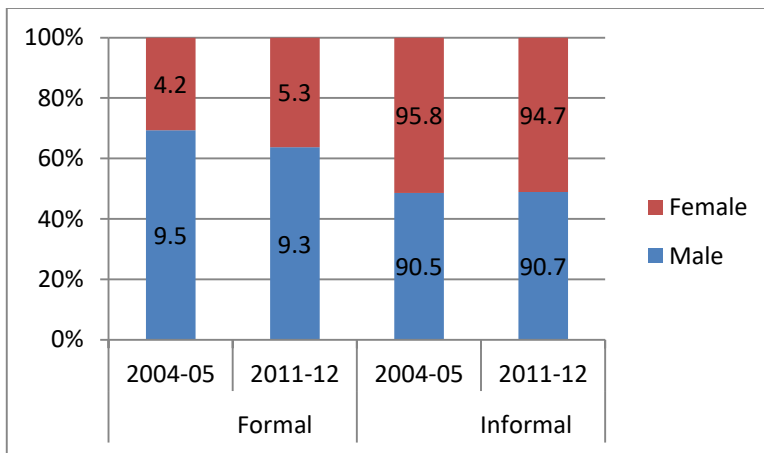
The National Commission for Enterprises in the Unorganised Sector (NCEUS) has defined the informal as all unincorporated private enterprises owned by individuals or households engaged in the sale and production of goods and services operated on a proprietary or partnership basis and with less than ten workers [24]. .

5.4a. Percentage Distribution of Workers by Informality of Employment and Gender in India

| Gender | Formal | | Informal | |
|--------|---------|---------|----------|---------|
| | 2004-05 | 2011-12 | 2004-05 | 2011-12 |
| Male | 9.5 | 9.3 | 90.5 | 90.7 |
| Female | 4.2 | 5.3 | 95.8 | 94.7 |

Source: ILO (2013)

The share of informal workers among women was 4 to 5 percentage points higher than that of men in all the study years in India. The share of informal workers, however, increased marginally over the years in the case of men, while that of women decreased between 2004–2005 and 2011–2012. [25]

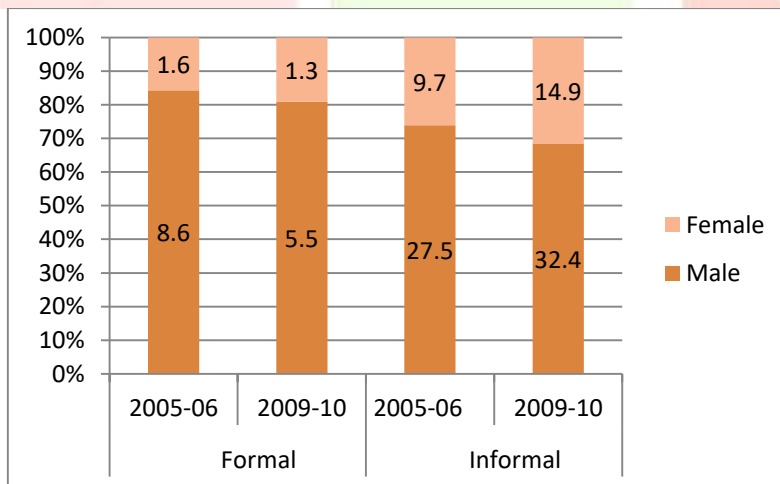


Source: ILO (2013): Compounded from table (India)

5.4b. Formal Sector Vs Informal Sector labour Employment in Bangladesh

| Gender | Formal | | Informal | |
|--------|---------|------|----------|------|
| | 2005-06 | 2010 | 2005-06 | 2010 |
| Male | 8.6 | 5.5 | 27.5 | 32.4 |
| Female | 1.6 | 1.3 | 9.7 | 14.9 |
| Total | 10.2 | 6.8 | 37.2 | 47.3 |

Labour Survey Report of Bangladesh (2005-06, 2010) [23]



Compounded from table (Bangladesh)

5.5 Informal trade between India and Bangladesh: A large part of trade between India and Bangladesh takes place through informal arrangements. Some locals sell the material that gets embezzled during loading and unloading near LCSs (Land Customs Stations) .Such people contribute a lot in bootleg smuggling. They even cross the borders for making more profitable deals of the illegally procured goods. Certain groups of locals residing near the ports of India have no other means of income than involving themselves in the **illegal business of goods trafficking**. Many localities do form a part of this process and their incomes depend on

such activities besides earnings from the formal process of loading and unloading and other meagre economic activities that thrive around the port premises of India. Such groups also look for opportunities to earn extra income from technical smuggling. Cases of informal trade between India and Bangladesh have been observed. Sugar is smuggled to Bangladesh from India over the land borders and total quantities of smuggled sugar are estimated to be US\$100-250mn in the years 2000-04 (Garry Pursell, 2007). Per capita consumption of sugar at Bangladesh is estimated to be approximately 7.5 kg per annum. Another case of serious smuggling is cattle smuggling which a billion-dollar illegal industry in which both the countries are involved. On the Indian side, cows are brought from states like Rajasthan, Punjab, and Haryana and smuggled through Assam and West Bengal, which indicates huge involvement and networks. This illegal profit-making trade involves around 1.5 million cattle worth US\$500mn being smuggled every year across India and Bangladesh [19]

5.6 Constraints and risks:

Employs in informal sectors has unsecured and work with low wage and poor working condition, informal sector exploitation higher than formal sector that work more than 10 hours work per day and one half wage get with same productivity.(S. P. Kashyap and Himlal Singh,1987) Salary Workers leads to uncertainty in terms of future earnings. Uncertainty in terms of contract renewal, Lack of basic benefits (severance pay, overtime, unemployment benefits, sick leave) and social protection , Long working hours, work accidents, Absent workers' organisation, and also Self-employed with Uncertainty in terms of enterprise survival and High indirect operational costs. (OECD, 2008)

Informal sector or traders in India as well as In Bangladesh are facing a lot of financial and non-financial obstacles and constraints. That are suffer a lack of legal protection, endure restricted access to capital and business support.

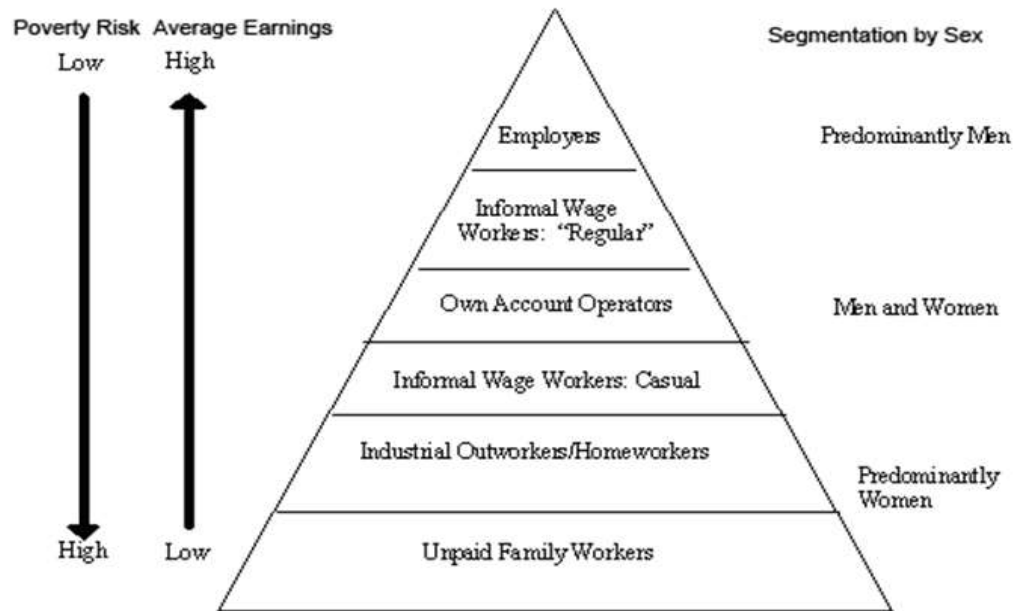
Within the informal economy of both the countries are faced problem here are some of the common ones, as they affect local government.

- ✚ Poor infrastructure affects street vendors, they needed infrastructure includes formal markets, transport, storage space, water and electricity.
- ✚ Poor access to finance and banking.
- ✚ Lack of training. .
- ✚ Lack of access to economics of scale.
- ✚ Low Demand

The above problems are clearly faced on activities of informal sector (informal enterprise problems). On the other hand employees who work in informal enterprises are working with a lot of disadvantages. Including,

- ✚ No social benefits: any pension, insurance or health insurance scheme.
- ✚ Under minimum wage that difficult to make any savings
- ✚ Non- appropriate working conditions: little or no job security, unprotected by labour.

Figure: Segmentation of Informal Employment by Poverty Risk, Earnings and Sex



Source: WIEGO [30]

5.7 Linkages with the global economy: Workers and producers in the informal economy of India and Bangladesh are linked to the global economy in various ways. A large share of the workforce in key export industries, including garments, textiles, sport shoes, and electronics, work in export processing zones, sweatshops, or from their homes under informal employment arrangements. A global commodity chain is the network that links the labour, production, and distribution processes that result in one commodity or product. Such networks or chains link individual workers and enterprises, often operating under both formal and informal arrangements, spread across these two countries to one another within the world economy. These commodity chains can be local, national, regional or global, but with increased globalization, they are becoming increasing global and more difficult to map. In fact, self-employment, casual labour markets, and sub-contracting rather than union contracts appear to be a defining characteristic of recent economic trends (Castells and Portes, 1989). In the manufacturing sector, informal activities - such as sweatshops, unlicensed factories, and industrial outwork - are proliferating despite the focus on large firms in these two economies and most backward linkages - such as production, collection and processing - are still carried out informally. Many industrial home workers face insecure jobs and poor working conditions including cramped quarters, poor lighting, long hours, and low wages. Many self-employed producers face increased competition or loss of markets and for home-based producers to benefit from emerging markets, they need increased bargaining power and greater market access [15].

5.8 Policy recommendations: All available evidence on different aspects of the employment and labour scene suggests that despite an impressive growth performance of two Asian countries there have been very little improvements in employment conditions [26]. Most government policies attempt to regulate the informal sector and bring it into the mainstream, with the overall objective of reducing its share in the economy. However, any attempt to regulate it to bring it into the tax net, without adequate support, may kill the sector which has so far managed to absorb labour which is unskilled and uneducated.

- ❖ Firstly, majority of the workers moving out of agriculture are unskilled and have low levels of education. These workers are unlikely to be absorbed in the formal sector.
- ❖ Secondly, even though the informal sector is unregulated, it is not competing with the formal sector and is therefore unlikely to affect it. The cost of adhering to regulation and taxes will not only add to the cost of production but will also render the informal sector unviable.

Therefore, the best way is to recognize that the *informal sector is the new normal*. Despite its problems, it will continue to remain important for the economy.

- ❖ It may not contribute much to the national income but its dominance in employment is likely to continue for some more time. This is not only true for the informal manufacturing sector but also for the services sector which is likely to be the driver for employment creation.
- ❖ A large majority of workers in these sectors are not in employer-employee relationships but are either self-employed or casual/contractual employees.

It is an undisputable fact that informal sector in Bangladesh and India has huge potential to contribute more if proper policies are taken and implemented. But the countries are yet to embark on clear-cut policies on growth of informal sector. One of the reasons may be the non recognition of activities of informal sector and too much reliance on formal sector. This calls for successful and planned growth of informal economy as the country pass through the stage of “demographic bonus” (dominated by youth labour force) which will continue till 2030. In addition, to achieve ambitious targets of Sustainable Development Goals, Bangladesh should acknowledge the role of informal sector for its development [31].

6. Conclusion: The paper describes the current condition of the informal sector’s workers after Globalisation of these two Asian countries. It can be concluded that the workers in the informal sector do not enjoy a better life [1]. When forming the social life; this is not the fact of informal employment that is important. Neither is its scale. **Firstly**, the attitude of the authorities to the informal employment is extremely important for the further economic as well as social development of the country. **Secondly**, it is very important how the state will decrease the informal employment as it pursues goals of the reforms and stabilizes the social and economic situation. In this aspect, it is expected that focusing on the growth of its internal market [27]. Most workers in the informal economy work in precarious and unsafe conditions, without sanitary facilities, potable water or proper waste disposal. **They lack all the opportunities and facilities a better life can offer**. Every year, more than 2 million people die of work-related accidents and diseases. The poorest and least protected – often women, children and migrants – are among the most affected. In work they are abused, exploited, in life they are burdened. With the verbal, informal contract and massive supply of labour, there is always a chance of losing the precious job. Key differences between the formal & informal economy can be traced from the letter of appointment, working hours, wage rate and availability of legal provisions. Non-existent or poor level of legal protection in the informal sector increases the probability of exploitation of the worker [1]. It is true that the informal economy/sector is the life line for the urban poor and those with less or no skill, but the condition the workers work in is not very comfortable. **They lack many of their fundamental rights. Still they can live their lives with the help of informal sector.**

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