



DESK STUDY OF THE INFORMAL SECTOR

-
MAURITIUS,
BOTSWANA,
MALAYSIA
& INDIA



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EXECUTIVE SUMMARY

This desk study of the Informal Sector in 4 countries – Botswana, Malaysia, India and Mauritius is of an exploratory nature since it tries to map out the broad contours of the Informal Sector, the possibilities and constraints within the sector as well as examine some aspects of legislations and the regulatory frameworks prevailing in the countries.

Given the lack of data on this sector in Mauritius, the research team deemed it necessary not to restrict itself to a desk study but to engage in some primary data collection as well. A broad range of relevant stakeholders as well as some informal sector workers were therefore interviewed in order to obtain a better understanding and appreciation of the sector. Given the nature of the issues explored here, it was necessary to privilege qualitative methods. A ‘voice’ was given to some of the informal sector workers through a Focus Group Discussion. The report discusses the methodology used for the study in greater depth.

The literature search on the countries selected for the study as well as the data obtained in the local context reveal the commonalities and differences existing within the sector. The opportunities and constraints of the informal sector are very similar in all 4 countries. The one major difference however is that in India there are associations such as SEWA (Self Employed Women’s Associations’) who work relentlessly to protect the rights of the informal sector workers. The latter are given relatively more official recognition in the 3 countries than in Mauritius.

The informal sector is defined as being very heterogeneous and constituting of a wide range of activities. In the first instance, it appears that no meaningful interventions can be made for such a diverse entity. On careful examination, however, it appears that a meaningful classification of the informal sector in certain countries is stimulating the growth of the market economy and dynamism, keeping down urbanization costs and contributing to the economy’s competitiveness. Whilst the informal sector may be contributing to enhancing the countries’ competitive edge, other dynamics are playing themselves out in such a manner that formal sector work is on the decline.

Thousands of formal sector jobs have disappeared in most developing countries like Botswana, Malaysia and India. In Mauritius too, many firms are closing down and relocating to cheaper sites of production such as Madagascar and Mozambique. In some other cases, Mauritian firms are recruiting cheaper and more productive labour from places like China. The rising level of unemployment in most developing countries including Mauritius gives rise to a burgeoning informal sector where individuals develop multiple forms of coping mechanisms and survival strategies.

The experience revealed by the informal sector in Botswana, Malaysia and India shows that its size and content are determined by the robustness of economic growth on the demand side and on the supply side by the magnitude of the rural labor surplus and the pace of its release arising from an increase in agricultural productivity and growth of non-farm activities. On the supply side, a new phenomenon is that of downsizing the formal sector

which is particularly evident in the relatively educated informal sector in countries such as Malaysia. This educated labour force joined the informal sector after losing their formal sector jobs in the recent years. According to the findings of the study, informal sector workers in Mauritius as well possess higher levels of education than before.

Globalisation, privatization, liberalization and deregulation have diverse effect on economies around the globe. What is common however is that there is a rapid revolution in technologies and increased movements of capital and labor. The latter contribute to various kinds of dynamics and fluctuations on the labour market. The labour markets of the countries studied here have their own specificities but the one common problem that they all confront is how to come to grips with the rising levels of unemployment. And to make matters worse, in some countries such as Botswana, AIDS is having very severe repercussions on the human capital of the country. This in no way implies that the other 3 countries do not face the AIDS problem. The only difference is that the extent of the problem is much more pronounced in Botswana than in the other three.

Growing unemployment and the rising feminisation of poverty have led to the expansion of the informal sector in all the 4 countries. The ILO Decent Work agenda-(Based on the principles of social protection, safe conditions of work, decent remuneration and training opportunities) is hardly applicable to informal sector workers although attempts are being made by some organizations /NGO's in certain countries to provide better conditions for the workers.

The consequent expansion of the unprotected, low-income and flexible labour market has given rise to high levels of insecurity for all types of work and more work for women and children. In Mauritius, it is generally believed that because of free education and the new legislation making education compulsory up to the age of 16, there is no child labour. But in reality, the growing poverty problem in the country is pushing some parents to take their children off school and make them work in the informal sector.

It is to be noted that the disappearance of many public sector jobs due to World Bank and IMF pressure and closure of inefficient and uncompetitive industries created a totally new labour situation for the informal sector in the 1980s and 1990s. Informal sector workers usually face difficulties such as access to credit, lack of technological know how, poor marketing techniques and/or no access to markets, exposure to health and environmental hazards, absence of most forms of social protection.

Most governments find it difficult to regulate the informal sector but what is clear however is that all the countries are trying to develop policies regarding the SMEs sector since there is increasing recognition of the sector's contribution to the economy. In Mauritius too, there is increasing recognition of the contribution of the SME sector to the economy as reflected by the budget speeches of the last 20 years or so. But there are increasing numbers of small businesses which operate without licenses and permits. Those operating illegally evoke reasons such as too much bureaucracy/paperwork, too little profit or zero profit, no time, exorbitant taxes and costly permits/licenses to explain why they

prefer not to apply for a licence or permit. Some stakeholders also argued that there are cases of illegal operators having recourse to politicians to avoid paying fines when they were actually identified by the inspectors. Such political interference was frequent in some places and hampered the work of the inspectors.

There is a growing number of small and micro enterprises within the different sectors such as tourism, industry, agriculture, construction, furniture making, garment and manufacturing to mention but a few. There is therefore an urgent need to perhaps study the informal sector sectorally. The study concludes by mapping out a research agenda regarding the informal sector with the view of developing some coherent policies in the future. Greater institutional collaboration and a holistic approach is required to address the problems of the sector and optimize its contribution to the economy. Some guiding principles such as an Institutional Approach, a Participatory and Democratic process, a Gendered Approach as well as a Context Specific Approach are central to all policy formulation.

Discussions with the National Coordinating Committee and inputs from the MRC Technical Committee highlighted the importance of separating the Informal Sector into 2 broad categories- those who engaged in the production of goods and services and bringing a value added and others who fall in the realm of the 'non productive' in the sense that they are mostly engaged in the act of selling goods- hawkers, street vendors, traders selling local and imported goods.

Given the various forms of vulnerability faced by the informal sector workers as well as their contributions to the economy, recommendations pressed upon the need to strengthen an Institutional Framework through the setting up of a "Decent Work" institution. The latter will have a multi pronged strategy which will cater for the needs of IS workers in terms of funding, microcredit, social security/protection, training/education, insurance, technical support. The Decent Work Institution will therefore help to address the various ills of the Informal sector and hence help to consolidate the informal sector since the findings of the study have given every indication that it is a sector that is here to stay

There was also need for investment into strong advocacy campaigns through both print and audio media to encourage enterprises to register. The setting up of 'Decentralised Business Spaces' was also recommended. This would have the added advantage of addressing the growing feminisation of poverty in the country. Family income threshold should be raised. The present threshold of maximum household income of Rs6000 was regarded as debarring others from developing an entrepreneurial culture and a small business..

Finally a sectoral approach was needed to address the problems of the informal sector in Mauritius. The heterogeneity of the sector leads to an array of problems which cannot be addressed by a one quick fix solution for all. A sectoral approach will have the added advantage of addressing the problems of specific sectors and then link up the sector with the most relevant aspects/sectors of the Decent work Institution in an attempt to remedy the problems of the particular sector.

INTRODUCTION

Paul Bangasser (2005) in a paper entitled ‘The ILO and the Informal Sector: An Institutional History’ explains that the concept Informal sector had been launched by the ILO some 3 decades ago. According to some, the informal sector is characterized by relative ease of entry, reliance on indigenous resources, family ownership of enterprises, small scale of operation, labour intensive and adapted technology, skills often acquired outside the formal schooling system and unregulated and competitive markets.

The informal sector has been defined by the 15th International Conference of labour statisticians in 1993. It was voluntarily an ‘umbrella’ definition that could cover the variety of existing countries practices and help to their convergence. The informal sector is highly heterogeneous, encompassing production units of different features and in a wide range of economic activities, as well as people (i.e workers, producers, employers) working or producing under many different types of employment relations and production arrangements. Because of the heterogeneity of the informal sector, and its multiple dimensions, conceptual and statistical definitions of this sector are not as clear cut as one might expect.

The informal sector includes a wide variety of activities such as street hawking, beach hawkers; cake selling, construction workers, masons, retail food enterprises, vegetable selling, food, cold drinks, snacks, handicrafts, to mention a few.

Service activities such as hairdressing, shoe repair and alterations to garments, welding products, motor vehicle repair also constitute an important part of the informal sector.

Illegal activities such as commercial sex work, production and distribution of narcotics, smuggling, theft and extortion can also be part of the informal sector.

International institutions such as the ILO together with the Delhi group of experts are still struggling to come up with a clear, concise and consensual definition of the informal sector. But the complexity of the sector and the specificity of the different countries makes it difficult to obtain consensus. The UNDP Report (1997) argues that the formal employment would not catch up with the growing demand for work and livelihoods in the foreseeable future. The only other way to meet material needs and to eradicate poverty is therefore to stimulate the informal sector. The United Nations Economic Commission for Africa has also commissioned a 14 country study on the Informal sector and they are also of the opinion that the Informal sector would but only grow and that it is important to have less of a pejorative image of the sector and realize that it is also a wealth creating sector and have enormous potential to reduce poverty on the continent.

Although the concept informal sector is widely used in many developing countries, it is only in recent years that the concept has started gaining popularity as well as official recognition in Mauritius. This is perhaps because during the last few years, there has been an upsurge in the unemployment level and increasing numbers of people are trying to sustain their livelihoods through the informal sector. Also, more efforts are



deployed to encourage local entrepreneurialism thus contributing to the proliferation of workers in that sector. It is however important to highlight the nuance that exists between the registered SMEs and the informal sector. What is generally known as informal sector work is all that is unregulated, that tends to be family based, that constitutes some forms of coping mechanisms by the poor. An important section of the informal sector business is not

registered and continue to operate illegally. To some people, they do not form part of the SMES but to many others, they are SMEs but simply unregistered and operating illegally.

Those who are excluded from employment in the formal sector constitute a large labour surplus. Since the workers concerned cannot afford to be unemployed for any length of time, they have to create for themselves activities, which can provide them with an income however meagre, in order to survive. The informal sector has been described as a huge labour sponge, with an almost infinite capacity to absorb those who are at any time excluded from formal sector activities.

Working in the informal economy often means having a job of inferior quality, no legal minimum wage, no social protection, poor conditions of work, no severance pay, job insecurity and so on. There is no accurate definition of the informal sector. Moreover, it is a concept on which there is very little consensus. In Mauritius like in some other parts of the developing world, there is a general tendency to regard the informal sector as a platform for the poorer segments of society to engage in some kinds of survival strategies.

All the countries selected for this study have a segment of their informal sector registered as SMEs. They are all struggling to develop different aspects of their SME sector and trying to work out different policies, legislations and regulatory framework. The opportunities and constraints within the sector are complex and Mauritius has the additional problem of a small market to deal with.

The history of the informal sector in Mauritius dates back to a number of years. However, it is only in recent years that it has been given formal recognition and fallen under a specific Ministry. The activities of the informal sector fell under the Ministry of Housing and Lands, Small and Medium Enterprises, Handicrafts and the Informal Sector.

Following cabinet decisions in December 2004, the informal sector was moved from this ministry and attached to the Ministry of Small Enterprises, Cooperatives, Handicraft and the Informal Sector.

What is surprising however is that the Ministry of Employment which deals with the question of labour and employment does not deal with the informal sector at all thus revealing the lack of a global/holistic approach to address labour dynamics in the country. Officials of the Ministry argue that informal sector work belongs to the realm of SMEs and the latter fall under the aegis of another ministry. The Ministry of Labour and employment has shown keen interest in the ILO concept of 'Decent Work'. The ministry has spent large amounts of resources to try and integrate this concept in its policies as well as work towards its applicability in certain sectors. But the informal sector which absorbs large amounts of labour and has important 'decent work deficits' do not fall within the parameters of the ministry.

Each budget speech during the last 20 years or so has taken full cognizance of the growing importance of this sector but whether policies that are proposed get fully implemented is a question that is posed by various stakeholders. The Budget speech 2003/2004 for instance announced the setting up of Permits and Licenses Committee in each Local Authority to interact with BOI and SMIDO but most of the staff of Local authorities interviewed did not know anything about the committee. The Budget Speech also refers to 'study being carried out by the World Bank to establish a more refined basis for determining the overall level of employment in the economy, including the informal sector' but it seems that the findings of this study are still not available.

In addition to providing a justification of the study and the rationale for the choice of countries, the first part of the report contextualises the informal sector in the context of globalisation and the growing unemployment problem. The second part of the study constitutes a literature review of the informal sector in the countries selected for the study. The third part of the study addresses the methodology and presents the findings. The fourth and last part looks at some policy issues/ recommendations and maps out a research agenda for the informal sector.

PART ONE

JUSTIFICATION, RATIONALE AND CONTEXTUALISING

THE STUDY IN AN ERA OF GLOBALISATION

JUSTIFICATION OF THE STUDY

The informal sector in Mauritius, as explained earlier has been hardly studied and there is therefore a dearth of data on the sector. The one study that attempts to examine the sector is by De Chazal Du Mee (2004) entitled “The Implications of the Informal Sector on the Mauritian Economy”, but various concerns and reservations have been expressed regarding the study by a broad range of stakeholders. The main concerns revolve around 4 major issues. The study tends to treat the informal sector as if it is very homogenous and yet we know that one of its principal features is its heterogeneity, the connection between the rising level of unemployment and the growing informal sector tends to be ignored, the invisibility of the gender dimension at a time of growing feminisation of poverty is striking and the presence of children in the sector is also largely ignored. The methodology used is also largely questioned by a range of stakeholders. The study focuses largely on gains lost in terms of tax revenue but the social dimensions/implications of the sector is largely left out. Some tend to argue that the study tends to be too economic in approach and that a greater balance should be found between the economic and the social.

Since the mainstream thinking about the informal sector by the UNDP, UNECA and ILO seems to highlight the correlation that exists between poverty, unemployment and informal sector as well as the creativity and the wealth creation potential within, it is important to obtain a better understanding of this sector in contemporary and chart a way forward in terms of the support that can be provided by relevant stakeholders so that the sector can operate effectively and at its optimal level.

RATIONALE FOR CHOICE OF COUNTRIES

The 3 countries chosen have certain commonalities and differences with Mauritius and they all have an important informal sector. Mauritius is perhaps the country on which the least is written and documented as regards the informal sector. The MRC Technical Committee on Informal Sector thought it useful to undertake the study of the countries mentioned above and to perhaps draw some kind of ‘best practice’ and /or lessons of experience when relevant.

Botswana is comparable to Mauritius in that it is also classified as a small state with a population of 1.7 million and like Mauritius, it is one of the very few African countries which has been hailed as a success story. Botswana is, contrary to Mauritius, endowed with a large amount of natural resources which include diamonds, copper, nickel, iron ore and silver. It also has an important agricultural sector. Botswana like Mauritius forms part of the SADC block of countries and an understanding of the informal sector of the 2 countries can contribute to some thinking of how best to promote regional trade.

Malaysia, like Mauritius is a multi-ethnic , newly industrialising country (NIC) and classified as a middle income country as well. It is thought that an understanding of the distribution of entitlements, particularly access to credit by indigenous groups who have been oppressed for a long time will provide an indicator as to how to use the informal sector for further social mobility and ensure sustainable social cohesion. Mauritius does not have an indigenous population as such but the history of Mauritius highlights how some segments of the Mauritian population have a history of disadvantage. The inclusive practices of other countries may be a good source of inspiration for Mauritius.

India is a huge democracy with a population of over 30% living below the poverty line. It has a huge informal sector and interestingly, it is one of the few countries which has a number of organizations/NGOs which address the problems of the ‘unorganised workers’ and work for the advancement of their rights. The SEWA (Self Employed Women’s organizations)group, it was thought, could provide some interesting lessons of experience for Mauritius especially now that large pools of women who had joined low status, low skilled and low paid jobs in the EPZ are losing their jobs in great numbers.

CONTEXTUALISING THE INFORMAL SECTOR IN AN ERA OF GLOBALIZATION

Globalisation is not a new phenomenon. Some communication and trade took place, at least sporadically, between distant civilizations in ancient times. For the past seven centuries, since the voyages of Marco Polo, globalisation has generally been on a rising trend. Improvements in technology, particularly in transportation and communication, have made this rising trend possible. At a deeper level, the driving force behind the process of

globalisation and the technological improvements that have made it possible has been the desire of people to take advantage of the opportunities provided by interactions with other societies through trade, migration, investment, acquisition of knowledge, exploitation of new resources and- not infrequently- through pillage, slavery and imperialism.

One can argue that that there are 2 broad trends, albeit internally differentiated, one more biased towards international political economy and the other towards the sociological and cultural aspects of globalisation. It is true to say that there exist some important differences in the interpretations and accounts but there is also some commonality in that there is substantial agreement over certain issues and these may be summarized as follows:

1. The importance of neo-liberal ideology in influencing the direction of globalisation.
2. The global economy with the capacity to work as a unit in real time on a planetary scale as historically distinct from the world economy.
3. Cultural ramifications of global capital as recognized by both homogenisers and heterogenisers
4. Global migrations as a major process through which the new transnational political economy is being reconstituted
5. The witnessing of an environmental crisis and a risk society and consciousness of a global condition
6. TNCS, states and financial institutions as the main driving force in globalisation
7. The role of ICTS, of knowledge, information, affect and communication as contributing to globalisation and increasing and transforming the velocity and reach of social and cultural networks.
8. Transformation in the management of production, distribution and the production process that transforms the nature of labour.
9. The proliferation of nation states and the loss of nation state as the sole site of sovereignty despite it remaining a critical player

10. Distinct patterns of stratification; the global military hierarchy dominated by the US, the political and economic hierarchy between the OECD and non OECD states

Globalisation is not necessarily affecting the 4 countries in the same manner, but what is certainly common is that globalisation which is associated with privatisation, deregulation and liberalization is leading to the withdrawal and a rolling back of the state. There is also growing evidence that regulation of economic activities, including an active role for governments is needed to deal with the impacts of globalisation on labour relations and on the environment. Moreover, globalisation itself has created new needs for regulation. Consider the concern about regulating capital markets after the Asian financial crisis or about protecting intellectual property rights in the new 'knowledge economy'. Clear rules and appropriate legislation to regulate the relationship economy between governments, foreign investors, local enterprises, and the workforce in today's global economy are needed. The policy challenge in today's global economy is not whether to regulate but how to determine the right balance between national and global regulation. What we therefore attempt to do in this study is to present an overview of how to develop an improved and appropriate policy approach to the informal economy.

Mauritius has been part of the global system since its very beginnings. The very peopling of Mauritius is a 'deterritorialisation' of people from across the globe. Slavery, indentured labourers constitute an important chunk of Mauritian history and it is these very workers who contributed to the development and expansion of the sugar industry and in so doing to the integration of the small island state into the global system.

The country's policy of diversification- through the establishment and setting up of the EPZ, the tourism industry, and more recently the financial and services sector has contributed to the increased plugging of the Mauritian economy into the world system.

Cheap, adaptable and fairly literate labour was the major attractor of foreign investment into the country. And women constituted a large portion of that labour pool. They contributed to turning the wheels of the factory- large sections of them in the formal sector and some in the informal as well. The country's economic diversification absorbed

the large supplies of labour so well that in the 80s and early 90s, the country experienced full employment.

THE NEW FACE OF GLOBALISATION AND CHALLENGES CONFRONTED BY THE MAURITIAN ECONOMY

But it is this very EPZ and globalisation, which is now taking a new face and throwing hundreds of people out of work each single day. Trade liberalization and globalisation is causing many firms to close down and to move to cheaper locations of production. Unemployment is on the rise and it is rather paradoxical that the country attracts increasing numbers of foreign workers under such a situation.

The erosion of cheap labour, the only comparative advantage that the country possessed is one of the major challenges that the country confronts. Other major challenges revolve around the fact that the country will inevitably face the dismantling of the multi-fibre agreement- the derogation of the third country fabric is only for one year and it will become increasingly difficult to find protected markets and guaranteed prices. The sugar sector which has been the mainstay of the Mauritian economy for a long time is also facing difficulties. The loss of the sugar protocol implies a heavy burden on the sugar sector and the Mauritian economy as a whole. Whilst it is true that Mauritius has used its 'smallness' and 'vulnerability' as tool of economic diplomacy for a relatively long period, the question that needs to be asked is whether the rapidly changing international economic scenario would allow for such lobbying and diplomacy to continue for long.

The narrow range of products produced in the EPZ implies a narrow industrial base and very limited integration of the economy. The mismatch between the requirements of the labour market and the education and training system is a perennial problem and the persistent skills deficit makes it increasingly difficult for the country to retain its competitive edge.

The rapidly ageing population leads to a worsening dependency ratio and puts additional pressure on the welfare state. It is generally argued that the country needs to attain

a 7 to 8 percent growth to sustain its welfare state (NPCC report on Competitiveness Foresight, 2004).

Foreign Direct Investment (FDI) has declined enormously in recent years. According to the World Investment Report (1997), Mauritius is the country which is attracting the least FDI in the SADC region. Post Apartheid South Africa has emerged as a giant player in the region.

It is rather surprising that the Competitiveness Foresight report of the NPCC which talks about foresight and innovation for Mauritius does not give a mention to the informal sector whilst the United Nations Economic Commission for Africa, the ILO as well as the UNDP regard this sector as being very creative and as having the potential for wealth creation.

The literature review in Part 2 highlights the emphasis placed by the different countries on the informal sector. There is a growing realization that the informal sector is a major contributor to the economy but that it is complex and needs to be addressed from various angles in order to optimize from its contribution and at the same time ensure sustainable human development. Mauritius is lagging behind on this front. The literature review starts with Botswana, followed by Malaysia and then India which includes an important section on SEWA.

PART TWO

CASE STUDY – BOTSWANA, MALAYSIA & INDIA

THE INFORMAL SECTOR OF BOTSWANA

Geographical Location and Country Profile:

Located in Southern Africa and north of South Africa¹, the Republic of Botswana has a total area of 600, 370 square km. Border countries² are Namibia (1,360 km), South Africa (1,840 km) and Zimbabwe (813 km). The total population is estimated to be 1, 7 millions (July, 2004).

Botswana consists of 9 districts of which Gaborone is the capital and has 4 town Councils. The nationality of the population of Botswana is Motswana (singular) and Batswana (plural). The languages used are Setswana and English, which is official. Botswana is a multi-party, constitutional democracy. The constitution vests legislative power in the 44 seats National Assembly and executive power is vested in the president, who is a member of the parliament. The legal system of Botswana is based on both the Roman Dutch and the local customary law and election takes place every five years.



¹ www.cia.gov/cia/publications/factbook/geos/bc.html

² <http://geography.about.com/library/cia/blcbotswana.htm>

Economic Indicators: Botswana

INDICATORS	1999	2000	2001	2002
GDP per Capita in US \$	6,872	7,184	7,820	8,170
GDP Index	0.71	0.71	0.73	0.73
Gross National Income (US\$)				3,010
HDI Rank	114	126	125	128
HDI Value	0.577		0.614	0.589
% of population below National Poverty Line	33.3	33.3	23.5	23.5
GINI Index	N/a		63.0	63.0
Net Foreign Direct Investment (as Percentage of GDP)	0.6	0.6	1.1	0.7
Gender Related Development Index GDI rank	103	104	101	102
Gender Related Development Index GDI Value	0.571	0.566	0.611	0.581

Many studies show that the informal sector is growing in many developing countries, where income is unreported and illegal activities such as smuggling and fraud go undetected. In Africa, for instance, the informal economy³ is so large; it is more like a parallel economy. On average, the informal economy in Africa is estimated to have been 42

³ <http://rru.worldbank.org/Discussions/Topics/Topic18.aspx>

% of GDP in 1999 / 2000. Zimbabwe, Tanzania and Nigeria were at the high end with 59.4 %, 58.3 % and 57.9% and Botswana and Cameroon were at the lower end with 33.4 % and 32.8 % respectively. The next part of this paper will focus firstly on the definition of the informal sector in Botswana and then will try explaining the implications of this sector in Botswana's economy.

OPERATIONAL DEFINITION

The working definition⁴ of the informal sector business was tailored to enterprise not registered as a company. That is a business consisting of 5 or less employees, informal accounts or none, expenditure not easily distinguishable from household expenditure and enterprise often temporary or mobile or in owner's home. Moreover, the informal economy in Botswana is defined as those individuals who do not participate in the official labor market and employment of people, for example, clandestine or illegal immigrants who are not allowed to work in the country's official economy. "Underground" labor may consist of a second job after or even during regular working hours. In the Informal sector of Botswana, jobs are created under clandestine conditions, that is not conforming to the institutional framework, where the firms creating them may be operating without the knowledge of the authorities concerned or violating certain laws and regulations. Also the jobs thus created in the informal sector of Botswana are likely to be of poor quality, as these job creations is not governed by the prevailing labor laws and regulations in Botswana. Therefore, working in the informal economy of Botswana means having a job of inferior quality, no legal minimum wage, no social protection, poor conditions of work, no severance pay, job insecurity and so on.

⁴ www.cso.gov.bw/html/info_sector99.html

To realize their full potential as possible engine for growth, informal sector jobs need a favorable environment that will allow them to prosper and expand. In this regard, Botswana has long realized the importance of the informal sector in fostering economic growth and creating jobs. This led to the introduction, over the last two decades, of targeted financial support as well as advisory programmes to help Botswana establish their own enterprises. These programmes were, however, set up more in reaction to specific problems encountered rather than as the basis of a comprehensive and more focused Government policy on support of small-scale enterprises in the country.

INFORMAL SECTOR TRADERS IN BOTSWANA

There are no standard definitions of informal traders; rather they vary from country to country. These depend largely on the size of the economy and the level of development. The only common considerations are that annual turnover (sales) and numbers of workers are generally used to categorize informal sector enterprises. In Botswana there is general agreement however, that a strict definition is not important except when an eligibility threshold is required to process various incentives and other promotional and assistance schemes to those working in the informal sector.

The informal sector is extremely diversified. At one extreme of the spectrum is the micro-enterprise sector. In the Botswana context, the micro enterprise sector is called the informal sector. It is made up of entities employing one or two persons, including the owner. Their focus is most often geared to the small locality or even small area in which they are located. It has an annual turnover of less than P60 000. There are approximately 50 000 informal entrepreneurs currently operating in Botswana. Seventy percent of them are located in rural areas. Some 65% are involved in trading, 25% in manufacturing and another 10% in other sectors.

Small Enterprises have a somewhat broader scope and many operate on a more structured basis. They have less than 25 employees and an annual turnover of between P60 000 and P1 500 000. There are some 6 000 small enterprises in Botswana, of which 80% are located in rural areas. Approximately 40% of small enterprises are in the service sector, 20% in manufacturing, 10% in transport/distribution, 6% in construction and 8% in agriculture.

Medium Enterprises⁵ tend to have developed a more outward looking approach to market their products or services, and often look beyond the country's borders to seek new markets. They have less than 100 employees and an annual turnover of between P 1 500 000 and P 5 000 000. It is reported that there are about 300 medium-sized enterprises currently operating in Botswana, with the majority involved in some form of manufacturing.

PROBLEMS AND CONSTRAINTS FACING THE INFORMAL SECTOR TRADE

The Informal sector trade presently faces many difficulties such as the low survival rates of the Informal Sector Businesses. A study by the Southern African Development Community (SADC) in 1997 shows that half of the newly established SMMEs in all SADC countries go out of business within their third year of operation and around 80% - 85% of enterprises will disappear within five years of start-up.

Besides, the problem facing informal operation in Botswana is lack of access to finance. Other constraints are a lack of information on sources of finance, inadequate risk capital and lack of collateral and complicated lending procedures..In Botswana⁶ schools have traditionally encouraged the development of employee culture rather than one based on self-employment. This bias against self-employment must be reversed if entrepreneurship is to be promoted in the present generation of school pupils. The complexity, rigidity and proliferation of Government laws and regulations also often impede the informal sector to grow and establish itself in the economy. Absence of clear government policies for the development and protection of the informal sector also act as barriers to the effective growth

⁵www.zero.org.zw/networks/docs/Country%20Experience%20of%20Informal%20Traders%20in%20Botswana.pdf

⁶www.zero.org.zw/networks/docs/Country%20Experience%20of%20Informal%20Traders%20in%20Botswana.pdf

of the Informal sector. For example, it is only large firms from the formal sector that are better placed to obtain import permits for capital equipment, components and raw materials and tariff rebates on duties paid on imported inputs and materials used in the production of export products. Another bias relates to government procurement policies that discriminate against the informal operators, for example, only large firms can supply large orders and can afford the payment of security bonds.

SMMEs⁷ in Botswana cannot escape the fact that due to computerization, automation, rising productivity and networking, fewer workers are required for any one task. Therefore, small businesses can be just as cost-effective as larger firms. Large firms often lack the flexibility required to keep up with a rapidly changing environment. Any advantage that size still confers can be achieved by small businesses through new forms of economic association such as strategic alliances, inter-firm networks, joint ventures or other forms of partnerships.

THE INFORMAL SECTOR SURVEY IN BOTSWANA

In 1999, the informal sector survey was designed by the Central Statistics Office⁸ (CSO) to answer a number of key policy questions on the existence of informal sector in Botswana and also to strengthen the National / Regional technical expertise. This was under the perception that in recent years, there is rapid multiplication of informal sector activities all over Botswana and that the informal sector has grown over time.

The informal sector survey started on 14th September 1999 and ended on 31st January 2000. Only towns (cities) and villages were within the scope of the survey contrary to cattle posts and land areas as informal activities are either minimal or non existent in these regions. The next Informal Sector survey will be conducted in 2007.

⁷www.zero.org.zw/networks/docs/

Country%20Experience%20of%20Informal%20Traders%20in%20Botswana.pdf

⁸ www.cso.gov.bw/html/info_sector99.html

The number of persons selected for 1999 Informal Sector survey⁹ was 222, 611, out of which 99, 603 were males and 123, 004 were females. The sample for the survey was designed to provide estimates of informal sector indicators at the national level and separate estimate for the 5 cities / towns, 19 urban villages and one estimate for rural area. Questionnaires were used to conduct the interviews and these were administered to each household selected to be part of the informal sector survey.

It is acknowledged that in many developing countries, contribution of the informal sector to household income is so significant that in some of these countries it exceeds that of the formal sector. Employment creation in the informal sector is another factor that makes a significant contribution to the economies of the developing world. Indeed, for many people informal sector is a major domain in which they can earn a living though this is not enough at times to make ends meet.

The informal sector can meaningfully contribute to the competitiveness of the market economy in totality if it is assisted. In this regard, a concerted collaboration of all those concerned such as the government and all key stakeholders to this aspect is critical. Therefore it is not a myth to point out that failure to determine a method of capturing the contribution of the informal sector will definitely lower the economic potential for Botswana to compete in the international market.

INFORMAL SECTOR AS SECONDARY ACTIVITY¹⁰

Table 2.1, indicates that the total number of employees who were engaged in informal sector as a secondary activity amounted to 4 668, out of which 2 873 were males and 1 795 were females. Distribution by status in employment shows that 70.0 percent were self-employed without employees. This was followed by self-employed with employees at 21.4 percent. Thus, the total self-employed constituted 91.3 percent of this group. The predominant industries for this group are Public Administration, Wholesale, Hotels, Restaurants & Retail Trade and Construction, which contributed 21.4, 20.6 and 12.6 percent

⁹ www.cso.gov.bw/html/info_sector99.html

¹⁰ <http://www.cso.gov.bw>

of the total respectively. Table 2.2 reveals figures for informal sector workers as main activity by industry¹¹ and sex.

It was also possible to obtain facts and figures regarding the currently employed by sector, including the informal sector from the Labour Force survey of 1995 / 1996. First of all, it should be noted that the largest employer in the economy of Botswana was the General Government (Central and Local) with 115 396 employees or 33.4 percent of total employment. This was followed by the Private Sector with 111 992 employees, which represents 32.4 percent. The third largest employer is the Informal Sector (including Domestic Services and Private Households) with 16.6 percent; Traditional Agriculture and Parastatal with 14.1 and 3.5 percent of the total employment respectively.

About 43.8 percent of General Government employment was in urban areas, whilst for the Private Sector over three-quarters (78.4 percent) of its employees were in the urban areas. Informal Sector activities were more prevalent in urban than in rural areas. This is reflected by the high number of workers, 36 378 compared to 20 862 in rural areas. Parastatal establishments are concentrated in urban areas, and most of the employees (83.3 percent) were in urban centers.

The distribution of employees by sex status indicates that General Government had almost equal distribution, 50.3 percent males and 49.7 percent females. The Private Sector is a male dominated institution, with 63.2 percent of its workforce being males. On the other hand, females dominate the Informal Sector, with about 66.9 percent of total employment in this sector.

WOMEN IN THE INFORMAL ECONOMY OF BOTSWANA

Women¹² constitute over half of the population on the continent and are a resource that no country should ignore in terms of their potential in different development fields. They have a wealth of experience to contribute thereby improving the quality of the

¹¹ http://www.cso.gov.bw/html/household/lfs_95-96_tbl4-5.html

¹² www.wiego.org/papers/ch1.html

decisions. Women have very specific needs in health, education, the formal economy and informal economy, the family, environment and so on, that need to be articulated by women themselves and to be taken into consideration when policy decisions are being made.

According to the UN Statistical Offices, the informal economy in the sub-Saharan Africa currently accounts for 77.4 % of non-agricultural employment (up from 66.5 % in 1980) and according to the ILO, it expects over 90 % of all new urban jobs in the region will be in the informal economy.

In Botswana, most of the people working in the informal sector are women¹³ and they comprise 75 % of the sector. Although most of those women engaged in the unregulated sector, these businesses never grow (Daniels, 1990). These businesses remain at the initial stage of occasional street vending. But there are a few women in this sector who have been able to develop enterprises with a remarkable growth. It should be noted that women in the informal sector operate in hostile environments. For instance, there are occasional cleaning campaigns where rural women working in the urban informal sector are forced to go back to the rural areas and work in agriculture.

In Botswana, the financial service legislation¹⁴ is based on the patriarchal system that treats women as minors and at best as housewives. For example, all married women do not qualify for loans from commercial banks unless the husbands authorize the bank to process their loans. Likewise, with male migration to the urban areas in Botswana, most women have no choice but to go into informal business. Governments have been criticized for the absence of realistic policies even where there is evidence that the informal economy has created employment.

In Botswana existing literature on the efforts made by both government and non-government to assist women in the informal sector on both access to capital and skill training shows that most women are not benefiting from these programs (Women's Affairs Division, 1995). Training programs for women in the informal sector have tended to focus

¹³ www.edst.educ.ubc.ca/aerc/2000/ntseaneg-web.htm

¹⁴ www.edst.educ.ubc.ca/aerc/2000/ntseaneg-web.htm

on the acquisition of knowledge in technical and craft skills as well as commercial knowledge. Lack of education has been identified as a barrier to the performance of small businesses. According to Somolekae (1994), in Botswana 39 % of the entrepreneurs have no formal education and an additional 53 % attended only primary schooling. Training in the informal sector should be gender sensitive and till now this factor has been overlooked in the training interventions programme of Botswana.

ROLE OF THE GOVERNMENT IN THE INFORMAL SECTOR OF BOTSWANA

The government¹⁵ of Botswana interprets the industrial sector broadly comprising much more than modern and formal manufacturing which is likely to be the core of the sector in terms of income generated and output produced. According to the government of Botswana, the term informal should also be included when referring to the industrial sector. Informal sector will thus imply small scale and often rurally base manufacturing activities as well as those enterprises in the commercial and service sectors such a motor repair works.

The Government of Botswana recognizes that small firms of which many are informal and situated in rural areas necessitate additional and different forms of assistance than the large, usually urban and modern firms. The government policy regarding the small scale and informal sector entails a coordinated system approach in providing man power, training and localization policies supportive of industrial development. Likewise, there is provision for participation and active use of trade and exchange agreements. The Government of Botswana considers the development of small scale and informal industries a critical factor in creating a truly indigenous industry. Three major reasons for taking this initiative are that:

- Small scale and informal activity mostly provides employment for the poorer section of the population.
- Support for such activity is a relatively cheap way of creating jobs

¹⁵ <http://www.bidpa.bw/Industrial%20Policy.doc>

- The Botswana possesses a number of entrepreneurship and technical abilities and such people are at the centre of industrial development. Therefore, one way of bringing them forward is through a process where the most successful of the informal small-scale entrepreneurs graduate to large ones operating in the formal sector.

As mentioned above, the government has developed a coordinated system for small businesses and those in the informal sector. The main features of this approach¹⁶ are:

- Coordination in the rural areas will be performed by the Production Development Committees and Rural Industrial Officers
- On a national level, the Ministry of Commerce and Industry will consider methods and priorities in filling the most significant gaps with regards to input supply and marketing
- All sources of credit, particularly Commercial banks and the Financial Assistance Programme will be integrated in the system, ensuring that the advisory services and monitoring systems are interlinked with the disbursement of credit and assistance to those in the informal sector
- Existing programmes will be encouraged to give priority to their training activities. For instance, the Botswana Enterprises Development Unit (BEDU) will re-orient its activities (training and business services) away from the industrial estates and towards the remote areas where informal activities are being practiced
- Likewise, special attention will be given to small producers who are the least likely to have the resources to run their own marketing especially when they are remote from the market. To this end, government will make use of available experience in exporting traditional handicrafts products with benefits to the poorest population of Botswana

¹⁶ <http://www.bidpa.bw/Industrial%20Policy.doc>

The next section provides some information regarding the broad regulatory framework and existing legislations within the Botswana context.

Regulatory Framework and Legislations

Botswana has made ample efforts to develop a wage policy as well as civil service disputes. Interestingly however, despite the growing informal sector, there is hardly any information available on Botswana's informal economy in terms of regulation and decent work.

The minimum daily wage for most full time labor in the private sector was \$3.15 (17 Botswana pula), which remained less than 50 percent of what the Government calculates is necessary to meet the basic needs of a family of five. Wage policy is determined by the Cabinet, which decides on recommendations made by the National Economic, Manpower and Incomes Committee (NEMIC), which consists of government, BFTU, and private sector representatives. The Ministry of Labor is responsible for enforcing the minimum wage, and each of the country's districts has at least one labor inspector. Civil service disputes are referred to an ombudsman for resolution. Private labor disputes are mediated by labor commissioners, but insufficient numbers have resulted in 1 to 2 year backlogs. In 1999 the Ministry of Labor received over 9,000 labor disputes and referred a small but undisclosed number of them to the Industrial Court for its review, which currently has a 9-18 month backlog.

Formal sector jobs almost always pay well above minimum wage levels. Informal sector employment, particularly in the agricultural and domestic service sectors, where housing and food are included, frequently pay below the minimum wage. There is no mandatory minimum wage for domestic workers, and the Ministry of Labor no longer recommends a minimum wage for them. Illegal immigrants from poorer neighboring countries, primarily Zambians and Zimbabweans, are exploited easily in labor matters, as they would be subject to deportation if they filed grievances against their employers.

The law permits a maximum 48-hour workweek, exclusive of overtime, which is payable at time and a half for each additional hour. Most modern private and public sector jobs are on the 40-hour workweek. The law provides that workers who complain about

hazardous conditions may not be fired. However, the Government's institutional ability to enforce its workplace safety legislation remains limited by inadequate staffing and unclear jurisdictions between different ministries. Nevertheless, employers generally provide for worker safety, with the occasionally notable exception of the construction industry (Botswana, Country Reports on Human Rights Practices - 2000, Released by the Bureau of Democracy, Human Rights, and Labor, February 23, 2001)

SUMMARY OF FINDINGS ON BOTSWANA

1. The informal sector in Botswana comprises of micro-small and medium enterprises and covers a wide range of activities.
2. There is approximately 50000 informal entrepreneurs.70 % of whom are located in rural areas.
3. Because of rural-urban migration and urbanization, informal sector workers are increasingly located in rural areas.
4. A large number of workers are suffering from AIDS but there is no accurate statistics available regarding the informal sector workers.
5. Major constraints to operate in the informal sector are lack of access to credit, very little technological know-how, lack of space and harassment by authorities
6. Lack of education and illiteracy persist and act as major barriers to the labour market
7. A vast majority of workers in the Botswana informal sector are women and they comprise approximately 75% of this sector while 39% of the entrepreneurs have no formal education at all.
8. Minimum wage is \$3.15.Majority of workers in the informal sector are paid below minimum wage.
9. Illegal immigrants constitute a large portion of the informal sector workers in Botswana
10. The ILO 'Decent Work' agenda is not applicable to informal sector workers.

The next section reviews the Informal sector in India and outlines the contribution of associations such as the SEWA (Self-employed Women's association) in assisting the informal sector in India.

THE INFORMAL SECTOR OF MALAYSIA

Geographical location and Country Profile



Malaysia, of total land area 329,758 sq. km., comprises of Peninsular Malaysia, which has a northern land border with Thailand, and the states of Sabah and Sarawak on the island of Borneo, bordering both Indonesia and Brunei. Malaysia also includes the Langkawi Islands and the islands of Penang and Labuan. A former British colony, Malaya gained its independence in 1957 under its first prime minister, Tunku Abdul Rahman, who had been the leader of the independence movement. In 1963, Malaya, Sabah, Sarawak and Singapore were unified to create Malaysia, although Singapore subsequently opted for independence in 1965. Of Malaysia's population of 23.802,360m, around 60% are Malays or other indigenous peoples, around 26% are of Chinese origin, while a further 8% are of Indian origin¹⁷.

¹⁷Commonwealth Business Council Country Report-Malaysia
<http://www.cbcbglobeink.org/cbcbglobeink/country/Malaysia/index.htm>

ECONOMIC INDICATORS: MALAYSIA

INDICATORS	1999	2000	2001	2002
GDP per Capita in US \$	7,963	8,206	8,146	8,418
GDP Index	0.74	0.75	0.75	0.75
HDI Rank	56	59	58	
Gross National Income (US\$)				3,540
HDI Value	0.74	0.782		0.793
% of population below National Poverty Line	15.5	15.5	15.5	
GINI Index	49.2		49.2	49.2
Net Foreign Direct Investment (as Percentage of GDP)	2.0	1.9	0.6	3.4
Gender Related Development Index GDI rank	55	54	53	52
Gender Related Development Index GDI Value	0.768	0.776	0.784	0.786

This section provides an analysis of the variations in definitions of the informal in Malaysia. It reveals the complexities in providing a sole definition as the informal sector encompasses a multitude of activities as will be illustrated in this coming section. Different approaches are also used to define and calculate the nature and extent of the informal sector in Malaysia.

HETEROGENEOUS DEFINITIONS

In Malaysia, there is no official definition for the 'informal sector'¹⁸. A number of terminologies are used, for example, the shadow economy, the underground economy, or the non-observed economy. Hence, there are various definition of the informal sector in Malaysia. Mohammed A (2004) argues that the informal sector is a component of the non-observed economy, as illustrated by the chart below. He further asserts that those production units who employ less than 10 workers and that are not registered with the Malaysian Register of Companies (ROC), the Registrar of Businesses (ROB), Professional Institutions or Government Bodies form part of the Informal Sector in Malaysia. The 15th International Conference of Labour Statisticians¹⁹ gives a concise definition of the Informal Sector. INSTRAW²⁰ has further developed a list of identifying characteristics:

- simple technology;
- very little capital;
- no fixed place of business;
- quasi-legality or lack of registration; and
- little record keeping

THE ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

Another currently used definition in Malaysia, with relation to the Informal Sector, is outlined in the *OECD* (2002) Handbook²¹. Accordingly, the non observed economy refers to

“all productive activities that may not be captured in the basic data sources used for national accounts compilation. The

¹⁸ <http://www.bic-un.bahai.org/95-0826.4.htm#1>

¹⁹ <http://www.gdrc.org/informal/huss0772.pdf>

²⁰ This same definition is also used by the Statistical Office of the United Nations Secretariat. The International Labor Organization (ILO) uses a slightly different set of criteria
<http://www.bic-un.bahai.org/95-0826.4.htm#1>

²¹ http://www.oecd.org/infobycountry/0,2646,en_2649_201185_1_70654_1_1_1,00.html

definition covers three sectors: the underground, informal²² and illegal”.

It further includes all other activities that have not been taken into consideration due to deficiencies in the basic data collection programme.

THE ESTABLISHMENT APPROACH

The Informal Sector can also be explained using the ‘*Establishment Approach*’

Recommendations set out in the 15th International Conference of Labour Statisticians (15th ICLS) in 1993, were consequently included in the revised system of National Accounts (SNA 93). In this regard, the IS was defined in terms of Production Units²³ (characteristics of the enterprises). Persons working in the informal sector are further defined as those who are employed in either one or more production unit, irrespective of their status in employment or whether it is their main or secondary job.

Additionally, the 15th ICLS recommended the use of one of the following three criteria while distinguishing the informal sector from any other unincorporated enterprises owned by households; namely

- Non-Registration of the Enterprise
- Small Size in terms of Employment
- Non-Registration of employees of the Enterprise

Similarly, characteristics of Informal Sector Production Units are defined as

- Not being registered with the Malaysian Registrar of Companies (ROC), Registrar of Businesses (ROB), Professional Institutions or Government Agencies

²² The definition of the Informal Sector is based on the recommendations of the 15th International Conference of Labour Statisticians (15th ICLS) in 1993, which were subsequently included in the revised system of National Accounts (SNA 93)

²³ Production Units of the Informal Sector was defined as a subset of unincorporated enterprises. The term Enterprise was used to cover production units that employ hired labour, that are owned and operated by single individuals working on their own account as self-employed either alone or with the help of family members (UNESCAP, 2004)

- Having less than ten (10) Workers

THE HOUSEHOLD APPROACH

Based on the SNA93, the OECD (2002) Handbook defines an enterprise to also include “households producing goods entirely for their own final use”²⁴. In order to quantify the informal sector using the household approach, proxy indicators have been used in Malaysia. Target groups identified include

- Sales Workers, including Street vendors
- Self Employed Workers

Furthermore, the most current definition of the informal economy in Malaysia is street traders and street vendors; Itinerant or seasonal or temporary job workers on building sites or road work; and those in between the streets and home.

DIFFERENTIATION OF THE INFORMAL SECTOR

As it has been demonstrated, the definition of the informal sector is not a consensual one. In Asia, it is further differentiated as follows:

- From a labour categories/employment status perspective.
- From an industrial classification perspective (trade, services, manufacturing, construction and transportation).
- From a rural/urban divide (rural informal sector and urban informal sector).
- From the standpoint of urban spatial structure: those in the Central Business District (CBD) and those in suburban areas.
- From a location perspective: those who are location-specific and those who are not.
- From a zoning perspective: those located in proper business locations and those in home-based enterprises.

²⁴ http://www.unescap.org/stat/meet/wnoe/waisq_malaysia.pdf

- According to size classification: 1 persons unit (own-account workers), 2–4 persons units (micro enterprises), 5–9 persons units (small scale enterprises).
- From a migratory status (native, recent migrants and long-term migrants).
- From the viewpoint of employment quality: normal jobs and misemployment (begging, prostitution and scavenging).
- From the viewpoint of income/employment enhancing potential, which is crucial for advancement or upward mobility: enterprises/ work with growing market demand that reflects high-income elasticity of demand and those with low-income elasticity of demand (rickshaw services). Alternatively denoted dynamic/modern informal sector and marginal/survivalist groups²⁵.

ILLEGAL ACTIVITIES AND THE INFORMAL SECTOR

As argued, the definition of the informal sector is not homogeneous, hence the complexity of approach to measurement and regulation. Also referred to as the underground, informal, or parallel economy, the shadow economy includes not only unreported income from the production of legal goods and services, either from monetary or barter transactions, but also illegal activities. Smith (1985)²⁶ defines it as “Market-based production services, whether legal or illegal, that escapes detection in the official estimates product”. Schneider F. and Enste D. (2002)²⁷, provide taxonomy of Types of Underground Economic Activities²⁸. Bloem A.M. and Schrestha M.L. (2000)²⁹ report that due to the ‘illegal nature’ of illegal activities, this poses measurement problems. They should be therefore grouped

²⁵ Amin, The Informal Sector In Asia from the Decent Work Perspective, 2002

²⁶ Smith J.D., 1985, *Market Motives in the Informal Sector* in The Economics Economy, Gaertner W. and Wenig A. (eds.), Heidelberg: Springer

²⁷ Schneider F. and Enste D, 2002, *Hiding in the Shadows: The Growth of the Underground Economy* in IMF, Economic Issues, No.10

http://www.unodc.org/unodc/bulletin/bulletin_2000-01-01_1_page009.html

²⁸ Structure of table from Lippert and Walker, 1997 The Underground Economy: Global Evidence of its Size and Impact. Vancouver, B.C., The Frazer Institute.

²⁹ Bloem A.M. and Schrestha M.L., 2000, *Comprehensive Measures of GDP and the Unrecorded Economy* in IMF., Working Paper WP/00/204, Statistic Department

Online Availability:

http://www.imf.org/external/pubs/cat/wp1_sp.cfm?s_year=2000&e_year=2000&brtype=default

into a distinct category for analyzing the unrecorded economy. Moreover, Bloem and Schrestha warn against the fact that part of income emanating from illegal activities may be reported as having been generated through legal activities.

Table 2.3 provides an overview of the different types of illegal activity that have been classified to fall under the informal sector in Malaysia.

Table 2.4 attempts to show the difference in recorded activities that are covered in statistical collections as compared to unrecorded activities not included in statistical framework.

Consequently, by taking into consideration crime and illegal activities, the table below gives an idea of the size of the shadow economy in Malaysia. Here again, it can be deducted that different methodologies give different estimates of the size of the Informal sector. Figures provided in Table 2.5 are contradictory; yet, they both provide figures of the informal sector³⁰.

THE NATURE AND EXTENT OF THE INFORMAL SECTOR

This section provides information on the nature, extent and profile of individuals involved in the informal sector of Malaysia. An analysis of the contribution of different sectors of economic activity; namely, the industrial, educational, professional, services, transport and IT sector is given.

EXTENT OF THE INFORMAL SECTOR

Table 2.6 shows a comparative distribution of the working age population by type and occupation and employment status in Malaysia for the period 1990, 1995 and 2000. It reveals that, in the “street vendors, canvassers and newsvendors” occupational group, the percentage of own-account workers has noticed a rise from 61.0 per cent in 1990 to 67.5 per cent in 1995 and 2000. Likewise, the percentage of unpaid family workers in the “working proprietors (wholesale and retail) segment has experienced a rise from 72.2 percent in 1990 to 74.9 in 1995 and again to 75.8 per cent in 2000.

³⁰ <http://www.econ.jku.at/Schneider/ShadEcASIA2Bajadadraft1.pdf>

Tables 2.7 and 2.8 give an indication of the percentage distribution of employed persons workers respectively by industry occupation in Malaysia from 1990 to 2002. Figures demonstrate that the percentage of employed people in the construction industry had increased from 8.0 per cent in 1990 to 8.6 per cent in 2000 and 9.5 per cent in 2002. Likewise, the number individuals in the wholesale and retail trade industry had increase from 17.9 per cent in 1995 to 19.2 per cent in 2000 and 22.1 per cent in 2002. A similar trend can be further observed in the transport industry from 1990 to 2002. Yet, simultaneously, a decrease in the level of employment in the different occupation is noticed in Table 2.6. This can lead to believe that a reduction in employment in these occupational group of Table 2.6 has contributed to an increased level of employment in industries as mentioned in Table 2.5

Bunch et al (2001) reported that despite the fact that the notion of the Informal Sector was thought to be implicitly linked to the urban economy, recent studies have shown that activities of the informal sector is far more pervasive, cutting through to the rural areas, agriculture, commerce among others. Yet, in Malaysia, Blades and Roberts (2002) note that such activities are concentrated in a number of sectors such as home repairs, retail trade, taxis among others.

Table 2.9 offers an overview of the extent of the Informal Sector in different areas in Malaysia using the Establishment Approach³¹

NATURE OF THE INFORMAL SECTOR

The informal sector in Malaysia is heterogeneous in nature. This section provides information on the profiles of individuals operating in the informal sector

³¹ http://www.unescap.org/stat/meet/wnoe/waisq_malaysia2.pdf

PROFILE OF THE INFORMAL SECTOR

Typical Characteristics of the Informal Sector in Asia and the Pacific (including Malaysia) are:

- Target groups involved in informal sector activities using the Household Approach comprises of sales workers (including street vendors and sales workers not elsewhere classified) and own account worker/Self employed.
- Informal sector enterprises usually employ fewer than ten workers, mostly immediate family members.
- The informal sector is heterogeneous: major activities are retail trade, transport, repair and maintenance, construction, personal and domestic services, and manufacturing.
- Entry and exit are easier than in the formal sector.
- Capital investment is generally minimal.
- Work is mostly labour intensive, requiring low-level skills.
- Workers learn skills on the job.
- The employer-employee relationship is often unwritten and informal, with little or no appreciation of industrial relations and workers' rights.
- The informal sector works in conjunction with, rather than in isolation from, the formal economy. It has increasingly become integrated into the global economy (ILO regional Office for Asia and the Pacific³²).
- Many Malaysian men tend to work as a wage earner in their younger days, and move to start their own business after having learnt the skills, gathered capital and gained experience

³² www.ilo.org

- Because sub-contracting is legal in Malaysian context, this encourages subcontracting which in turns enables individuals to establish their own private enterprises
- In Malaysia, it is with the start off of industrialisation in Asia that home-based work increased
- Street vendors is a popular form of occupation in Malaysia. This contributes to a lowering of the living expenses of the working class³³.

WOMEN AND THE INFORMAL SECTOR

Women are usually put at the marginal end of research, however, they do form an important part of the informal sector. This section provides information on the situation of women in the shadow economy of Malaysia. It starts off through an illustration of Govindamah the female entrepreneur, as well as her plight as a female worker of the informal sector

The story of Govindamah-the female Entrepreneur³⁴.

Govindamah's husband lost his job as a van-driver and her daughter did not earn much to support the whole family. Govindamah took all her courage to tell her husband that she had decided to be a street vendor in order to make both ends meet. In spite of having been ridiculed and abused, Govindamah insisted on selling of "nasi-lemak" at the street corner. At the end of the day, her basket was full, and pockets were full of notes. As she continued with the vending, she added more products like tea, cakes and other snacks. Eventually, her customers requested for tables and chairs and Govindamah called upon the assistance of her cousin in exchange of 50% of the shares. The business prospered, but there were problems; gangsters demanded protection money, but as Govindamah and her cousins were operating without proper permits, they were frightened to resort to the authorities. They had further heard how difficult it was to obtain a license. Moreover, because they had

³³ <http://caw.jinbo.net/popups/articleswindow.php?id=42>

³⁴ <http://www.bahai.org/article-1-7-6-12.html>

no license, municipal council enforcement officers often came by threatening to confiscate all their items.

Ludher L.L.³⁵ reports that development specialists have noted that "in developing countries, where jobs in officially licensed enterprises are scarce, much of the population makes a living by working outside the official tax and regulatory systems. These people who make up the informal sector, are innovators, skilled at surviving, and sometimes prospering, in a highly regulated environment. Although the informal sector is an important source of jobs, income and even housing, its participants lose their full rights as citizens by operating outside the legal economy³⁶." This legal vulnerability affects women particularly because so many are employed in the informal sector. Accordingly a study of the Malaysian economy from 1985 to 1992 reports that an average of 47.05% of women in the female labor force were employed in the informal sector ³⁷. Of those, the vast majority, 61.2%, were employees, 21.8% were unpaid family workers, 16% were self-employed, and only 1% were employers. Within the informal sector, an average of 26% of all self-employed workers were women. Of all unpaid family workers, 65% were female³⁸. Thus a significant portion of women's contribution to the economy -- in Malaysia and throughout the developing world -- is unrecognized and uncoun-
ted.

Profile of the Malaysian Women in the Informal Sector

Ludher L.L. (1994) argues that the typical profile of the Malaysian women, in the urban or rural area, is that of someone with a primary education and an average household size of five. Usually, she would enter the informal sector after marriage and bearing children. In this instance, she would need to contribute substantially to the total income of her household. It is estimated that one third of these women have incurred a form of debt in

³⁵ *ibid*

³⁶ Chickering A., Lawrence A. and Mohamed S., eds., *The Silent Revolution: The Informal Sector in Five Asian and Near Eastern Countries*, (ICS Press, San Francisco, 1991). This same observation was made by Nicholas Ardito-Barletta, at one time General Director of the International Centre for Economic Growth in Panama, quoted in the Preface of *The Silent Revolution - The Informal Sector in Five Asian and Near Eastern Countries*

³⁷ Loh Ludher, Lee Lee (1994), 'The Position and Status of Women in the Informal Sector in Malaysia for the period 1985 -1992'. Unpublished.

³⁸ Department of Statistics, Malaysia. *The Labour Force Survey Reports*, 1985-86, 1987-88, 1989-90

order to provide capital for their businesses. Moreover, it is claimed that most women who enter the informal sector in Malaysia have previously worked in the formal sector³⁹.

Evolution of Women in the Informal Sector

In recent years, a relatively new group has entered the informal sector. They are professionals with good earning power who have opted to go into business for themselves, often working out of their homes. Advancements in information technology and the democratization of work have made it possible for them to work outside the formal sector. Lily and Eng Eng, for example, opted for early retirement from their teaching jobs when they found themselves saddled with more and more administrative work. As home tutors they can focus on teaching and be more involved in the welfare of their pupils. They also have more control over their time⁴⁰.

OBSTACLES FACED

Some of the obstacles faced by women in the Informal Sector in Malaysia include

- ***Low pay***

Ludher (1994) asserts that the work women do in the informal sector is often viewed by the women themselves and by others as an extension of their domestic work. As a result, their compensation is based not on labor market rates but on rates for domestic work, which is little or nothing. Even professionals in the informal sector charge lower rates than their counter-parts in the formal sector. In a survey carried out, Mrs. Ng, respondent, explained that she was involved in bookkeeping at home in between household chores and taking care of her baby. She stated that she billed her clients lower rates, as she has little overhead and considered this activity as a form of supplementary income.

- ***Lack of access to resources such as capitals***

³⁹ Berma, Madeline and Faridah Shahadan (1991). 'Meeting Women's Needs in Development and Family Welfare in the Informal Sector: A Proposal for action'; unpublished paper. - 'Poverty, Household Status and Women in the Informal Sector: A Structural Analysis'; unpublished paper

⁴⁰ *ibid*

Ludher (1994) reports that, women operating in the informal sector in Malaysia have little or no access to loan capital from banks and other financial institutions, as requirements and procedures are biased toward the formal sector and against women. There are presently 40 government agencies in 14 ministries assisting formalized (registered) small and medium sized industries, offering loans totalling RM1 billion (USD1 = RM2.57) or more, while for the informal sector there are only three major loan schemes. The most wide-spread and most successful of the three, the Ikhtiar Loan Scheme, in 1993 disbursed loans to some 21,000 women organized into 4,303 groups. From its inception in 1986 until 1993, the cumulative total of loans disbursed was RM13 million. More often capital is raised through traditional loan mechanisms such as money lenders, relatives and the 'kutu' - a traditional rotational self-help system.

Few women in the informal sector know how to keep accounts in forms financial institutions would recognize. In a survey carried out, it was revealed that Salmah, Foziah and 4 other ladies, for example, measured their profits by the number of gold bangles and chains they are able to buy for themselves and their loved ones and the savings they have for their Muslim pilgrimage (a goal they set for themselves). These women did not “speak the same language” as financial institutions. Even if they could be trust worthy in repaying their debts, banking institutions would however require collateral s, bank accounts, income statements and balance sheets to prove their commitment.

▪ ***Lack of Education and Training***

A study carried out by Berma and Shahadan (1991), dispels the belief that for women employment in the informal sector is temporary. The study indicates that most women in the informal sector are not there by choice but have been driven there by lack of skills and education. Mrs. Lai sews pockets on sportswear. After marriage, she became a home worker for a contractor with the garment factory where she used to work. She is paid piece rate. She would like to become a tailor, but without access to training, she has little choice but to keep doing piecework.

▪ *Excluded from policy-making processes*

Those involved in the informal sector, and particularly women, are, by and large, not organized, so their voices and views are not heard, and they are rarely involved in policy making. In Malaysia current policy emphasizes formalizing the informal sector, requiring registration of businesses and payment of taxes. To register a small business in Malaysia will cost initially RM2,000 or more; yearly secretarial and accounting services will cost no less than RM1,000.

The truth is that many women like Govindamah would be willing to legalize their businesses and even pay fees and taxes, but they are easily intimidated, officially and unofficially. Thus dealing with licensing authorities and government bureaucracies may prove an insurmountable obstacle. Governments would do well to find a way to involve them in creating the policies that affect them so that the needs of those going into business for the first time are understood and addressed.

SUPPORT SYSTEMS

Ludher (1994) argues that perhaps, the first platform for action would be to recognize and appreciate the importance of the informal sector in terms of its contribution to the national economy. According to Ludher, secondly, gender-based discrimination and other practices that hinder women's participation in the informal sector, and the economic sphere, should be eliminated. It is provided that one way to achieve parity is to seek the involvement and participation of women in defining economic structures and policies governing the informal sector. In this regard, women must be involved in reconceptualizing economics altogether, both theory and practice. If women have a unique approach to economic activity, it would most likely be apparent in the largely unstructured informal sector of the economy. For example, preliminary findings in an on-going study of women industrial sub-contractors in Malaysia, show that the business objectives of the majority of women sub-contractors are defined not so much in monetary terms as in terms of values⁴¹. Yet another means is to acknowledge the fact that women are good credit risks. Policies and

⁴¹ Loh Ludher, Lee Lee and Susan Chong (1993), 'Women Entrepreneurs: From Petty Trader to Entrepreneur - A Profile of Success.' Unpublished.

structure that impinge on women's access to access to resources - including loans, education and training – result in the denial of basic human rights and bad business practice ⁴².

The next section provides some information regarding the broad regulatory framework and existing legislations within the Malaysian context.

Regulatory Framework and Legislations

In Malaysia, there are several protection and benefits for employees, however, most eligibility criteria depend on a formal contract. The Employment Act 1955 provides a comprehensive legal framework governing matters such as wages, rest days, hours of work, holidays, termination, maternity protection, employment of foreign employees, and employer's duty to notify the Labour Office when commencing business. However, as yet, it does not include any legal protections of such for informal workers who have not entered into a contract of service with their employers. In times of disputes, such a worker may not be recognised as an employee by the Industrial Court. Consequently, these workers often suffer from discriminatory practices concerning pay, social insurance and other discriminatory working conditions. (In Malaysia, an employee is regarded as any person who enters into a contract of service with an employer and whose wages do not exceed RM1,500 per month. It also includes any person, irrespective of wages earned per month, who enters into a contract of service with an employer, and who is engaged in manual labour, operation or maintenance of mechanically propelled vehicle (for transport or commercial purposes), supervisor of employees in manual labour or engaged as a domestic servant.). However, most informal workers do enter into such contracts. As for domestic servants, it is often the foreign domestic helpers who do have formal contracts, unlike the local helpers⁴³.

⁴² Loh Ludher, Lee Lee (1994), 'The Position and Status of Women in the Informal Sector in Malaysia for the period 1985 -1992'. Unpublished.

⁴³ <http://caw.jinbo.net/popups/articleswindow.php?id=42>

Employees Provident Fund Act, 1991

Informal Workers are not eligible for the Provident Fund Act that provides financial relief or social security protection for workers through compulsory savings.

Employees Social Security Act, 1969

Employees of the informal sector are not covered under this Act that provides protection for employees and their families against economic and social distress in situations where employees sustain injuries or death.

Land Laws and Zoning Regulations (for Home-Based Tele-workers)

It is legal for a landowner to build a house and therein engage in economic activities in rural areas. However, the situation is different for urban-dwellers as under current laws, teleworking in urban areas on non-business premises is legally not permitted since it cannot be carried out in residential areas. Furthermore, legal measures regulate the kind of renovation and/or alterations which an owner can make to the house. In Malaysia, local authorities are also concerned with legal problems when home-based teleworkers start to employ personnel; for example, throughout the SOHO (Small Office Home Office) concept. Yet, Officials of local authorities argued that as long as homeworking was discreet and did not cause disturbances to the neighbourhood, in terms of noise, crowds and parking, hygiene and cleanliness, it would be tolerated. Presently, almost all local authorities allow end or corner lots of residential units to be converted into nurseries and kindergartens⁴⁴.

SUMMARY OF FINDINGS ON MALAYSIA

- I.* Major activities of the informal sector include retail trade, transport, repair and maintenance, construction, personal and domestic services, and manufacturing. The most current definition of the informal economy in Malaysia is street vendors and street traders.

⁴⁴ <http://caw.jinbo.net/popups/articleswindow.php?id=42>

2. The percentage of the self-employed in the occupational category of street vendors has gone up from 61% to 67.5%
3. There are strong attempts to link up the formal with the informal economy; for example, sub-contracting has been made legal in the Malaysian context
4. Home-based workers constitute an important part of the informal sector work
5. The employer-employee relationship is often unwritten and informal with little or no appreciation of industrial relations and workers' rights
6. Workers of the informal sector particularly generally have primary
7. Education and have an average household size of five
8. Most women who operate in the informal sector have previously worked in the formal sector
9. The informal sector is rarely involved in policy-making

INDIA AND THE INFORMAL SECTOR

GEOGRAPHICAL LOCATION AND COUNTRY PROFILE

India has a total area 2,973,190 sq. km (land area), as at July 2004 (est., CIA, 2004)⁴⁵ with a population of 1,065,070,607. By the 19th century, Britain had assumed political control of virtually all Indian lands, however, India gained its independence from British ruling in 1947. The subcontinent was divided into the secular state of India and the smaller Muslim state of Pakistan. A third war between the two countries in 1971



resulted in East Pakistan becoming the separate nation of Bangladesh. The major religions include Hindu 81.3%, Muslim 12%, Christian 2.3%, Sikh 1.9%, other groups including Buddhist, Jain, Parsi 2.5% (est. 2000).

⁴⁵ <http://www.cia.gov/cia/publications/factbook/geos/in.html>

ECONOMIC INDICATORS: INDIA⁴⁶

INDICATORS	1999	2000	2001	2002
GDP per Capita (PPP) in US \$	2,248	2,358	2,840	2,670
GDP Index	0.52	0.53	0.56	0.55
HDI Rank	115	124	127	127
Gross National Income (PPP)				
HDI Value	0.571	0.577	0.590	0.595
% of population below National Poverty Line	35.0	35.0	28.6	28.6
GINI Index	37.8		37.8	32.5
Net Foreign Direct Investment (as Percentage of GDP)	0.5	0.1	0.7	0.6
Gender Related Development Index GDI rank	105	105	103	103
Gender Related Development Index GDI Value	0.553	0.560	0.574	0.572

Generally referred to as the “unorganized sector”, the Informal Sector in India makes up more than eighty percent of the total number of economic activities. Furthermore, the informal sector encompasses a number of activities and as such, there is no clear-cut definition attached to the terminology. Primarily, individuals enter the informal sector to

⁴⁶ http://www.undp.org/hdr2002/indicator/cty_f_IND.html

have a source of income and make ends meet, bearing in mind that a large section of the population live below the poverty line. India's unorganized economy is influenced by a number of factors such as rural to urban migration as well as internally displaced individuals, global forces, privatization and liberalization. The first National Commission on Labour (1966-69) defined unorganised labour as those who have not been able to organise themselves in pursuit of common objectives on account of constraints like casual nature of employment, ignorance and illiteracy, small and scattered size of establishments and position of power enjoyed by employers because of the nature of industry etc. Nearly 20 years later the National Commission on Rural Labour (NCRL: 1987-91) visualised the same scenario and the same contributory factors leading to the present status of unorganised rural labour in India. It has to be noted that in 1995, the unorganised sector in India accounted for around 92.5% of India's workforce

However, India possesses an elaborate mechanism including NGOs to assist workers of the informal sector both through financial and social protection systems. Likewise, women workers of the unorganized economy also benefit from a number of schemes and training courses through the Government and NGOs.

HETEROGENOUS DEFINITIONS

The Informal sector⁴⁷ in India is broadly characterized as consisting of units engaged in the production of goods and services. The primary objectives of India's informal sector are to generate employment and income to the persons concern. These units typically operate at the low level of an organization and on a small scale, with little or no division between labor and capital as factors of production. Moreover, labor relations in India's informal sector, where they exist, are based mostly on casual employment, kinship, personal or social relations rather than contractual arrangements with formal guarantees.

Thus, production units in informal sector are not constituted as separate legal entities, which is independent of the household. The informal business is owned by household members for which no complete sets of accounts are available that would permit a clear distinction of the production activities of the enterprises from the other activities

⁴⁷ (<http://www.labour.nic.in/ss/INFORMALSECTORININDIA-ApproachesforSocialSecurity.pdf>)

performed by the owners. The owners of the informal business have to raise the finance at their own risk and are personally liable, without limit, for any debts or obligations incurred in the production process. In other words, expenditure for production is often indistinguishable from household expenditure.

For statistical purpose, the informal sector is regarded as a group of production units, which form part of the household or equivalently are enterprises owned by the household members. Likewise, it is important to note that in India, the term informal sector has not been used in the official statistics or in the National Accounts Statistics (NAS). The terms used in the Indian National Accounts Statistics are 'organized' and 'unorganized' sectors.

The organized sector⁴⁸ is defined as comprising of enterprises for which the statistics are available from budget reports and so on. On the other hand, the unorganized sector refers to those enterprises whose activities or collection of data is not regulated under any legal provision and do not maintain any regular accounts. In the unorganized sector, in addition to the unincorporated proprietorships or partnership enterprises, enterprises are also run by cooperative societies. In India⁴⁹, for example, the proportion of the active population in the informal sector (including agriculture) increased from 89 percent in 1978 to 92 percent in 1998. This sector is becoming increasingly significant, particularly for women. Furthermore, it is interesting to note that the informal sector is growing at a rapid pace in India and it is definitely here to stay. But the downside of most workers in the informal economy is related to the fact that they lack formal recognition and protection.

In regard to its visibility, it is not a mere coincidence that India is the birthplace and home of the largest trade union of informal workers in the world, namely, the Self Employed Women's Association (SEWA). More fundamentally, the informal economy is where the poorest and most disadvantaged groups in India secure their livelihoods, so that any analysis of the process of accumulation and class formation in India needs to understand these processes through the lens of the informal economy.

Several aspects of the informal economy in India stand out in absolute terms, its sheer size and significance and its increasing visibility in official statistics and official policy

⁴⁸ <http://www.labour.nic.in/ss/INFORMALSECTORININDIA-ApproachesforSocialSecurity.pdf>

⁴⁹ http://www.global-labour.org/trade_unions_and_the_informal_sector_wiego.htm

circles⁵⁰. This section hence seeks to examine the nature and extent of India's unorganized economy.

NATURE OF THE INFORMAL SECTOR

The 1991 Census has classified workers in India into two distinct categories as main workers and marginal workers. The main workers are those workers who work for the major part of the year (296 days) and marginal workers are those who work for less than 6 months (183 days)⁵¹. In 1991, out of a total work force of 314 million in India, about 286 million (91%) were main workers, while some 28 million (9%) were marginal workers.

Taking as starting point that the informal sector encompasses private unincorporated enterprises, the NSS 55th round, 1999-2000 further covered non-agricultural enterprises in the informal sector in India. The survey revealed that there were 44.35 million enterprises and 79.71 million workers employed thereof in the non-agricultural and informal sector. Among these, 25.01 million enterprises employing some 39.74 million workers lived in rural areas, while 19.34 million enterprises with 39.97 million workers lived in urban areas.

The informal sector generally comprises of small entrepreneurs, paid and unpaid establishment workers, independent workers and casual workers in India. For small entrepreneurs, there is a need for managerial and marketing skills, besides technical skills, as well as regular updating of knowledge and access to information; however the majority of informal workers learn their skills on the job. Mitra A. (2002)⁵² writes that informal workers in India are open to anything, as long as it provides them with a means of survival, even if the return is low and employment is not available all year round. He argues that almost 40% of the Indian population is below the poverty line, and it can be reasonably well founded to assume that a major part of the people below this poverty line resort to the informal sector. Subrahmanya and Jhabvala (2000) claim that 96 % of all women workers are in the informal sector. While the notion of caste might not seem to be of relevance in official discourse of the informal sector, in India, some research point out that most of the

⁵⁰ <http://www.india-seminar.com/2003/531/531%20martha%20alter%20chen.htm>

⁵¹ <http://www.labour.nic.in/dglw/otherunorg.html>

⁵² <http://www.ilo.org/public/english/employment/infeco/download/mitra.pdf>

informal workers belong to the oppressed groups- the Dalits or Scheduled Castes and Scheduled Tribes (SCST) (Das 2001, Anand 2001)⁵³.

In 1999-2000 forty four per cent of India's labour force are illiterate and 23 per cent have schooling up to the primary level. (GOI 2000, p.1.10). Their skill and technology base is therefore not conducive to moving up the economic and social ladder. These constraints are accentuated by lack of access to micro- finance, new technologies and information.

The Ministry of Labour of the Government of India provided a categorization table for unorganised workers under the following four heads, namely

- ***In terms of occupation***

Small and marginal farmers, landless agricultural labourers, share croppers, fishermen, those engaged in animal husbandry, in beedi rolling, beedi labelling and beedi packing, building and other construction workers, leather workers, weavers, artisans, salt workers, workers in brick kilns and stone quarries, workers in saw mills, oil mills etc. may come in this category.

- ***In terms of nature of employment***

Attached agricultural labourers, bonded labourers, migrant workers, contract and casual labourers come under this category.

- ***In terms of specially distressed categories***

Toddy tappers, scavengers, carriers of head loads, drivers of animal driven vehicles, loaders and unloaders, belong to this category.

- ***In terms of service categories***

Midwives, domestic workers, fishermen and women, barbers, vegetable and fruit vendors, newspaper vendors etc. come under this category.

⁵³ Anand, Harjit, "Linkages between Informal and Formal Sectors: Some Findings from Microlevel Studies." In Kundu and Sharma (Ed.) 2001: *"Informal Sector in India-Perspectives and Policies."* Manohar Publishers, New Delhi, 2001.

Das, Keshab, "Workers and Earnings in Informal Manufacturing: Evidence and Issues in Estimation". In Kundu and Sharma (Ed.) 2001: *"Informal Sector in India-Perspectives and Policies."* Manohar Publishers, New Delhi. 2001.

Because of the special characteristics of the Informal Sector in India, with its overwhelming number, range and complexity has not been amenable to any statistical accuracy in the same sense as the organized sector. Likewise, there is a low level of protective legislative measures in place due to the dispersed nature of employment in the sector. There is no formal employer-employee relationship and there is a frequent use of primitive production technologies that are not conducive to encourage workers to move forward.. In general, in India, the informal sector suffers from cycles of excessive seasonality and lack of sustainable income that is furthered by large-scale illiteracy.

EXTENT OF THE INFORMAL SECTOR

In 1999, Sinha *et al.*⁵⁴ write that the informal economy was estimated to comprise of 60% of the net domestic product, 68% of income, 60% of savings, 31% of agricultural exports and even 41% of manufactured exports. Ghose (1999) argues that there is no substantiation on the that the informal economy is shrinking and “that it is a shock absorber of the reform period”. Likewise, it is stated that “shock absorption” is one of the many roles, and not even the most important one, of the role of the Indian economy.

It is alleged that India's labour force is growing at a rate of 2.5 per cent annually, but employment is growing at only 2.3 per cent. Thus, the country is faced with the challenge of not only absorbing new entrants to the job market (estimated at seven million people every year), but also clearing the backlog⁵⁵.

In the rural areas, agricultural workers form the bulk of the [unorganised sector](#). In urban India, contract and sub-contract as well as migratory agricultural labourers make up most of the unorganised labour force. Over 70 per cent of the labour force in all sector combined (organised and unorganised) is either illiterate or educated below the primary level. In 1995, the unorganized or informal sector accounted for nearly 92.5 per cent of India's workforce (Subrahmanya and Jhabvala, 2000, p.2)⁵⁶. A Sample Survey was carried

⁵⁴ Sinha et al., 1999

⁵⁵ <http://www.indiaonestop.com/unemployment.htm#Overview>

⁵⁶ Jhabvala, R. and Subrahmanya, R. K. A, "The Unorganised Sector: Work Security and Social Protection". Sage Publications. New Delhi, 2000.

out by The National Sample Survey Organisation (NSSO)⁵⁷ in 1999-2000 revealed that out of a total workforce of 397 million, only 28 million workers were employed in the organized sector, hence an overruling number in the unorganized sector. These figures further reveal that over a decade, the employment in the organized sector has been stagnant, if not slightly on the decline. Moreover, in 1999, as much as 19 million or over two-thirds of the total organised sector employment was in the public sector (GOI, 2001, p.2.24)⁵⁸. For the economy as a whole, that is taking rural and urban areas together, and including agriculture, 53 per cent of the workers were self-employed in 1999-2000. For the urban areas, the self-employed comprised 42 per cent, 40 per cent were regular salaried while 18 per cent were casual workers (GOI 2001, p.2.30).

The survey denotes that there were 44.35 million enterprises and 79.71 million workers employed thereof in the non-agricultural informal sector of India's economy. Among these 25.01 million enterprises employing 39.74 million workers were in rural areas whereas 19.34 million enterprises with 39.97 million workers were in the urban area. Among the workers engaged in the informal sector, 70.21 million are full time and 9.5 million are part times. Moreover, the percentage of female workers to the total workers is 20.2 %.

The informal workforce in India is estimated to be about 370 million workers, nearly 92%⁵⁹ of the total workforce. The informal workforce is comprised of three main segments namely the informal employment in agriculture (including small farmers and agricultural labor), informal employment in informal enterprises (including employers, own account workers and employees) and informal employment outside informal enterprises (including industrial home workers sub-contracted by formal firms and domestic workers engaged by households).

Women account for about one-third of the total informal workers. Informal employment is particularly significant in agriculture, trade and construction accounting for

⁵⁷ http://www.censusindia.net/results/eci6_page3.html

⁵⁸ Government Of India, "*Report of the Task Force on Employment Opportunities. Government of India*", Planning Commission, June 2001.

⁵⁹ <http://www.india-seminar.com/2003/531/531%20martha%20alter%20chen.htm>

94-99% of workers in these sectors. Although data is not available on the contribution of informal employment outside of informal enterprises, the informal sector alone or the unorganized sector as it is called in India, accounts for 60% of National Domestic Product (which is the Gross Domestic Product minus depreciation).

It is mentioned that the unorganized sector generates more than 80 % of the national income in activities like wholesale and retail trade, hotels and restaurant, road transportation, real estate and business services such as medical, legal and so on. These figures are clearly illustrated in Table 2.10

As mentioned above, in India⁶⁰, there is a large magnitude of workforce getting their livelihood from the informal sector. Thus it can be said that the informal sector of India provides income-earning opportunities for a larger number of workers. It is mentioned that the enactment of legislations and other measures to bring them under the regulatory and providing them with social protection will adversely affect the existing mechanism prevailing in the informal sector. The unorganized sector also accommodates both full time⁶¹ and part time employment. For instance, in 1989-90, part time employment accounted for hardly 12 percent of the total unorganized manufacturing employment and it is assumed that the situation might not be much different since then.

At present the Indian Economy⁶² is going through a process of economic reforms. During this process there is merger, integration of various firms, use of modern technology and other innovative measures that take place to enhance competitiveness of the output both in terms of cost and quality of products and services. This is done in order to be able to compete in the international market. In contrast, the low inefficient units that form part of the unorganized sector will either wither away or merge with other enterprises, which are performing better for survival purposes.

In this situation, it is vital to take care of the interests of the workers by providing them with education, training, upgrading their skills, social protection and take other measures that will enable them to find new avenue of employment, improve their

⁶⁰ <http://www.labour.nic.in/ss/INFORMALSECTORININDIA-ApproachesforSocialSecurity.pdf>

⁶¹ <http://www.alternative-finance.org.uk/rtf/subrahmanya-unorganised.rtf>

⁶² <http://www.labour.nic.in/ss/INFORMALSECTORININDIA-ApproachesforSocialSecurity.pdf>

productivity in the existing employment which is necessary to enhance the competitiveness of their product both in terms of quality and cost. This eventually, will help in improving their income and thereby raising their socio economic status. It has been experienced that formal sector could not provide adequate opportunities to accommodate the workforce in the country and informal sector has been providing employment for their subsistence and survival. Keeping in view the existing economic situation in India, it is then not a myth to point out that the unorganized sector will expand further in the years to come. Therefore, this sector needs to be strengthened so that it could act as a vehicle of employment provider and social development for those in the informal sector of India.

In this regard, it is suggested that the Government⁶³ should instead play the role of facilitator and promoter so that the workers employed in the informal sector are able to get requisite level of protection, security, have a decent work environment, that will enable them to express their skills fully and according to their capabilities necessary for enhancing the competitiveness of their outputs and thereby raising their income and socio-economic status.

SHARE OF INFORMAL SECTOR AND INFORMAL EMPLOYMENT IN TOTAL EMPLOYMENT

For measuring the quantum of employment, what is required is not merely the size of the working population, in terms of headcount, but a measure of total labour input going into the production activities of the economy. In view of multiple economic activities carried out by a large proportion of the working population in India (Kar *et. al.* 2002), the count of all jobs pursued by each individual, either in principal or subsidiary capacity, is considered as a more representative measure of labour input.

CONTRIBUTION OF INFORMAL SECTOR AND INFORMAL EMPLOYMENT IN GDP

The contribution of informal sector and informal employment, measured in terms of their shares in GDP, present another perspective of the dominant role they play in the Indian

⁶³ <http://www.labour.nic.in/ss/INFORMALSECTORININDIA-ApproachesforSocialSecurity.pdf>

economy. As discussed earlier the contribution of the informal sector can be measured fairly well as the share of the unorganised segment in the GDP, after due adjustment for coverage. The differences between informal sector and unorganised segment, as defined for national accounting, in respect of coverage can largely be eliminated by excluding the agricultural activities and the activity of paid domestic workers. The difference in coverage that would still persist is not of much significance.

The data on weekly wage earnings of the paid employees were collected in the EUS of the 55th Round of NSSO. The total annual wage earnings from employment in non-agricultural activities has been estimated separately for each industry. Apportioning these estimates separately for each industry by the share of formal sector in total casual labour input, the estimates of wage earnings from casual work in formal sector have been arrived at. These were added to the estimates of contribution of informal sector in GDP for the respective industries to obtain estimates of contribution of informal employment. Evidently, it can be argued that the contribution of casual workers in GDP would be more than their wage earnings. Nevertheless, in absence of any other objective measure, the wage earnings have been used to represent the contribution of wage workers.

The shares of employment in informal sector and informal employment in total employment, measured as number of jobs, have been worked out from the data on type of enterprises collected in the EUS of the 55th Round (1999-2000) of the NSSO. Notwithstanding the quality of reporting of type of enterprises in a household survey, these indicate that large proportions of the employment in different industries of the non-agricultural sector are in fact of informal nature. It is also seen that there is little difference between the shares of informal sector and informal employment for most of the non-agricultural activities. Only for the construction industry, the difference is found to be fairly wide, owing to high incidence of casual employment in formal enterprises.

INITIATIVES BY STATES FOR THE WELFARE OF UNORGANISED WORKERS

The State of India has sought to set up other initiatives to cater for the welfare needs of workers of the informal sector

Such efforts include:

- The setting up of a Welfare Fund by the Government of Kerala for different categories of occupational groups.
- The Assam Plantation Employees Welfare Fund Act, 1959 enacted by the Government of Assam.
- The setting up of a Social Security Authority by the Government of Karnataka for different occupational groups.
- State Assisted Scheme of Provident Funds for Unorganised Workers (SASPFUW) launched by Govt. of West Bengal.
- Tamil Nadu Social Security and Welfare Scheme 2001 covering manual workers such as auto-rickshaws, taxi drivers, washer-man, and tailoring workers among others.

WOMEN AND THE INFORMAL SECTOR IN INDIA

This section provides information on the situation of women in the shadow economy of **Malaysia** as well as the obstacles faced by them while working in the informal economy.

Women Workers of the Informal Economy

Although most women in India work and contribute to the economy in one form or another, much of their work is not documented or accounted for in official statistics. There are various work that women performed, for example, they plow fields and harvest crops while working on farms; they weave and make handicrafts while working in household industries; they sell food and gather wood while working in the informal sector. In addition to this, women are traditionally responsible for the daily household chores.

Table 2.11⁶⁴ shows the workers by category (gender and the different sectors in which both males and females workers are involved)

⁶⁴ www.census.gov/ipc/prod/wid-9802.pdf

Catalytic Factors and Profiles of Women

The Indian culture hinders women's access to jobs in stores, factories, and the public sector. Therefore, the informal sector has become particularly important for women. Consequently, more women may be involved in undocumented or "disguised" wage work than in the formal labor force. There are estimates that over 90 percent of working women are involved in the informal sector and are not included in official statistics (The world Bank, 1991). The informal sector includes jobs such as domestic servant, small trader, artisan, or field laborer on a family farm. Most of these jobs are unskilled and low paying and do not provide benefits to the worker.

Female workers tend to be younger than males. According to the 1991 census⁶⁵, the average age of all female workers was 33.6 compared with the male average of 36.5. Among the youngest workers (ages 5 to 14), girls worked at nearly the same rate as boys. Actually, about 5 percent of children worked as minor marginal workers. It should be noted that as age increases, the ratio of female to male workers decreases. In the age group 25 to 29, there were only 406 female workers for every 1,000 male workers. Furthermore, for the age group 50 to 59, the ratio declined further to 340. Little has changed since 1981, though the number and the proportion of children under the age of 15 who were working has declined. More than half (55 percent) of female agricultural workers are considered laborers, compared with just one-third of male agricultural workers. This suggests that most female workers are employed in lower-skilled, lower-paid positions and they are members of a family that owns the land, rather than being the owners themselves (Kishwar and Vanita, 1985). The share of total female agricultural workers who were cultivators increased slightly between 1981 and 1991, from 41 to 43 percent.

Throughout the economy, women tend to hold lower-level positions than men even when they have sufficient skills to perform higher-level jobs. Researchers have estimated that female agricultural laborers were usually paid 40 to 60 percent of the male wage (Kishwar and Vanita, 1985)⁶⁶. Even when women occupy similar position and have similar educational levels, they earn just 80 percent of what men do. Employment rates for women

⁶⁵ www.census.gov/ipc/prod/wid-9802.pdf

⁶⁶ www.census.gov/ipc/prod/wid-9802.pdf

vary substantially across India's diverse states and territories. States with proportionately larger rural populations typically have higher employment rates because most people through out India are engaged in agriculture. For instance, the territory of Dadra and Nagar Haveli, a small area in western India, had the highest female employment rate (49 percent) in the country according to the 1991 census. In this area, 90 percent of all female employment was in agriculture. Delhi, on the other hand, with an urban population of nearly 90 percent, had a female employment rate of just 7.4 percent.

THE SOCIAL SAFETY NET FOR WOMEN

Agencies Assisting Women: The Self-Employed Women's Association (SEWA)

There are a number of agencies are also imparting various kinds of social security benefits to the selected groups of workers.

The Self Employed Women's Association (SEWA) of India, based in Ahamedabad, Gujarat has over 700,000 members. In this sense, it is one of the largest unions of informal workers in the world. It is affiliated to the IUF, IFWEA, ITGLWF and the ICEM. SEWA has also been the driving force behind WIEGO. It is also a member organization of CAW. SEWA is a trade union that has been created in 1976. SEWA regroups poor, self-employed women workers who earn a living through their own labour or small businesses. These women do not receive regular salaries and welfare benefits as is the case in the formal sector. SEWA seeks to organise women workers to obtain full employment and be self-reliant. In the context of globalisation, SEWA has sought to explore the links between changes in the women's lives at a micro-level and the larger macro policies and trends. Research undertaken by SEWA reveals that, the key consequences of globalisation include a "lagging behind of the productivity and wages of the unskilled as a result of global and national technical progress; an increased vulnerability and insecurity in the new market and trade oriented world, despite significant benefits of these same trends; and a decrease in bargaining power of unskilled workers as a result of the greater mobility of capital and skilled labor." SEWA is further involved in mass mobilization campaigns that serves to strengthen the organisation and highlight its pressing issues. In 1999, SEWA organised some 10 mobilisation campaigns in this regard; which included

- The Home-based Workers' Campaign;
- Vendors Campaign ;
- Forest Workers' Campaign;
- Construction Workers' Campaign;
- The Water Campaign;
- Food Security Campaign ;
- Campaign for the Right to Child Care;
- Campaign for Recognition of Midwives
- Clean Ahmedabad Campaign;
- Minimum Wages Campaign and the Campaign for Recognition of Unorganised Sector workers Self-Employed
- Women's Association (SEWA) of India

History and Objectives of SEWA

SEWA was founded in 1971 and registered in 1972 as a trade union movement for women in the informal sector, an unrecognized, neglected part of the economy. (In India this informal, largely self-employed sector constitutes approximately 90% of the total economy). A few thousand women subsequently established the SEWA bank as a co-operative to empower poor self-employed women by providing them with access to credit and financial services and to reduce their dependence on exploitative money-lenders.

Affiliates to SEWA

SEWA is an affiliate member of CAW. The Committee for Asian Women (CAW) is a network of women's NGOs and unions based in Bangkok with 28 members in 13 Asian Countries. Since 2001, it has dedicated itself to workers of the informal sector.

There are many SEWA groups in different parts of Gujarat, but the common theme is women's empowerment in the truest sense of the phrase. The path to women's

empowerment and bargaining power is tied to income levels, literacy rates, and status in the society. This status is further affected by poor health, fear of land-owners and factory bosses, lack of knowledge of the judicial process, and experience of repeated exploitation at the hands of those in power.

SEWA's Role in Empowering Low Income Women

When SEWA was founded by Ela Bhatt, she created a means by which self-employed, poor women had access to justice and could combat police and other violence and exploitation. Due to an ancient British law still in existence, these women were committing an offence by sitting in public areas to sell their wares. This led to endless harassment from people in authority. The women often lost their produce, were subjected to physical violence, and evicted from the premises. SEWA was formed, the women sought judicial recourse. In a landmark ruling, the Indian Supreme Court ruled that it was women merchants' right and a city's duty to provide a separate place for workers in the informal sector to ply their trades.

SEWA is not merely a trade union or a bank, although these have been its strengths. Its goal of allowing women to reach their fullest potential through using all resources effectively, has made it grow rapidly. SEWA has strategically used the traditional tools of struggle and bargaining, which have characterized many trade union movements as well as other techniques. In areas where there are few prospects for self-employment or any employment, traditional unionizing techniques do not work. In such cases, SEWA has worked at the grass-roots levels with various women's village organizations, often helping form these groups. SEWA makes the women run their own organizations, forming co-operatives and helping them bargain collectively in the market-place. Since Gujarat is a dairy-farming state and one where non-unionized work and smaller co-operatives have little chance of survival, one of SEWA's biggest successes has been in the dairy co-operative sector.

Sub-sectors of the economy that SEWA's members have identified and developed are dairy farming, gum-collection, embroidery, salt-farming and plant nurseries. The benefits in these sectors have been economic and social. Activities like embroidery, normally considered women's work and non-wage earning, have been successfully

converted into wage labor. Due to resulting increased income and greater status in their communities, these women have a much stronger voice in village-level decisions normally made by male leaders. SEWA has also succeeded in minimizing seasonal migration due to lack of employment by encouraging women to form self-employed producer groups and then finding new markets for their products.

Financial and Support Services of SEWA and the Role of Microfinance

SEWA began its own bank to give women access to micro-loans. SEWA has been successfully giving small loans to resource-poor women over two decades. Women are encouraged to hold accounts in their own names (revolutionary for traditional Indian society, where financial accounts are almost always managed by or passed down along patriarchal lines). Since many women clients are very poor, illiterate, and cannot sign their names, photo IDs are provided and transactions made using this means instead. Bank clients are largely hawkers, vendors and those working in the tobacco and dairy producing areas of Gujarat state in Northwest India. They are share-holders of the SEWA Bank. Decisions regarding policy and sanctioning of loans are made by a Board of Directors, where positions are filled by regular elections.

The Bank is run by qualified financial managers who are hired by this Board. The Reserve Bank of India (India's Central Bank) supervises its functioning as it does any other bank. The repayment rate is astonishingly high by the yardstick of commercial banks, and SEWA loans at viable commercial rates of interest. Its attraction is that it provides services tuned to the poor (especially poor women) and its interest rates are much lower than those of usurious money-lenders.. There are no government subsidies. Thanks to its commercial interest rates and members' high repayment record, SEWA successfully stays self-sustainable, something many financial experts believe is difficult to achieve when the loans are given to the poorer strata of society.

The Success of SEWA's Microfinance Loan Programs

A fundamental process of upward economic mobility is capital accumulation where clients are able to save and invest some significant part of their earnings to further augment their future output and income. Even more growth could be achieved by investment in

technological factors. These would either be by labor-saving capital accumulation (or time-saving/capital intensive) like investment in machines or by capital-saving technology. In many less developed countries, more labor-intensive (and capital saving) technology is needed.

SEWA lends to its members for working capital, investment in working tools, and for capital investments like work areas, houses or storage space for their produce. SEWA has given priority to capital accumulation so that loans are not taken primarily for consumption and survival. Furthermore, SEWA ensures that loan sizes are not too small, or no significant amount can be invested in capital. This can especially be a problem for women, who have greater obligations socially to the family before themselves. SEWA also has savings mobilizers. Women can open savings accounts and deposit their money when SEWA makes house or workplace visits.

Institution-building and Supporting Social Infrastructure

Perhaps more important than just access to credit, which many incorrectly believe is the panacea for all hardship, SEWA has concentrated on empowering women to use their resources most effectively. In the villages of Gujarat, and in the city markets of Ahmedabad (where SEWA has its headquarters), women are speaking out more, taking leadership roles, and realizing how far they can go when they have collective bargaining power for wages, better working conditions, combating domestic violence, or improving education and family health. Women's groups that received loans also received training in financial management, their legal rights, business management, as well as other support-services. Principles of collective organization have made women able to meet their need for higher incomes (or any income at all), better health services, child-care, and common forms of insurance to protect their lives and livelihoods. Many SEWA groups have begun health co-operatives and child-care facilities. They try to make these financially self-sustainable by generating income through fees for services and training fees for other groups.

The Home-based Workers' Campaign

The Home-Based Workers Campaign has advocated for the rights of millions of home-based workers for both piecerate and own account workers. After more than two

decades of organising and running a national and international campaign, it reached its peak at the international Labour Organisation (ILO) in 1996. SEWA has seen this campaign as a victory for home – based workers world – wide when the ILO voted for a Convention to address the needs and priorities of home – based workers everywhere, according them full rights as workers. Furthermore, SEWA has collaborated with unions in many countries, and networks of home – based workers organisations like Homenet in the campaign process. It is stated that SEWA along with Homenet is spearheading both a national and an international campaign for the ratification of the ILO Convention and its translation into concrete implementation so that home-based workers can truly enjoy the rights enshrined in the Convention. In this context, it is claimed that efforts are underway involving active collaboration with international labour federations and unions like the 'IUF, ITGLWF and ICFTU, to obtain ratification, legislation and policies for home-based workers everywhere. This campaign has been strengthened by the formation of a new organisation, Women in informal Employment Globalising and Organising (WIEGO) formed in 1997. SEWA is a founder member of WIEGO along with the Harvard institute of international Development (HIID) and UNIFFM. WIEGO is committed to the struggles of all informal sector workers and experienced researchers and statisticians committed to the poor, NGOs and labour organisers are working together as a team towards this end.

In this regard, in India, the government has organised several meetings to develop a policy for home-based workers at SEWA's behest. They are especially looking into the provision of identity cards and organising social security for home-based workers. Within the campaign, our urban organisers and union leaders or 'agewans' have been organising small meetings and training aimed at educating home – based workers about their rights.

Vendors Campaign

SEWA has also been actively involved in helping street vendors that are stigmatized as a consequence of lack of urban policies and laws pertaining to them. Because street vendors are perceived as "traffic obstruction", "nuisance" and even "criminals", they are routinely harassed by local authorities and evicted from their vending sites. SEWA has been actively involved in their campaign for "two baskets-worth of space", licenses and identity cards and representation in urban boards which formulate policies and laws for vendors and

urban development in general. This campaign has been strengthened by nation-wide and international alliances.

In 1999, the National Alliance of Street Vendors in India (NASVI) spread to several states and vendors' organisations. SEWA conducted a study in eight cities in an aim to document conditions of vendors, town – planning laws and policies and "best practices" in different cities. Consequently, four regional workshops on the legal status of vendors have then been organised by NASVI. In the Bangalore meeting of the Southern Zone, the Chief Minister of Karnataka State promised that Bangalore would be keen to develop a policy for vendors.

In Delhi, it is reported that as an outcome of the Northern Zone vendors' 600 vendors have formed their own union. Three savings and credit group bank accounts have been opened with local banks and a joint study with the Municipal Corporation and the School of Planning has been initiated on the issue of space for vending.

Forest Workers Campaign

SEWA has been further involved in the Forest Workers Campaign. Thousands of women in India rely on minor forest produce collection to survive. It is also an important source of employment for village women, who sell both the saplings they raise and the produce from their nurseries. Yet, SEWA argues that yet, women have not received the support and technical guidance they need for ecoregeneration and for suitable employment in this area. Consequently, SEWA has launched a campaign to “feminize the forest” in an aim to help those women who rely from the forest to survive.

Construction Workers Campaign

Additionally, SEWA has been actively organising construction workers in Ahmedabad city. Construction work is a major avenue of employment for millions of women and men and they are almost entirely in the unorganised sector. SEWA has therefore been involved in pressing for state – level laws for construction workers through the Construction Workers Bill. It has further been actively engaged in organising for identity cards for construction workers, from the labour department, and establishing dialogue with the state security.

Food Security Campaign

In the context of food security, In 1999, local SEWA leaders in Kheda Banaskantha and Surendranagar districts ran a Shakti Packet Programme, thus ensuring that women and their families obtained food security. In addition, the importance of simple, nutritious food, planned to fit members' budgets were stressed in the trainings and organising. In all internal SEWA meetings, simple and nutritious food was served to illustrate the point of food security and to start with ourselves and amend our food habits. Furthermore, it is reported that nutritious food and snacks were provided at our child care centres and food preparation demonstration were also organised at mother's meetings.

Campaign for the Right to Child Care

SEWA has been campaigning for child care as an entitlement for all women workers. It is stated that a state level meeting of several organisations involved in child care was held and its recommendation widely circulated. The process of follow up dialogue with state level planners and policy – makers is still continuing. Additionally, SEWA has been pressing the demand for child care as part of the government's Minimum Needs Programme and for appropriate budgetary allocations at both state and central government levels. The Gujarat Shishu Sangh (Gujarat FORCES) has also been formed through an alliance of 50 organisations involved in child care in Gujarat. It is reported that SEWA is a founder member of this alliance. The campaign is also pressing for locating creches in the primary schools in the villages, also in an aim to encourage young children to start going to school and will provide much needed space for the child care centers.

Women, Trade and SEWA's Role

The other strategy which has been identified as important by the workers and activists in the international movement is that of demonstrating to policy makers new and alternative methods of assisting women producers/workers in the informal economy to take advantage of new economic opportunities arising from globalization. One such example is that of a Women's Trade Centre being developed by SEWA to test how thousands of grassroots rural women producers can be assisted to link directly with international markets. SEWA has already developed a marketing infrastructure that links 15,000 craftswomen with

their own market outlet in Ahmedabad in Gujarat (Banascraft) – where they receive a fair price for their goods and are not subject to exploitation by middlemen. As the number of women artisans grows, there is an ever increasing need to find new markets, and to assist with this, SEWA has established a Women's Trade Centre which aims to: (a) create global networking and partnerships for microentrepreneurs (initially craftswomen); (b) provide inputs regarding consumer preferences and market trends; and (c) create market linkages through e-commerce and other channels.

It is stated that because SEWA is aware of the difficulties for informal producers to easily or quickly enter mainstream export markets, it views the Women's Trade Centre as a 'buffer' which absorbs the pulls and pressures of market forces and also guides and helps grassroots women to carve out a niche in the market. SEWA's partners in the international movement, including WIEGO, will assist with developing effective marketing strategies in North America and in Europe. In this way, it is argued that SEWA hopes to demonstrate to the Indian government how it is possible for grassroots women to participate in global commodity chains in which they have some measure of control, rather than simply being the invisible and disposable workforce of the retail-driven chains which have become all too common. Eventually, it is stated that the Women's Trade Centre will be expanded to help SEWA's partners in the international movement link grassroots women in other parts of the world to global markets and to inform policy makers around the world of practical ways in which grassroots women producers can be assisted to link effectively with global markets⁶⁷.

Conclusions on SEWA

From 1972, the women of SEWA have come a very long way. Today SEWA has over 220,000 members and has 362 producer groups and 72 co-operatives. The name SEWA (meaning assistance or duty in Gujarati and Hindi) now brings to mind women with increased leverage in the economic market place, women who are more aware of their rights under the law, and women who have growing societal visibility. Low-income women have organized to claim a much stronger bargaining position in the economic arena. Women and their families now have hope of appropriate health and child-care services. Women are increasing their financial and managerial training while also providing better opportunities

⁶⁷ <http://www.wiego.org/papers/carrchenglobalization.doc>

for education and health to their families, especially their daughters. By providing resource-poor women access to financial credit and developing support services that allow women best use of their resources, SEWA has shown that microfinance is a powerful tool in developing institutional strengths and a strong economy. Women who already constitute a huge part of the labor force in most countries, have been given the opportunity to claim their rightful place in the economic and social arena. These successes have to be understood in the context of not just traditional Indian society, but in a world at large that treats women's labor as second-class because it is often not wage-earning. SEWA's pioneering achievements stand the test of any society, modern or traditional, developing or industrialized.

SUPPORT SYSTEMS OF THE INFORMAL SECTOR IN INDIA

The importance of the development of a strong Small Medium Enterprise (SME) sector has been recognized internationally and several countries have implemented proactive government policy regimes and developed supportive infrastructure towards this goal. It should be noted that each country is unique with regards to the institutional support systems such as marketing, financing and technological needs and the role of these institutions differs with each other given the socio-economic conditions of the country.

The institutional Support Systems⁶⁸ for Small Medium Enterprises (SMEs) in India delineate the financial, marketing and technology support systems available to Indian SMEs. In the beginning of the 1950's and 1960's, India too has developed specific policies and institutions to encourage the Small Medium Enterprise sector. Alongside, a wide range of institutional support infrastructure and promotional measures were initiated, in the areas of marketing, technology support and finance to help the SMEs overcome intrinsic weaknesses that stemmed from their size and their lack of resources.

It is interesting to note that economies such as Italy, Taiwan, South Korea and Japan have large and thriving SME sectors. It is mentioned that India and South Korea have an array of institutions, which caters for the financial, marketing and technology issues relating to SMEs, whereas Italy's financial market is dominated by the informal sector. In Taiwan,

⁶⁸ <http://www.eximbankindia.com/pressy2k0222.html>

SMEs is influenced by technology, which is marked by the government formal financial institutions.

The support systems developed in India to protect the entrepreneurs in the informal sector are namely:

- **Social programmes**, run by commercial banks, which provide borrowers with incentives from the government (for example, the Integrated Rural Development Programme, India; Rural Development Banks, Bangladesh). Most commercial bank schemes have failed to reach large numbers of poor borrowers, let alone women. Women's participation in formal small-scale enterprise lending programmes rarely exceeds 20 percent.
- **Intermediary programmes**, generally run by NGOs offering micro-businesses a link to the formal banking system (for example: the Women's World Banking; the original activities of SEWA; Production Credit for Rural Women, Nepal). Most programmes have succeeded in reaching somewhat better-off women, and SEWA decided to set up its own poverty-oriented bank as its members encountered too many difficulties in their dealings with banking procedures such as filling application forms, opening hours and attitudes of male bank clerks.
- **Parallel programmes** that provide financial services alongside other development and social programmes via non-bank institutions (for example: Working Women's Forum, India; BRAC, Bangladesh; Small Business Scheme of the National Christian Council of Kenya). Many of these programmes have succeeded in reaching women clients, heavily supported by donors.
- **Poverty-oriented development banks**, generally started as intermediary or parallel programmes and then officially registered as banks (for example: SEWA Bank, India; Grameen Bank, Bangladesh). They have adapted delivery systems and loan conditions to meet the specific needs of female clients.
- Group formation to ensure financial discipline and
- Support systems to enhance productivity

The next section provides some information regarding the broad regulatory framework and existing legislations within the Indian context.

Regulatory Framework and Legislations

Amongst the countries studied here, India is perhaps the one which has developed the most policies regarding its informal sector. But this is perhaps because of the major role that the Informal sector plays in the Indian economy as well as the consequence of the advocacy and militancy of NGOs and civil society.

The informal workforce in India is an estimated 370 million workers, nearly 93% of the total workforce.⁵ The informal workforce is comprised of three main segments: informal employment in agriculture (including small farmers and agricultural labour), informal employment in informal enterprises (including employers, own account workers, and employees), and informal employment outside informal enterprises (including industrial homeworkers sub-contracted by formal firms and domestic workers engaged by households).

Women account for about one-third of the total informal workers. Informal employment is particularly significant in agriculture, trade and construction accounting for 94-99% of workers in these sectors. Although data is not available on the contribution of informal employment outside of informal enterprises, the informal sector alone, or the unorganized sector as it is called in India, accounts for 60% of NDP, that is, the Gross Domestic Product minus depreciation.

Given the visibility of the informal economy in official statistics, and given the pressure from informed activists and researchers, the Government of India has set up two recent commissions that have drafted legislation and/or recommended policies in support of the informal economy, notably, the National Commission on Self Employed Workers and the recent National Commission on Labour. Also, recently, the Ministry of Labour adopted a National Policy on Street Vendors. And one or two state governments have drafted legislation and/or policies in support of informal workers, most recently, the Government of Madhya Pradesh (Please see Appendix 5 regarding recommendations of the National Commission on Labour)

SUMMARY OF FINDINGS ON INDIA

1. The informal sector in India is generally known as the 'Unorganised sector' makes up more than 80% of the total number of economic activities.
2. Individuals enter the formal sector to make a living and to make ends meet since the vast majority of Indians live below the poverty line. The informal economy is where the poorest and most disadvantaged groups in India secure their livelihoods.
3. India possesses an elaborate mechanism including NGOs to assist workers of the informal sector both through financial and social protection systems.
4. Labour relations in India, where they exist, are based mostly on casual employment, kinship, personal or social relations rather than contractual arrangements with formal
5. India is the birthplace and home of the largest trade union of informal workers in the world- the SEWA group guarantees.
6. Approximately 96% of all women workers are in the informal sector. Informal employment is particularly significant in agriculture, trade and construction accounting for approximately 95% of workers in these sectors.
7. Some research point out that most of the informal sector workers in India belong to the oppressed groups - the Dalits or scheduled castes.
8. Some attempt at categorization of informal sector workers has been done by the Ministry of Labour
9. Two National Commissions on Labour have been set up – They have drafted legislations and recommended policies in support of the informal economy. (See Appendix 5)
10. There is frequent use of primitive production technologies that tend to hamper efficiency and productivity.
11. The informal sector suffers from cycles of excessive seasonality and lack of sustainable income that is furthered by large scale illiteracy.

- 12.** Over 70 per cent of the labour force in all sector combined (organized and unorganised) is either illiterate or educated below the primary level.

PART THREE

METHODOLOGY AND FINDINGS

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MAURITIUS STUDY

Research Methodology

Measuring and interpreting the informal sector is very difficult and given that there is a dearth of data in this sector, the research team had to strategize on how to map out the informal sector in Mauritius. The research design therefore privileged the use of an issue-based questionnaire. Quantitative methods were used. Both structured and unstructured interviews were carried out with a range of stakeholders who are either directly or indirectly involved with the informal sector. Qualitative research is based on concepts and meanings and involves interpreting these concepts within wider frameworks of meaning, hence making these easier to understand. It should be pointed out that usually samples in qualitative research are smaller than in quantitative research. Quantitative research at the other end of the spectrum is based on numbers and usually involves counting, statistics and examining general patterns in the data. (Refer to Appendix 4 for the list of stakeholders interviewed)

The terms of reference of this particular study were mainly to do with a desk study of the Informal Sector in four countries- India, Botswana, Malaysia and Mauritius, but we thought it important to go beyond a mere desk study and gauge the sector through the lenses of relevant stakeholders, so as to come up with some possible/ plausible proposals in terms of a policy framework for the informal sector in Mauritius.

As far as the desk study for the three countries- Botswana, Malaysia and India are concerned, we had to rely on secondary data only. We did a thorough internet search and consulted a number of academic journals, whereas the Mauritius study combined secondary and primary data.

The different steps involved in data collection and analysis are:

1. Design of a broad-based questionnaire and issues to be addressed
2. Identification of key stakeholders
3. Organizing and planning for indepth structured and semi-structured interviews

4. Contacting key informants to help with the organization of the Focus group Discussion of Informal sector workers.
5. Focus Group Discussion
6. Content analysis of specific documents/reports from different ministries/organizations, particularly the Budget speeches of the last 15 years or so as well as press cuttings regarding SMES and informal sector.

A relatively wide range of stakeholders in different Ministries, organizations, NGOs and Trade Unions were consulted so as to get a broad view of people's concerns and how to address the opportunities and constraints of the sector. A very small group of informal sector workers were also interviewed in order to obtain their insights regarding the informal sector.

The major limitation of this desk study (although we attempted to extend the boundaries of knowledge by carrying out a series of interviews) is that it did not quite give enough of a "voice" to the informal sector workers themselves. A few of them were interviewed in a rather haphazard manner and on Focus Group Discussions constituting of some informal sector workers- mostly women- were also carried out. Time constraint and lack of resources as well as the original conceptualization of the study contributed to this situation.

In addition to primary data, collected through both structured and unstructured in depth interviews, a number of academic journals and Internet websites addresses have been consulted for secondary data.

GIVING A VOICE TO THE INFORMAL SECTOR WORKERS

Worker A is a street vendor

'Ou conne longtemps mo ti pe vende lors la rue, mo ti enan ene ti emplacement, astere mo enan ent ti place dans la foire rosehill mais sa travail e la li bien dur- di vent , soleil tou nou bisin ete la pou vend nou marcahndise, ou conee quan ena zenfants pou nourris, pou envoy leko, li pas facile, qund nou mouille nou tombe malade, nou pas enan conge maladie, nou oblige travaille. »

Worker B

‘ Moi mo faire roti, mo enan ene belle soue li reste pres, li vine donne moi ene to coude main. Mo bonhomme, parfois mo garçon prend roti alle vende. Mo bonhomme li pas travaille- li fine perdi so place travaille, bisin trouve en facon pou gagne la vie. Depi mo bonhomme fine perdi travaille, mo fine fer mo grand garçon quiite lekol pou li capav donne enc coud demain. Penan moyen pou envoye tou zengants lekol- lecon, cahiers, livres coute trop cher, 2 ti zenfants la zotte dans primaire.

Worker C

Moi mo vende gateau piment- reussi debrouiller- dimoune la li arrete, li aste mail travaille la bien fatigant , li dangereux aussi- en fois- ena 4-5 banane, mo fine brule are de l’huile chaud- Mo ti bisin reste l’hôpital plus ki ene mois, malheur existe ca mias parfois ou la vie oussi kapav alle, mais ki pou fer’

Worker D

Moi mo papa li ene chauffeur taxi, mo fine reus gange en ti la monnaie, mo fine alle dans ;line ek ene groupe, mo fine aste linge apres mo fine fine vende zotte ici, fine reussi fer ene ti profit. Mo ti envie commence ene business pou mo meme, mais pas gage laon avec la banque. Mo fine alle la banque ene 2 fois, chayue fois mo fine retournr , zotte dire moi manque documents. Mo pas conne sa bannne zaffaire la- mo pas fine alle grank lekol. Mais sans ene loan, li pas facile fer sa business. Un billet avin meme coute bien cher pou alle l’inde.

Worker E

Mo dire ou franchement mo fine seye gagne ene permis, mais mo fine trouve li bien complique. Lers la mo beaufre fine prêt moi ene ti la monnaie, mo fine convertir ene la chambre dan lacaz meme fer li ene ti salon coiffure pou mo tifi. Li fine separe are so mari, li reste are mo meme. Li ena trois zenfants. So grand garçon la ena 12 ans, li fine arrete lekol, li vine donne moi ene coup de main vann legumes.

Worker F

Mo fine perdi mo travaille dans zone franche, mo mari oussi fine vine chomeur- li ti pe travaille lisin oussi. Di moune dire nou bisin fer ene ti buisness, mais fode capav. Fode ou ena ene ti capital apres bisin conne ki business pou fer. lipas facile quand mari, femme perdi travaille. Zenfant passe misere- mo 2 grands garcons – ene 15 ans, lotte la 12 ans- pe rode ene ti travail par ci par la- zot fer se qui zotte gagne, pou zotte capav aide nous.

SUMMARY OF FINDINGS ON MAURITIUS

- 1.** That it is the growing unemployment problem, which has given rise to greater attention being placed on the Informal Sector. It has become a major absorber of labour
- 2.** There is no one definition of the informal sector but there seems to be a large amount of consensus regarding the fact that it is a very heterogeneous sector, largely unregulated
- 3.** Doing informal sector work is considered as a survival strategy and large segments of the poorest stratum of Mauritian society seeks their livelihoods within this sector
- 4.** Being a relatively important absorber of labour, the informal sector helps to minimize social problems such as thefts and criminality
- 5.** It is a sector where people are at risk and exposed to various health hazards
- 6.** Absence of any kind of social protection/ social security is striking
- 7.** It is very difficult to regulate this sector because of frequent political interference
- 8.** Encroachment of public space and it becomes a nuisance to the public
- 9.** The sector calls for a more holistic institutional approach and this is very lacking
- 10.** There is a perception that the Muslim community is more predominant amongst the informal sector workers (especially hawkers) in the urban areas
- 11.** The Informal Sector can be an important source of wealth creation but the human capital within the sector lack education and training

- 12.* Some traders see it as unfair competition and believe that if they continue to go unregulated, it will create tensions and conflicts whilst others argue that if attempts are made to regulate them, it will kill all incentives, creativity and dynamism.
- 13.* The Mauritian market is too small and there is not enough know-how and possibility to penetrate the regional/ international market
- 14.* The Municipal and District Councils do not have enough of a rigorous system to record and monitor informal sector workers
- 15.* There is an expanding number of home-workers (who are part of the informal sector) especially amongst women and this has important gender implications
- 16.* It is very difficult for some people to access credit to start up a business. Some women, in particular, reported the difficulties they had with the bank as well as with the ministry.
- 17.* Most informal sector workers have very poor technological capacity and yet technology is the main driver of growth in the 21st century.

SWOT ANALYSIS

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Innovativeness & Creativity. 	<ul style="list-style-type: none"> • Workers within sector found it difficult to access credit to grow.
<ul style="list-style-type: none"> • Employment Absorber. 	<ul style="list-style-type: none"> • Frequently harassed by the authorities.
<ul style="list-style-type: none"> • High Level of Resilience. 	<ul style="list-style-type: none"> • High Level of vulnerability and risk/health hazards.
<ul style="list-style-type: none"> • Important source of livelihoods. 	<ul style="list-style-type: none"> • Difficult conditions of work/not complying with the ILO 'Decent work' agenda.
<ul style="list-style-type: none"> • Contributes to stability by preventing further crimes & thefts. 	<ul style="list-style-type: none"> • Lack of technological know-how.
<ul style="list-style-type: none"> • Mostly owned & operated by family members - There tends to be more trust. 	<ul style="list-style-type: none"> • Institutional Linkages lacking.
<ul style="list-style-type: none"> • Existing entrepreneurial spirit. 	<ul style="list-style-type: none"> • Capacity of business survival rather low.
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • SMES & The informal sector can help the process of economic democratization. 	<ul style="list-style-type: none"> • Too much regulation will kill all incentives & creativity.
<ul style="list-style-type: none"> • Can be a major source of economic growth and wealth generator. 	<ul style="list-style-type: none"> • Too much of tax evasion/loss of revenue.
<ul style="list-style-type: none"> • Large segment of workers are literate and have the potential for further training to upgrade quality of works. 	<ul style="list-style-type: none"> • Encroachment of public space/pollution.
<ul style="list-style-type: none"> • BPO/Business Process outsourcing the needs and merit. 	<ul style="list-style-type: none"> • Potential to downgrade quality of goods and services.
<ul style="list-style-type: none"> • Mainstreaming of the sector within the economy/can help to build linkages 	<ul style="list-style-type: none"> • There is excessive concentration on SMIDO and not on the unregistered informal sector.
<ul style="list-style-type: none"> • Clustering/homes based workers 	<ul style="list-style-type: none"> • No clear policy/lack of clarity and vision.
<ul style="list-style-type: none"> • Enhance governance of the sector 	<ul style="list-style-type: none"> • Political interference makes it difficult to regulate the sector.

PART FOUR

CONCLUSIONS AND RECOMMENDATIONS

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MAPPING OUT A POLICY ORIENTED RESEARCH AGENDA

In many developing countries and lately increasingly in many industrialized countries, the vast scale and rate of growth of the informal sector presents a dilemma and a challenge for governments, social partners and the civil society. This is so as the informal sector encompasses employment situations, which not only differ from those in the formal sector but also infringe upon established rules and laws. Likewise, the informal sector absorbs a large and growing fraction of the labor force and provides a "safety net" for the poor who find themselves excluded from formal employment and income opportunities. It has been observed that more women are doing informal activities due to the fact that they had temporary jobs, the decline in formal sector wages and the attitudes and cultural norms have constituted powerful barriers to women's entry into the formal labor market.

It is very important for the purposes of policy making to recognize the considerable heterogeneity of the informal sector. Contrary to beliefs in certain quarters of the developing world including Mauritius that the informal sector would disappear as modernization takes place, the informal sector is not going to disappear, instead it is very likely going to grow and with it the almost inevitable problems of urban poverty and congestion too are likely to grow.

There cannot be a single blue print for action in favour of a more dynamic informal sector capable of generating more jobs, higher incomes, better conditions and more widespread protection for those attempting to earn a livelihood in it. Not only are there wide differences among countries, and within countries, in the characteristics of the informal sector and in the environment in which it operates, but there are also substantial differences within the informal sector itself. It goes without saying therefore that policies and programmes in support of the informal sector have to take account of the very considerable diversity in the complex reality of that sector.

It is clear that there cannot be a single policy prescription for the informal economy. Instead, what is desirable and feasible is a working policy framework. Virtually, all policies affect one or other segment of the informal economy. But four policy areas have particular impact on the informal economy: (1) Macroeconomic policies-tax burdens, incentives and

statutory benefits (eg unemployment insurance and pension funds) should be more equitably distributed between micro, small and big businesses, and between employers and employees (of all kinds), (2) labour policies- the scope of labour legislation, labour policies, and collective bargaining agreements should be expanded to cover all categories of workers; (3) urban regulations- appropriate regulations and equitable allocation of urban space should be developed through a consultative process and negotiated settlements between all stakeholders, and (4) social protection measures- the scope of statutory schemes should be expanded to cover as many categories of workers as possible, and alternative schemes that target informal workers should be encouraged.

The policy challenge in today's global economy therefore is not whether to regulate but how to determine the right balance between national and global regulations. As mentioned earlier, it is perhaps best to avoid proposing a specific policy prescription but rather seek to provide guidelines and examples for developing a policy approach in different contexts. In closing, we would therefore like to emphasise several guiding principles. The latter constitute 4 different approaches-(1) An institutional approach,(2) A Democratic and participatory process, (3)A gendered approach, (4) A context specific approach and they should guide any policy development process.

- (1) **An institutional approach** – For far too long, the informal economy has been marginalized and not sufficiently mainstreamed in the institutions (and associated rules) that govern market transactions, market sites, commercial contracts and industrial relations. In some countries, there are attempts to locate the urban informal economy with the Planning and Economic development departments. In Mauritius, the informal sector has been attached to the Ministry of Small , medium enterprises , cooperatives and the informal sector.
- (2) **Democratic and participatory process.** In addition to mainstreaming the informal economy as a policy issue in relevant institutions and government departments, it is very useful to those who work in the informal economy in the formulation of relevant policies. Ideally this should be done through a democratic process involving the representatives of organizations of informal workers. It may be necessary to set

up special platforms/mechanisms to ensue that the voices of informal workers should be allowed to be represented wherever formal business is represented.

- (3) **A gendered approach**-It is an established fact that a gender approach is central to development but a 'gendered ' approach does not mean 'adding on women'. It means understanding the relationship between men and women, their different positions in the economy, including for instance how street sites are allocated and controlled between men and women, how women's access to resources, services and even social protection benefits may be mediated through their husband and work. It is perhaps important to assess the extent of overlapping between gender, class and ethnicity. Poor and disadvantaged women come mostly from the working class and constitute the vast majority of informal sector workers.
- (4) **Context-specific approach** Economies change rapidly and in order to understand the scope of change, one needs to understand how the past shapes the present and how policies are shaped and formulated by the changing dynamics, presenting both opportunities and constraints. The history and legacies of countries are different and emerging contexts are highly specific. It is therefore very important to understand the specific contexts in depth before formulating and implementing policies. And for this to happen, it is important to allow policies to be informed by research. The latter is central to all policy formulations. The next section maps out a policy oriented research agenda for the informal sector.

MAPPING OUT A RESEARCH AGENDA FOR THE INFORMAL SECTOR IN MAURITIUS.

1. Evaluation of the young entrepreneurs scheme. Social mobility and the young entrepreneurs scheme.
2. Tracer study of particular sectors of the IVTB and linkages with the Informal sector.
3. University graduates and their absorption within the informal sector- a tracer study
4. Education and the entrepreneurial spirit
5. Globalisation, trade and SMEs .
6. Trade unions and informal sector work, the role of NGOS
7. The feminisation of poverty and micro credit.
8. Prostitution in the informal tourism sector.
9. Economic contribution of home based workers and clustering within the textile/garment sector.
10. Role of NGOs in the promotion of informal sector workers rights and welfare.
11. Survival strategies of retrenched workers of the EPZ
12. Informal sector work in the agricultural sector.

The above are broad thematics which need to be further delineated and specific research questions need to be asked with the view of shaping and formulating appropriate policies. There are a number of crosscutting issues which will no doubt inform policy making but for the latter to be effective, there is an urgent need to shape and formulate an appropriate policy mix. It is also important to undertake an audit of all the past policies proposed in the budget speeches of the last 15 –20 years and try to assess the direction that has been given to the SMEs sector and the place of the informal sector within.

Discussions with the National Coordinating Committee and inputs from the MRC Technical Committee highlighted the importance of separating the Informal Sector into 2 broad categories- those who engaged in the production of goods and services and bringing a value added and others who fall in the realm of the ‘non productive’ in the sense that they are mostly engaged in the act of selling goods- hawkers, street vendors, traders selling local and imported goods.

Given the various forms of vulnerability faced by the informal sector workers as well as their contributions to the economy, the following recommendations were suggested:

1(a)The strengthening of an Institutional Framework through the setting up of a “Decent Work” institution. The latter will have a multi pronged strategy which will cater for the needs of IS workers in terms of funding, microcredit, social security/protection, training/education, insurance, technical support.

The Decent Work Institution will therefore help to address the various ills of the Informal sector and hence help to consolidate the informal sector since the findings of the study have given every indication that it is a sector that is here to stay.

(b) Investment into strong advocacy campaigns through both print and audio media to encourage enterprises to register will be necessary. It was emphasized that this should not be seen as a compulsory exercise.

2 The setting up of ‘Decentralised Business Spaces’. The idea is to take the market to the seller rather than the seller to the market. These vending/business spaces should be strategically located. This will help to break the monopoly that exists in the marketing of certain goods and thus help to democratize markets. This would have the added advantage of addressing the growing feminisation of poverty in the country.

3 Family income threshold should be raised. The present threshold of maximum household income of Rs6000 was regarded as debarring others from developing an

entrepreneurial culture and a small business. It was deemed necessary for that threshold to be increased to Rs 10,000. so that a wider segment of people could access the credit and funding facilities.

4 A sectoral approach was needed to address the problems of the informal sector. The heterogeneity of the sector leads to an array of problems which cannot be addressed by a one quick fix solution for all. A sectoral approach will have the added advantage of addressing the problems of specific sectors and then link up the sector with the most relevant aspects/sectors of the Decent work Institution in an attempt to remedy the problems of the particular sector.

5 In addition to the different thematics pointed out as potential research areas in the section on ‘mapping out a future research agenda’, the importance of the informal sector’s contribution to national socio economic development was regarded as a priority but given the difficulties of the definition, it was considered important that the socio economic evaluation be carried out sectorally .i.e by addressing the different pillars of the Mauritian economy in a disaggregated manner. A multidisciplinary approach to this exercise is deemed necessary.

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APPENDIX

APPENDIX 1:

Abstracts of Budget Speeches

Budget Speech 2004/2005

The Appropriation Bill 2004/2005 refers to the informal sector as follows:

“Families living in poverty, the vulnerable groups and those with modest income are asking for opportunities to fend for themselves and to move up the social ladder. They do not want handouts from Government. More women want to extend their role in society. They want Government to support them. Our enterprises - big, medium, small and micro - want the right environment to expand and thrive. Our elderly feel they deserve more protection, more care and more recognition. Our men and women want more opportunities for themselves, a better future for their children and greater social justice. They feel that the fruits of economic growth should be more widely distributed.” (Point 6, Pg. 1)

“The expectations of our population and of businesses are, in many cases, legitimate and realistic. It is the duty of Government to do the best it can to meet these expectations. And we will do so - but at a responsible and prudent pace – for the budgetary situation is very tight. And despite better growth prospects, the economy remains very vulnerable.” (Poin 7. pg. 2)

“The second priority is to focus on ways to boost private investment and employment creation in every sector of the economy.” (Point 14, pg. 3)

“Our third priority is to tackle the problem of unemployment at its roots.” (Point 15, pg. 3)

As we encourage democratisation, we must imperatively foster the entrepreneurship culture. This is critical to realising our vision of a more democratised economy and a

more equal distribution of income. Therefore, Government will make the necessary investment now to encourage entrepreneurship. (Point 62, pg. 9)

First, we are setting up a Support To Entrepreneurs Programme (STEP). The aim of this programme is to give special support to high potential entrepreneurs who have the most feasible projects, create the greatest number of new jobs, who contribute the most to the process of democratisation and who put forward a plan for corporate social responsibility. We will select every year up to five such investment projects for special support. Each selected project will receive an investment grant of 50 percent of the project value, up to a maximum of Rs 500,000. (Point 63, pg. 9)

Second, the Support To Entrepreneurs Programme will also include a Young Entrepreneurs Scheme (YES) to help our youth who are undertaking business ventures for the first time. Under that scheme, up to 100 young entrepreneurs will be selected for special start-up support. The start-up support package will consist of an investment grant of Rs 50,000 to each of the selected projects, and a loan of Rs 50,000 with a grace period of two years on capital and interest. This will put in the hands of 100 young entrepreneurs a seed capital of one hundred thousand rupees each to start a business (Point 64, pg. 9).

Third, a panel of Mentors will advise and give further support on the implementation of the projects (Point 65, pg. 10).

The Support To Entrepreneurs Programme will be implemented over a period of five years with a project value of Rs 50 million (Point 66, pg. 10).

“SME Development:

At the heart of our policy to democratise further the economy, lies also the development of Small and Medium Enterprises. These enterprises are small in size but big in their economic and social impact. They account for more than 40 percent of total employment and they are the best antidotes to poverty (Point 67, pg. 10).

The establishment of a new Ministry for SMEs, a National Co-ordinating Committee, and a High-Powered Committee chaired by the Prime Minister speaks of our commitment to the development of that sector (Point 68, pg. 10).

Our plan for the SMEs is clear-cut. First, we will give SMEs greater access to finance. Second, we will set up the necessary infrastructure to facilitate the establishment of such enterprises. Third, we want to increase the number of enterprises operating in that sector. Fourth, we will bring small businesses together so they can network and establish a process of dialogue with local authorities (Point 69, pg. 10)."

"SME Access to finance:

To facilitate access to finance, the Mauritius Post and Cooperative Bank will reserve Rs 200 million in its loan portfolio for SMEs. It will also set up special SME desks at its branches to facilitate financing of these enterprises (Point 70, pg. 10).

DBM will commit Rs 10 million to a contributory loan guarantee scheme. Under that scheme, 50 percent of a qualified loan will be guaranteed, up to a maximum amount. The SME will contribute a premium of one percent of the outstanding capital (Point 71, pg. 11).

To further stimulate the capitalisation of SMEs, an Equity Participation Fund of Rs 10 million will be set up. The Fund will provide 5-year equity loans to the main shareholders to invest in their company. The limit of the loan will be Rs 300,000 per company and the guarantee for the loan will be a fixed charge on the proposed shares to be acquired and a general floating charge on the assets of the borrower. Interest on the loan will accrue at the rate of 8 percent yearly and become payable only out of the dividends received by the borrower during the previous financial year of the company (Point 72, pg. 11).

DBM will also provide financing for working capital up to Rs 500,000 on a revolving basis, for local and export orders (Point 73, pg. 11)".

"Access to Infrastructure

Access to industrial infrastructure is another concern that many SMEs have expressed during pre-budget consultations. I am pleased to announce that DBM will set up an SME village on 3 arpents of land at Terre Rouge. For the first time, we will have industrial infrastructure dedicated to SMEs, complete with all necessary amenities and facilities” (Point 74, pg. 11).

Before deciding on the construction of more SME estates a survey of demand for such facilities will be carried out. We also want to make sure that these SME estates are appropriately located (Point 75, pg. 11).

Preparing for global competition also means adopting best international practices. The Mauritius Standards Bureau provides testing facilities to obtain product marks and other regional and international quality standards and certificates. Government will finance up to 50 percent of the cost of these tests to registered SMEs (Point 76, pg. 11).”

ncb.intnet.mu/mof/budget/main.html

Budget Speech 2003/2004

The Appropriation Bill 2003/2004 refers to the informal sector as follows:

“The Small and Medium Enterprises (SMEs) have benefited from increased assistance both from Government and the Development Bank of Mauritius (DBM). They have been encouraged to move to higher levels of technology, engage in high value-added activities and penetrate regional markets (Point 13, pg.4).”

“As regards unemployment, a study is being carried out with the help of the World Bank to establish a more refined basis for determining the overall level of employment in the economy, including the informal sector (Point 39, pg. 9-10).”

“Legislative changes will be introduced to streamline procedures relating to development permits at Local Government level. A Permits and Licences Committee will be established in each local authority to interact with BOI and the Small and Medium

Industries Development Organisation (SMIDO) and speed up the processing of applications from investors and businesses. Amendments will be introduced to legislation to strengthen still further the role of the BOI as an effective one-stop shop. The BOI will also link up with other public sector agencies to improve interface and facilitate prompt decision on applications” (Point 51, pg. 12)”.

<http://ncb.intnet.mu/mof/budget/20032004/speech.htm>

Budget Speech 2002/2003

“Small and Medium Enterprises

Mr Speaker, Sir, most jobs in recent years have been created in small and medium enterprises (SMEs) and the informal sector. I announced last year an extensive agenda to support SMEs in their modernisation efforts and export drive. The Export Business Support Scheme, the Export Credit Guarantee Scheme and the Venture Capital Fund at the DBM are now at the disposal of SMEs. As from August last, they are exempted from payment of customs duty on raw materials used in their manufacturing process (Point 115, pg. 24).

SMEs can benefit from financial and technical assistance facilities under the SME Challenge Project. An amount of Rs 40 million is being made available for the project. In addition, I am providing Rs 15 million to Small and Medium Industries Development Organisation (SMIDO) to provide institutional support to SMEs (Point 116, pg. 24)..

A Technology Improvement Scheme for SMEs will be introduced by DBM to encourage them to move to higher levels of technology. Under the scheme, loans of up to Rs 1 million will be made available on concessionary terms (Point 117, pg. 25)..

The ceiling on loans, under the DBM Venture Capital Scheme for joint ventures between Mauritian and overseas SMEs, is being raised from Rs 500,000 to Rs 1 million. Private initiatives in the provision of venture capital to start-ups and SMEs will also be encouraged (Point 118, pg. 25)..

We have received representations from local footwear manufacturers for support in the restructuring of their business. A plan of action is being formulated with the assistance of SMIDO. To help them during this transition period, a minimum amount of customs duty is being introduced to counteract undervaluation of imported shoes. I wish to add that duty on infant shoes is being reduced from 80 per cent to 10 per cent (Point 119, pg. 25)."

[\(ncb.intnet.mu/mof/budget/20022003/\)](http://ncb.intnet.mu/mof/budget/20022003/)

Budget Speech 2000/2001

"Small and Medium Enterprises

Two years ago, in my Budget Speech, I stated that SMEs held the key to the creation of employment. That view still holds to-day. Indeed, the fourth element of our strategy is to place a special emphasis on the development of SMEs (Point 49, pg. 8).

After a careful assessment of their needs, Government feels it must respond by acting on three fronts - on cost of imported raw materials, on finance and on infrastructure facilities. I have just announced duty reduction that will substantially lower the costs of raw materials for SMEs as well as for large enterprises (Point 50, pg. 8).

To help SMEs with access to cheaper finance, we are introducing a number of concessionary loan schemes and improving on existing ones (Point 51, pg. 8).

SMEs will benefit from new concessionary loans that cover up to 90 percent of initial investment cost, with a cap of Rs 200,000 (Point 52, pg. 8).

To finance their modernisation they will have access to concessionary loans of up to Rs 2 million, as well as leasing facilities up to a maximum of Rs 5 million (Point 53, pg. 8).

We also want our SMEs to make the most of the new opportunities in the region, in the EU and in the US. To do so, they must become more outward looking. The DBM is therefore setting up an SME Export Development Fund. This Fund will provide financial

assistance for, inter alia, conducting market research overseas and for participating in trade fairs (Point 54, pg. 8).

To further assist SMEs which produce for exports, the ceiling in the working capital facility at the DBM will be raised from Rs 400,000 to Rs 1 million (Point 55, pg. 8).

As regards infrastructure, we are proposing to construct five SME Estates equipped with modern facilities, one each at Pamplemousses, Flacq, Cité la Cure, Trois Boutiques (Union Vale) and Terre Rouge. The enterprises in these estates will share these facilities and make considerable savings on costs of operation (Point 56, pg. 8).

Government wants to widen the coverage of institutional support and incentives to all SMEs. To this end, SMIDO will extend its support beyond the manufacturing sector to enterprises in the services sector, including tourism and Information Technology (Point 57, pg. 8)."

"Investing in our Productive Sectors

The fifth element of our strategy is to create a conducive environment for entrepreneurs and enterprises operating in the tourism, agricultural, fisheries and cooperative sectors. These sectors create significant wealth and offer ample opportunities for new products and for more investment (Point 58, pg. 8) .

Customs duty on public sound systems, such as amplifiers and loudspeakers, will be reduced from 80 percent to 40 percent. This measure is expected to encourage the formation of public performance groups, such as musical bands, and create employment opportunities in the tourism sector for our artists (Point 62, of. 9)."

(ncb.intnet.mu/mof/ministry/budget2000/speech.htm)

Budget Speech 1999/2000

"SMEs and Micro-Enterprises:

Another crucial element to expanding opportunities and, in particular, to employment-intensive growth is the development of SMEs. Last year, we made this a central theme of the Budget. And to-day, I can report that the development of SMEs is taking hold in our economy.

Government is giving a further boost to the SMEs.

We are providing Rs 40 million for the establishment of a Mutual Guarantee Fund and an Equity Participation Fund.

The Mutual Guarantee Fund will meet up to 50 per cent of the collateral requirements on loans to the SMEs, while the Equity Participation Fund will enable them to reduce their gearing ratios and strengthen their financial base.

I have received many representations from the small entrepreneurs to the effect that the annual company licence duty of Rs 4,000 is too high. I am pleased to announce that I am reducing it to Rs 2,000 for them.

Government also has a plan for the smallest among the SMEs – the micro-enterprises.

They are mostly family- and home-based, the more often led by women who can thus fulfil and reconcile their multiple roles. In many countries, the development of micro-enterprises has pulled numerous families out of poverty and marginalisation. Government wants to create the same opportunities for Mauritians.

We are proposing an integrated package of measures for micro-enterprises that reflects a proactive approach and that states firmly our commitment to help even the poorest of families in Mauritius and in Rodrigues to enter the world of business.

First, the Citizen Advice Bureaus throughout the island will be mobilised for the micro-enterprise scheme. The social welfare centres and community centres will also participate in the scheme. Special liaison officers will be attached to the Citizen Advice Bureaus to advise and guide potential entrepreneurs and ensure the follow-up of their micro-projects.

Second, these centres will provide relevant information and run regular training programmes on entrepreneurship. Where specialised training is recommended for prospective entrepreneurs, Government will refund 50 per cent of these training costs or a maximum of Rs 2,000 per programme.

Third, we are setting up a Loan Guarantee Fund to guarantee 80 per cent of any micro-credit up to a limit of Rs 20,000. To be eligible, the borrower must have followed a training programme on entrepreneurship.

Fourth, Government will provide facilities for the setting up, modernisation and professionalisation of Micro-Finance Institutions and will use its good office to make financial and training resources available from international institutions and networks. Last year, I announced Government's intention to set up the National Entrepreneurs Bank to cater for the needs of the SMEs. This new financial institution will operate under the aegis of the forthcoming Financial Services Authority. In the meantime, the DBM is gearing its activities to operate a separate specialised department for SMEs (pg. 15)".

Budget Speech 1997/1998

"Medium Term Strategy:

Fourth, it is necessary to enhance the role of small and medium-size enterprises and broaden the entrepreneurial class. This is important for creating new employment opportunities and addressing the problem of jobless growth.

Fifth, there is the urgency to give a vigorous and decisive push to skills development in our country. We must expand our pool of skills and prepare the population to master and harness the powers of the digital revolution (point 10, pg. 4)"

"We shall also encourage small farmers to diversify into cash crops and cattle breeding. To this end, the Development Bank of Mauritius (DBM) will reduce the rate of interest on

loans to finance the production of cash crops, such as cut flowers and fruits for exports as well as vegetable growing and cattle breeding. A Loan Guarantee Fund for small planters, farmers, pig breeders and fishermen will also be established. Production of local fruits will be encouraged through increased availability of local as well as imported tissue-cultured plantlets at rebate rates. Furthermore, loans at concessionary rates will be available to large and medium-orchard developers (point 47, pg. 16)."

"Rodrigues:

Second, a Rodrigues Loan Guarantee Fund for small entrepreneurs will be set up on a pilot basis to encourage investment in priority sectors.

Third, to promote investment in industrial, agricultural and agro-industrial equipment, the Rodrigues Venture Capital Fund will provide leasing facilities to Rodriguan entrepreneurs. In the Budget, an amount of Rs 2 million is being provided as grant to the Fund (pg. 35)"

ncb.intnet.mu/mof/ministry/budget97/head.htm

Budget Speech 1982/1983

"Small and cottage industries have an important role to play in the national economy. It is well known fact that small industries provide more employment per unit of capital employed, have shorter gestation period and make the maximum use of local resources (pg. 8)"

"The relance means the encouragement of entrepreneurial ability and the development of small enterprises. The Development Bank of Mauritius will play a key role in this area"... "A scheme is also under preparation by the Development Bank for the employment of unemployed graduates, especially those with qualifications in the social sciences. A training programme will be mounted ... to equip these graduates with basic skills required to start small business enterprises of their own (pg. 32)"

Budget Speech 1982/1983

“... the small business units, the small family concerns, the cooperatives and the small planters...form part of the private sector. In fact, in line with out stated policy, this Budget will favour more the small businesses, which I must say had been very much neglected in the past... (pg. 2)

“I have decided to grant an allowance to tax payers who employ domestic servants... this relief would only be in respect of domestic servants who are duly registered with the National Pension Scheme and therefore are in receipt of the statutory minimum wages. The nation will realize that restriction of the relief in this way is meant to protect the interests of domestic servants. I believe that this relief will encourage more people to employ domestic servants. In he present difficult unemployment situation and pending the creation of more viable employment opportunities, every source of employment must be tapped (pg. 18.)”

Budget Speech 1984/1985

“... we have a large number of young unemployed who are unable to launch a business, be cause they cannot raise sufficient capital...They cannot obtain loans from our banks, including even the DBM, because they cannot five the appropriate guarantee. This question of guarantee poses a big problem to them, especially to those coming from poor families. Furthermore, there is the cost of borrowing. The rates of interest and lengthy procedure of banks in the disbursement of loans constitute major obstacles to these prospective entrepreneurs... I am providing in this budget an amount of Rs. 30 million to be on-lent to small entrepreneurs through the DBM... with the minimum of procedure and a maximum of concessions... I am satisfied that this scheme will give access to finance and create employment for a large number of Mauritiains, who have ideas and initiative, but not the means of raising finance. This scheme

will mark a decisive step in the Government's effort to help Mauritians become a nation of entrepreneurs...(pg. 13)"

"...it is the policy of the government to create a strong community of local entrepreneurs...(pg. 15)"

Budget Speech 1986/1987

"In this budget, I am taking measures to facilitate access of workers to tools and equipment. Customs duties have already been waived on purchases of equipment and tools under the Small Entrepreneur Scheme. Government has decided to remove customs duty and stamp duty on all non-electric hand tools for wood work, masonry, gardening and farming...the government is confident that the ...schemes will generate a new class of small investors, small entrepreneurs and small planters which will form the backbone of our economy...(pg. 30)"

Budget Speech 1987/1988

"To sum up our social and economic strategy over the last four years, I would say that it has been deeply Mauritian in essence and scope. Its key elements have been economic adjustment by consensus, growth with equity, liberalisation of the economic system, cultural and spiritual upliftment. Some people have referred to our strategy as being too capitalistic, too liberal. We have encouraged our young people whatever their family background to become entrepreneurs. We have removed from the tax roll some 30,000 low income earners. We have nearly doubled the budget of the Ministry of Social Security within four years ...(pg. 3)"

"... all taxes on machinery, raw materials and other inputs in the textiles sector have been

abolished. As a result the whole of Mauritius has become a textile free-zone. Non EPZ firms now enjoy the same treatment as EPZ firms in respect of duties on imports ...(pg. 14)”

“... credit provided by commercial banks to small entrepreneurs ha been exempted from credOt-ceiling...a Small Development Finance Scheme has been launched by the State Commercial Bank. As a result, access by small entrepreneurs to working capital has been greatly improved. (pg. 14)

“...I should...like to reaffirm Government’s commitment to give maximum facilities possible to small enterprises...during the last three years demand for funds has largely exceeded the provision. Some Rs. 105 million have been disbursed and about 15,000 jobs created in over 3,500 small enterprises. Under its four schemes, the Development Banks of Mauritius has in total injected some Rs. 200 million in favour of small-scale units. (pg. 19)”

“... I have noted that a number of these enterprises have been facing difficulties...It was evident that the lack of experience, technical know-how, managerial and marketing abilities of our young entrepreneurs would constrain development. But we were willing to take up the challenge ...(pg. 19)”

“The record of the small scale sector shows that the project has been worthwhile...the cost of not developing the small scale sector would have neen much higher for we would not have been able to create the additional 15,000 jobs and help dispelling the frustration among the unemployed. This budget therefore makes a provision of Rs. 40 million for the continuation of the scheme (pg. 19)”

Budget Speech 1988/1989

“We have now a vigorous small scale sector. In this context, the schemes operated by the Development Bank of Mauritius have been decisive. Over the last four years, the DBM has disbursed about Rs. 270 million to some 10,000 enterprises. Most of them are doing quite well showing the enterprising ability and business acumen of our small entrepreneurs. I am therefore again providing an amount of Rs. 40 million in the budget under the Small Scale

Entrepreneurs Scheme. The Small Industries Bill...laid before the House, provides further fiscal incentives to enable this sector to take firmer roots and expand (pg. 25)”

Budget Speech 1989/1990

“... various facilities have given to encourage small businesses and the cooperative sector...some 12,000 new enterprises engaged in various fields ranging from agriculture and fishing to metal-works, manufacturing and repair services have been set up. We are aware that a number of enterprises are presently facing difficulties due mainly to lack of adequate technical know-how and managerial ability. The DBM Ltd. and the Ministry of Industry and Industrial Technology will increase efforts to assist the small-scale sector. Increased facilities will now be provided by the SIDO Industrial Centre. To enable SIDO to operate efficiently, I am providing in the Budget an amount of Rs. 2.4 million (pg. 22-23)”

Reference Budget Speech 1982-1990: Paratian G.R., 1992, “*Urban and Informal Sector Programme: Government Policies and the Urban Informal Sector in the Third World: The Case of Mauritius*” in World Employment Programme Working Paper, ILO:Geneva

APPENDIX 2:**Table 2.69: Employed Persons In The Informal Sector As Main And Secondary Activity**

INFORMAL SECTOR						
		Main Activity			Secondary Activity	
Employment Status	Total	Male	Female	Total	Male	Female
Total	57240	18958	38282	4668	2873	1795
Paid Employ	26950	6842	20108	3204	2148	1056
Self with employ	3901	2391	1510	491	341	150
Self no employ	23981	8409	15572	754	294	460
Unpaid Family helper	2408	1316	1092	-	-	-
Own Farm/Lands	-	-	-	219	90	129
Total	100.0	100.0	100.0	100.0	100.0	100.0
Paid Employees	47.1	36.1	52.5	68.6	74.8	58.8
Self with employees	6.8	12.6	3.9	10.5	11.9	8.4
Self no employees	41.9	44.4	40.7	16.2	10.2	25.6
Unpaid Family helper	4.2	6.9	2.9	-	-	-
Own Farm/Lands	-	-	-	4.7	3.1	7.2

⁶⁹ http://www.cso.gov.bw/html/household/lfs_95-96_tbl4-5.html

Table 2.70: Informal Sector Workers As Main Activity By Industry And Sex

INFORMAL SECTOR WORKERS BY INDUSTRY AND SEX			
	Total	Male	Female
Total	38286	17001	21285
Agriculture	-	-	-
Mining & Quarrying	-	-	-
Manufacturing	8510	2284	6226
Electricity & Water	-	-	-
Construction	5778	5637	141
Wholesale & Retail trade	14781	4335	10446
Hotels & Restaurant	2948	344	2604
Transport & Communication	1818	1800	18
Financial Service.	-	-	-
Business Service	400	229	171
Public Administration	-	-	-
Education	90	-	90
Health & Social work	46	-	46
Community & Personal Service.	3820	2320	1500
Foreign Mission	-	-	-
Not Stated	95	52	43

⁷⁰ http://www.cso.gov.bw/html/household/lfs_95-96_tbl4-5.html

Type of Activity	Monetary Transactions	Non Monetary Transactions		
Illegal Activities	Trade with stolen goods; drug dealing and manufacturing; prostitution; gambling; smuggling and fraud	Barter of drugs, stolen goods, smuggling etc. Produce or growing drugs for own use. Theft for own use.		
	Tax Evasion	Tax Avoidance	Tax Evasion	Tax Avoidance
Legal Activities	Unreported income from self-employment; Wages, salaries and assets from unreported work related to legal services and goods	Employee discounts, fringe benefits	Barter of legal services and goods	All do-it-yourself work and neighbor help

Table 2.3: Types of Illegal Activities, MalaysiaSource: http://www.unodc.org/unodc/bulletin/bulletin_2000-01-01_1_page009.html

Table 2.4: Recorded and Unrecorded Activities

Recorded – covered in statistical collections	Unrecorded – not covered in statistical collections		
Most of the corporate sector (or formal sector) included in the regular survey program of a country. Part of household unincorporated enterprises.	▪ Units within the survey scope		
	➤ but excluded due to outdated survey frames.		
	➤ but excluded due to their deliberate non-registration.		H I D D E N
	➤ Covered in the statistical collections, but that underreport or misreport.		
	▪ Part of corporate (formal sector) units not in survey scope (usually a small part, but may be important in some countries).		
▪ Part of unincorporated enterprises not in survey scope (usually a significant part).			
Part of illegal activities misreported as other legal activities.	▪ Most part of illegal activities.		

Source: http://www.unodc.org/unodc/bulletin/bulletin_2000-01-01_1_page009.html

Table 2.5: Differences in Determining the Size of the Shadow Economy in Malaysia, 1989/90

Size of the Shadow Economy (in % of GDP) in Malaysia		
Physical Input (Electricity) Method	Currency Demand Approach	MIMIC-Approach
Average 1989-90	Average 1989-90	Average 1990-93
39.0	-	-

Country	Size of the Shadow Economy (in % of "official" GDP)			Shadow Economy Labor Force (Average 1998/99)		
	Average 1989/90	Average 1994/95	Average 2000/2001	Persons (millions)	in % of "official" Labor Force	in % of Population
Malaysia	26.4	28.3	30.9	2.25	25.1	10.1

Table 2.6 : Type and Occupational Status 1990, 1995, 2000, Malaysia

Type of Occupation and Employment Status	1990	1995	2000	1990	1995	2000
	Number			Per cent		
Total Code 4 : Sales Workers	758,710	834,908	1,050,834	100.0	100.0	100.0
Employer	61,123	56,073	74,002	8.1	6.7	7.0
Employee	299,218	372,036	482,813	39.4	44.6	45.9
Own-account worker	262,786	296,074	359,962	34.6	35.5	34.3
Unpaid Family Worker	135,583	110,723	134,057	17.9	13.3	12.8
Code 410 : Working Proprietors (wholesale & retail trade)	182,417	201,059	255,946	100.0	100.0	100.0
Employer	47,437	39,936	50,297	26.0	19.9	19.7
Employee	1,890	6,537	8,478	1.0	3.3	3.3
Own-account worker	131,685	150,663	194,112	72.2	74.9	75.8
Unpaid Family Worker	1,405	3,923	3,059	0.8	2.0	1.2
Code 452 : Street vendors, canvassers & newsvendors	165,945	146,305	159,908	100.0	100.0	100.0
Employer	7,754	4,631	3,175	4.7	3.2	2.0
Employee	26,949	22,578	24,054	16.2	15.4	15.0
Own-account worker	101,240	98,734	107,909	61.0	67.5	67.5
Unpaid Family Worker	30,002	20,362	24,770	18.1	13.9	15.5
Remainder of Code 4	410,348	487,542	634,980	100.0	100.0	100.0
Employer	5,932	11,506	20,530	1.4	2.4	3.2
Employee	270,379	342,921	450,281	65.9	70.3	70.9
Own-account worker	29,861	46,677	57,941	7.3	9.6	9.1
Unpaid Family Worker	104,176	86,438	106,228	25.4	17.7	16.7
Total Code 5 : Services Workers	762,636	845,798	1,149,941	100.0	100.0	100.0
Employer	24,112	24,351	39,257	3.2	2.9	3.4
Employee	605,306	661,083	903,326	79.4	78.2	78.6
Own-account worker	75,251	112,494	139,476	9.9	13.3	12.1
Unpaid Family Worker	57,967	47,870	67,882	7.6	5.7	5.9
Code 510 : Working proprietors (catering & lodging services)	58,144	78,581	98,596	100.0	100.0	100.0
Employer	18,302	15,940	26,781	31.5	20.3	27.2
Employee	1,196	2,848	3,752	2.1	3.6	3.8
Own-account worker	38,014	58,693	67,240	65.4	74.7	68.2
Unpaid Family Worker	632	1,100	823	1.1	1.4	0.8
Code 540 : House keeping service	138,345	150,938	257,202	100.0	100.0	100.0
Employer	60	282	113	0.0	0.2	0.0
Employee	114,888	115,355	207,824	83.0	76.4	80.8
Own-account worker	22,059	34,009	47,087	15.9	22.5	18.3
Unpaid Family Worker	1,338	1,292	2,178	1.0	0.9	0.8
Remainder of Code 5	566,147	616,279	794,143	100.0	100.0	100.0
Employer	5,750	8,129	12,363	1.0	1.3	1.6
Employee	489,222	542,880	691,750	86.4	88.1	87.1
Own-account worker	15,178	19,792	25,149	2.7	3.2	3.2
Unpaid Family Worker	55,997	45,478	64,881	9.9	7.4	8.2

Source: Report of the Labour Force Survey (LFS), Malaysia for the year 1990, 1995 and 2000, Department of Statistics, Malaysia.

Table 2.7: Percentage Distribution of Employed Persons by Industry, Malaysia, 1990-2002

Industry	Number ('000)				Per cent			
	1990	1995	2000	2002	1990	1995	2000	2002
TOTAL	6,685.0	7,645.0	9,321.7	9,542.8	100.0	100.0	100.0	100.0
Agriculture, Forestry, Livestock and Fishing	1,737.6	1,526.8	1,711.8	1,424.5	26.0	20.0	18.4	14.9
Mining and Quarrying	36.8	32.5	27.3	27.5	0.6	0.4	0.3	0.3
Manufacturing	1,332.8	1,780.5	2,125.8	2,068.9	19.9	23.3	22.8	21.7
Electricity, Gas and Water	46.7	48.0	48.1	50.6	0.7	0.6	0.5	0.5
Construction	423.9	611.3	798.9	905.1	6.3	8.0	8.6	9.5
Wholesale and Retail Trade	1,217.8	1,370.7	1,790.1	2,113.1	18.2	17.9	19.2	22.1
Transport, Storage and Communication	301.9	359.2	422.7	496.8	4.5	4.7	4.5	5.2
Finance, Insurance, Real Estate and Business Services	258.4	363.7	462.0	637.6	3.9	4.8	5.0	6.7
Community, Social and Personal Services	1,239.0	1,552.2	1,935.2	1,818.7	18.5	20.3	20.8	19.1

Source: Report of the Labour Force Survey (LFS), Malaysia for the year 1990, 1995, 2000 and 2002, Department of Statistics, Malaysia.

Table 2.8 Percentage Distribution of Employed Persons by Occupation, Malaysia, 1990-2002

Occupation	Number ('000)				Per cent			
	1990	1995	2000	2002	1990	1995	2000	2002
TOTAL	6,685.0	7,645.0	9,321.7	9,542.6	100.0	100.0	100.0	100.0
Professional, Technical and related workers	519.8	756.6	985.1	1,322.2	7.8	9.9	10.6	13.9
Administrative and Managerial workers	144.8	247.7	371.3	640.1	2.2	3.2	4.0	6.7
Clerical and related workers	655.6	832.0	990.0	991.3	9.8	10.9	10.6	10.4
Sales workers	758.7	834.9	1,050.8	887.5	11.3	10.9	11.3	9.3
Services workers	762.6	845.8	1,149.9	1,223.3	11.4	11.1	12.3	12.8
Agriculture, Animal Husbandry and Forestry workers, Fisherman and Hunters	1,750.7	1,539.5	1,713.2	1,595.0	26.2	20.1	18.4	16.7
Production and related workers, transport equipment operators and labourers	2,092.7	2,588.4	3,061.3	2,883.3	31.3	33.9	32.8	30.2

Source: Report of the Labour Force Survey (LFS), Malaysia for the year 1990, 1995, 2000 and 2002, Department of Statistics, Malaysia.

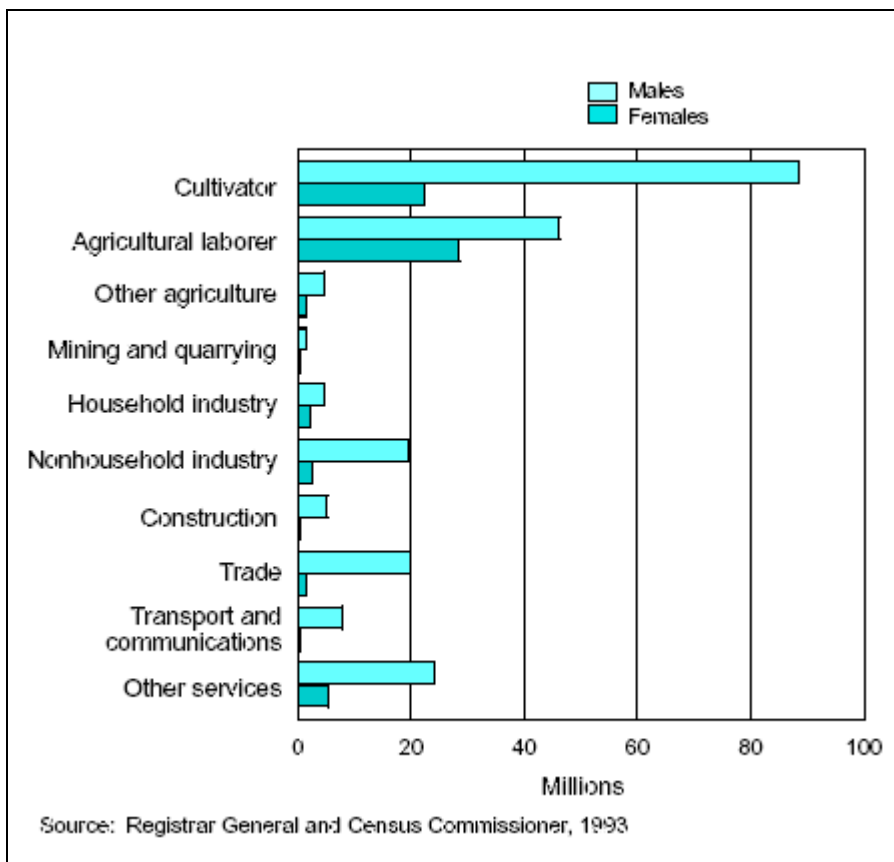
Table 2.9: Percentage Contribution of the Formal and Informal Sector in Selected Economic Activities, 2002

Economic Activity		Formal			Informal			Total		
		Establishment	Employee	Value	Establishment	Employee	Value	Establishment	Employee	Value
Industry	No.	39,232	2,100,015	470,797,443,367	60	241	3,660,190	39,292	2,100,256	470,807,120,557
	%	99.85	99.99	100.00	0.15	0.01	0.00	100.00	100.00	100.00
Education	No.	6,321	47,502	1,712,152,550	64	132	5,297,793	6,005	47,634	1,717,450,343
	%	99.07	99.72	99.69	0.93	0.28	0.31	100.00	100.00	100.00
Professional	No.	13,601	152,097	5,060,554,123	394	1,600	75,216,491	14,075	153,775	5,343,774,614
	%	97.20	99.95	99.75	2.80	1.05	1.27	100.00	100.00	100.00
Service	No.	6,361	104,154	9,680,370,366	260	932	25,292,347	6,326	105,086	9,705,663,013
	%	96.81	99.11	99.74	4.19	0.89	0.26	100.00	100.00	100.00
Transport, Storage and Communication	No.	15,749	230,975	40,775,905,993	371	1,300	43,403,309	16,120	232,275	40,820,350,032
	%	97.70	99.44	99.91	2.30	0.56	0.09	100.00	100.00	100.00
Information Technology (IT)	No.	1,455	15,021	5,500,430,167	41	122	12,092,363	1,496	15,143	5,542,025,030
	%	97.26	99.19	99.79	2.74	0.81	0.21	100.00	100.00	100.00

Source: http://www.unescap.org/stat/meet/wnoe/waisq_malaysia2.pdf**Table 2.10: Share of Unorganized Sector in the Service Activities (%)**

YEARS	1980-81	1990-91	1994-95
Construction	48.0	55.5	52.4
Trade	89.7	92.2	85.8
Hotels and restaurant	87.7	86.7	75.0
Transport [Other than Railways]	65.9	77.7	79.1
Storage	67.5	49.4	50.8
Real estate, ownership Of dwellings & business services	99.5	99.8	98.5
Other services	46.2	37.0	38.8

Source: <http://www.india-seminar.com/2003/531/531%20martha%20alter%20chen.htm>**Table 2.11: Main Workers by Category, 1999**



Source: www.census.gov/ipc/prod/wid-9802.pdf

APPENDIX 3: Questionnaire**Definition of the Informal Sector**

1. How do you conceptualize the Informal Sector in general?

2. Profile of the Informal sector

(a) Who and what constitute the informal sector in Mauritius?

(b) Can we have a sectoral approach to the informal sector?

(c) What according to you are the profiles of workers of the informal sector with a breakdown by?

<i>Age</i>	
<i>Gender</i>	
<i>Ethnicity</i>	
<i>Education</i>	
<i>Nationality</i>	
<i>Social Class</i>	

3. (a) According to you, has there been any change in recent years in the profiles of workers in the Informal Sector? _____

If your answer to number 3 (a) is yes, what are the factors that explain this change?

4. What are some of the reasons for the expansion of the Informal sector in recent years?

THE MAURITIAN STATE AND THE INFORMAL SECTOR

5. (a) Do your Organization / Ministry presently have a unit / sector which is responsible for the Informal sector?

☐ Yes ☐ No

(b) Which organizations (parastatal / public and otherwise) do you regard as related to the informal sector?

6. We now find that the Informal sector in Mauritius is part of the Ministry of Housing and Lands, Small and Medium Enterprises, Handicrafts and the Informal sector. What are your views on this?

7. SMEs are generally considered as part of the Informal Sector.

How would you describe the SME sector in Mauritius?

(a) Do SMES in Mauritius belong to the informal sector only? Explain your answer

(b) Who grants licenses / permits to the SMES?

(c) How many registered and unregistered SMEs exist in Mauritius roughly?

REGULATION OF THE INFORMAL SECTOR

8. Very often, there is mention of the need to regulate the Informal sector. What do you understand by regulation of the Informal sector?

9. What according to you are the reasons, if any, to regulate the IS?

10. (a) Is there any method of regulation or input towards regulation that your organization / Ministry is undertaking for the informal sector in Mauritius?

(b) What is the reflection of your organization on the question of regulation?

11. How easy or difficult would it be to impose taxes on informal sector workers? Comment?

12. Is there any form of legislation regarding the Informal sector in Mauritius that you know of?

13. Are there foreign workers within the Informal sector?
What are your views on this issue?

SUPPORT SYSTEM FOR WORKERS OF THE INFORMAL SECTOR

14. Is there presently a support system in place for workers in the informal Sector, in terms of:

15. Are you familiar with the ILO concept of “Decent work” To what extent to you think the “Decent work’ agenda is applicable to the Mauritian Informal sector

16. Do you think there is an employment policy in the country?

☐ Yes ☐ No

If yes, how would you describe it?

If No, do you think there is room for the development of a clear employment policy especially as regards the informal sector?

18. There are certain aspects related to the Informal Sector in Mauritius. Which are not sufficiently known, understood, which of these aspects / issues need more research for policy making?

19. If you were to do a SWOT Analysis of the Informal Sector in Mauritius, how would you fill in the box?

STRENGTHS	WEAKNESSES
<p>.</p>	
OPPORTUNITIES	THREATS

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APPENDIX 4**List Of Stakeholders Interviewed**

	NAME OF STAKEHOLDERS	ORGANIZATIONS
1.	Mr. V. Appana	SMIDO
2.	Mr. Vince Arokiasami	Black River District Council
3.	Mr. Dan Bundhoo	Association Des Hoteliers et Restaurateurs L'ile Maurice (A.H.R.I.M)
4.	Mr. G. P. Lesjongard	Ministry of Lands & Housing & Handicraft and Informal Sector
5.	Mr. R. Makoond	Joint Economic Council
6.	Mr. D. Mootien	Trust Fund for the Integration of Vulnerable Groups
7.	Mrs. G. Mootien	Ministry of Women's Rights, Child Development & Family Welfare – Women Entrepreneur Unit
8.	Dr. Prasad	SME Consultant - From INDIA
9.	Mr. Rugbar	Ministry of Lands & Housing & Handicraft and Informal Sector
10.	Mr. Yusuf Sooklall	General Worker's Federation
11.	Mr. Jean Vacher	Apostolat De La Mer
12.	Mr. Bhanji	National Handicraft Promotion Agency
13.	Mr. Siddick Bundhun	Municipality of Beau Bassin / Rose Hill
14.	Mr. Moothien Pillay	Industrial Vocational Training Board (IVTB)
15.	Mr. Nathoo	Nursing Association of Mauritius
16.	Mr. Ramburn	Association des Consommateurs de L' ile Maurice (ACIM)
17.	Mrs Lalita Sanspeur	Ministry of Tourism and Leisure
18.	Mr. Vinesh Seeparsad	Municipality of Port Louis

APPENDIX 5:**Second National Commission On Labour****Commission On Labour Or Against Labour?****W.R.Varada Rajan**

The NDA Government constituted the Second National Commission on Labour (SNCL), without either proper consultations with the central trade unions or considering their views. The composition of, as well as the terms of reference to, the Commission was mainly intended to kick start the labour law reforms, which the employer class had been clamouring for since long. The former Finance Minister, Yashwant Sinha - a reformer in a hurry - would not wait for the Commission to complete its job. He announced major amendments in the Industrial Disputes Act and the Contract Labour Act, in his budget speech 2001-2002. During the Indian Labour Conference on 18th May 2002, the Prime Minister turned down a fervent plea, even from the saffron brand trade union (BMS), to hold back the labour law changes pending the report of the Commission on Labour. Yet, things did not exactly go the way Vajpayee Government wanted, as other matters dominated Parliamentary business. And at last, the SNCL completed its job and presented its report to the Prime Minister on 29th June, 2002.

The Report, which runs into 1470 pages - as one pink paper daily noted - has not been made public, nor copies of it furnished to the central trade unions even by end August, 2002. Reason? The incumbent Labour Minister, Sahib Singh Verma, assured a former Minister, Ramoowalia on the floor of the Parliament that the SNCL Report would first be tabled in the Parliament, before being made public. But, the scam a day, kept Parliament business away, washing out the Monsoon Session. There was neither monsoon nor session and the Commission Report was not tabled. The Ministry of Labour is knocking the doors of the Presiding Officers of the two Houses of Parliament for permission to

reach copies of the Report to the MPs and make it public thereafter. This exercise is yet to take off.

Meanwhile, the media has come with several stories on the SNCL Report. One newspaper declared in print that it had in its possession a copy of the Report. Employers' organisations have planned workshops and seminars to debate the Report. As such it appears that the Report had selectively been made public. We also could gain access to the contents of the Report, at least in bits and parts. To present an overview of the Report, we can only state that it comprises the recommendations of the National Commission not 'on labour' but 'against labour.'

As scores of our functionaries and activists at various levels have been seeking information on the Report of the SNCL, we are trying to present in this issue, at least, certain highlights thereof. A detailed analysis and comment has necessarily to wait till we get an opportunity to have free access to the Report and turn its pages.

COMMISSION DISTRESSED

The appendices to the Report make some interesting revelations. The chairman of the SNCL appeared as much aggrieved by the budget speech of Yashwant Sinha, as the trade union leadership, which came out with denunciation. Ravindra Varma, Chairman, SNCL, wrote to the Prime Minister on 7th March 2001, a week after the budget presentation conveying 'the very grave mood of introspection and sense of distress in the minds of most of the members of the Commission and its study teams after the budget speech'. The letter, inter alia, read as:

"The Finance Minister announced that the Government had decided to introduce legislation to amend the Industrial Disputes Act and the Contract Labour (Regulation and Abolition) Act in the current Budget session of Parliament. The very fact that the announcement came in an unusual and unprecedented manner, from the Finance Minister, and he not only indicated the possible direction of policy but also the specifics

of the amendments and the schemes that were going to be introduced, has given edge to the apprehensions that are being articulated both by some members of the Commission and by many concerned groups. "We thought that since the Government itself had appointed the Commission and asked it to review all existing legislation including the Industrial Disputes Act, the Contract Labour (Regulation & Abolition) Act, etc, it would have waited for the report of the Commission, or if it felt that urgency warranted immediate amendment, asked the Commission for an interim report on the amendments that were considered necessary. We deeply regret that both these alternatives were ignored, thereby giving an opportunity for sceptics and critics to say that the Government's mind was already made up, and the Commission, therefore, had no relevance. Unfortunately this situation has made it possible for many groups to cast doubts on the credibility and utility of the Commission and say that our report has already been preempted, even while we had to struggle hard and almost overcome the attacks on our credibility. Some distinguished members of our study teams have also expressed their deep concern, and asked whether, if the role of the Commission was really over and if the questions that were entrusted to us had already been settled in the Government's mind, there was any need for them to continue.

The letter concluded by seeking the guidance from the Prime Minister that would enable him (Ravindra Varma) to assure all concerned that the Government still wanted them to continue and complete the work entrusted to them. A guidance that never came!

A DERISIVE COMMENT

Despite carrying such a distress in their minds, the Commission chose to record derisive comments on those trade unions, including the CITU, which were forced not to cooperate with the Commission and its activities. The CITU and other unions had conveyed to the Chairman that their refusal to cooperate was in protest against the Vajpayee Government not abiding by the consultation process.

The Report commented: "The Terms of Reference given to our Commission have attracted some adverse criticism. They have been described by some, as too narrow and

too limited, inadequate to cover all the crucial inter-related issues that have to be considered together. Some have gone so far as to suggest that what they consider the inadequacies of the Terms of Reference reveal a tilt in favour of demands and interests of one section. Some of them have openly expressed their apprehension that the Commission might not be impartial and unprejudiced, but might act as an instrument of partisan interests. They have, therefore, advocated and adopted a policy of non-cooperation. The Commission deeply regrets this unwarranted and unmerited prejudice. ..."

We wonder, whether such a derisive comment against the trade unions, which as a matter of principle chose not to cooperate, was warranted in the light of the anguish by the Commission chairman to the Prime Minister and particularly when the Commission while making specific recommendation on change of labour laws followed more or less the lines dotted by the Finance Minister's announcement, thereby proving that such apprehensions by the trade unions were neither unwarranted nor prejudiced!

SUBJECTIVE BIAS

The first two chapters of the Commission Report are devoted to analyse the terms of reference and trace the historical background -from evolution of trade unions in India to the globalisation era. The subjective bias that pervades the historical dissertation of today -particularly the sangh parivar's attempt to rewrite history in saffron colour manifest here as well.

To cite a few. There is a singular effort to present the BMS as the only trade union force from political control and to project its rise. Yet another piece dealing with the situation during the Second World War notes: It is well known that during this period, the Communist movement worked against the policies and programmes of struggles of the Indian National Congress and the nationalist movement in the country." This is nothing but echoing the decades-old canard against the Communists, as though they are outside the periphery of national movement. It is highly reprehensible that the pages of the Labour Commission Report have come to be used for recording partisan prejudices.

STUDY GROUPS

The Commission had appointed six study groups to make in-depth studies on the following subjects:

1. Review of Laws
2. Umbrella Legislation for the workers in the Unorganised Sector.
3. Social security
4. Globalisation and its impact
5. Women and Child Labour
6. Social Development, Training and Workers' Federation.

The Commission Secretariat, before it was wound up, had sent copies of these study Group Reports to all the Central trade unions. The Report claimed that the Commission addressed the task outlined to it on the basis of these reports and had made copious use of them. May be, the volume of the Report testifies to the copious use made of these study reports. But, the contents of the recommendations do not lend credence to the claim that they are based on the findings of these study groups.

The Commission Report had dwelt on the impact of Globalisation at considerable length, spanning over a hundred pages. This chapter incorporates the Commission observations and findings on the situation in China when the Commission visited China for the specific purpose. (See a detailed report on pages...) One significant feature of this part of the Report is that it has drawn up a full-blown picture of the negative impacts of the world Bank-IMF driven globalisation. This chapter is almost an endorsement of the trade union critique of the policies of globalisation. But, the other two chapters on the Commission's Approach to Review of Laws" and the "Review of Laws" are totally on anti-thesis of the ground realities vividly captured in the preceding chapter

In these two chapters as well as the succeeding chapters on unorganised sector, social sector, women and child labour, etc, the Commission has spelt out a lot of pious declarations of intent. But, when it comes to prescribing precise action plans, the Commission Report is just a nonstarter.

ANTI LABOUR THRUST

But, the Commission was keen on delivering what it was mandated to, in the arena of labour law changes, to gladden the hearts of the employer class and also to match the Finance Minister's arrogant announcement on labour law reform in his budget speech. The anti-labour thrust of the

Commission Recommendations are revealing from the following:

Freedom to hire and fire to all establishments employing up to 300 workers.

- Varying rates of compensation to workers, rewarding the employers who manage to have their units declared sick
- Provisions of section 9A of the Industrial Disputes Act relating to change in conditions of service diluted and rendered practically ineffective in favour of employers.
- Green signal for unfettered freedom to contract out non-core jobs completely and core jobs also subject to some spurious limitations.
- No to industry level wage boards
- No secret ballot for selection of bargaining agent
- Secret Ballot MUST for strikes. Open ended right to Government for politicising strikes.
- Punitive prescriptions for illegal strike

- 'Go Slow', 'Work to Rule' termed misconduct
- A facade of equating lock out to strike
- Curtailment of holidays
- 8 hour work day' concept tampered with
- Separate law for small industries

Supervisors irrespective of salary and employees in higher bracket of salaries to be outside the purview of labour laws. Allow wide spread registration of Membership Based Organisations' of women workers under the TU Act, which in effect will divide the trade union movement on gender lines.

The sub-text of the Commission Recommendations on Social Security is pre-set in the opening remarks of the Report, which reads:

"We are aware that the degree of protection that a society or State is able to assure to the worker; or those who are preparing to enter the workforce, or who have been incapacitated, will depend on the resources available to the State society and the contributions that citizens/ beneficiaries themselves can make" (Para 1.13) (emphasis added).

This makes it clear that the Commission has meekly submitted to the lack of political will on the part of those in the governance to mobilise/allocate adequate resources to provide even the basic components of social security to the needy and disadvantaged.

The Commission has attempted to present an indicative draft of a comprehensive law on Labour Management Relations, which it, has proposed in replacement of all the existing laws. Such sterile exercises have been repeated in respect of unorganised sector, child labour, etc, as well. But, these are more of an archival value. It is futile to hope for even a cosmetic relief for the concerned workers.

The Ravindra Varma Commission Report is yet another challenge before the working people of our country. The BJP led Government at the Centre, will pick up for immediate action only those parts of the Report, which serve the interests of the employer class. The other parts, which are only meant to hide the ugly face of the 'labour reforms

prescriptions', will remain mere decorations. The working class has to unitedly rally to address itself to the impending task of decisively defeating the attack.

Second National Commission On Labour
On Review of Labour Laws

TAPAN SEN

We reproduce hereunder some excerpts from the Summary of the Conclusions and Recommendations of the Second National Commission on Labour, on the issue of "Review of Labour Laws". The anti labour content and direction of the Commission Report will be evident.

PIOUS INTRODUCTORY POSTURE

It is an overstatement to say that the labour or labour laws are the only cause of our unsatisfactory economic development. There are other factors that affect the efficiency of the industry like managerial skills, integrity and honesty, efficient and reliable infrastructure, etc. If there are many causes, and one deals with only one, and ignores all others, one cannot overcome the disease or hope for cure. (5.5)

HOLIDAY & WORKING HOURS

We recommend that: the Central Govt. and the State Govt.s should have uniform policy on holidays, only three national holidays be gazetted - viz. Independence Day, Republic Day and Gandhi Jayanti Day (October 2) -(note: even May Day is excluded!) two more days may be added to be determined by each State according to its own tradition and apart from these, each person must be allowed to avail of 10 restricted holidays in the year. Government holidays should be delinked from holidays under the Negotiable Instruments Act, In case of the option of a five day week, if a holiday occurs during the week, Saturday should be a working day... (5.29)

The attitude to hours of work should not be rigid. The total number of hours per day should not be more than NINE, and hours of work per week should not be more than 48. But within this limit, there may be flexibility, and compensation for overtime. (5.32)

The limitation on employing workers on overtime needs to be relaxed, and we recommend that the present ceilings be increased to double to enable greater flexibility in meeting the challenges of the market. (6.121 (b))

COVERAGE

It would appear that perhaps the safest approach, in the context of coverage under labour laws, would be to define organized sector as consisting of establishment which have a minimum employment limit (6.11).

The Commission has given considerable thought to the number of employees that should be fixed as the threshold point for the organised sector. It does not want workers who are already enjoying the protection of laws forfeit their protection of benefits of provisions for safety and security. Nor does it want to add to the problems of small entrepreneurs financial burdens that affect the viability of their enterprises or compel them to work under irksome conditions. Balancing both these factors, the Commission feels that a limit of 19 workers should be accepted as the socially defensible mean. (6.17)

Relatively better off section of employees categorised as workmen like Airlines Pilots, etc do not merely carry out instructions from superior authority but are also required and empowered to take various kinds of on the spot decisions in various situations and particularly in exigencies. Their functions, therefore, cannot merely be categorised as those of ordinary workmen. We, therefore, recommend that Government may lay down a list of such highly paid jobs who are presently deemed as workmen category as being outside the purview of the laws relating to workmen and included in the proposed law for the protection of non workmen. Another alternative is that the government fix a cut off limit of remuneration which is substantially high enough, in the present context, such as Rs 25,000/- pm beyond which employees will not be treated as ordinary "workmen". (6.19)

It would be logical to keep all the supervisory personnel, irrespective of their wage salary, outside the rank of worker and keep them out of the purview of the labour laws meant for workers. All such supervisory category of employees should be clubbed along with the category of persons who discharge managerial and administrative functions. The Commission would also recommend that such a modified definition of worker could be adopted in all the labour laws. We expect managements to take care of the interests of supervisory staff, as they will now be part of the managerial fraternity. (6.20)

INDUSTRIAL RELATIONS

Existing set of labour laws should be broadly grouped into four or five groups of laws pertaining to (i) industrial relations (ii) wages, (iii) social security, (iv) safety and (v)

welfare and working conditions and so on. The Commission is of the view that the coverage as well as the definition of the term 'worker' should be the same in all groups of laws, subject to the stipulation that social security benefits must be available to all employees including administrative, managerial, supervisory and others excluded from the category of workmen and others not treated as workmen or excluded from the category of workmen. (6.21)

Central laws relating to the subject of Labour Relations are currently the Industrial Disputes Act, 1947, the Trade Unions Act 1926 and the Industrial Employment (Standing Orders) Act, 1946. Mention must also be made of the Sales Promotion Employees (Conditions of Service) Act 1976, and other specific Acts governing industrial relations in particular trades or employments. There are state level legislations too on the subject. We recommend that the provisions of all these laws be judiciously consolidated into a single law called the Labour Management Relations Law or the Law on Labour Management Relations. However, we would care out a section of those workers who are employed in establishments with an employment size of 19 and below, for a different kind of dispensation. In view of our approach, we recommend the repeal of the Sales Promotion Employees (conditions of Service) Act, 1976 and of the specific Acts governing industrial relations in particular trades or employments and also specific laws governing wage fixation in particular trades or employments, in the light of what we recommend later in respect of the law on wages. The general law on industrial relations and wages will apply to them. (6.26)

We would recommend the enactment of a special law for small-scale units. We have come to the conclusion that the reasonable threshold limit will be 19 workers. Any establishment with workers above that number cannot be regarded as small. The composite law suggested by us for small enterprises has provisions for registration of establishments, (provisions pertaining to) securing safety, health and welfare of the workers, hours of work, leave, payment of wages, payment of bonus, compensation in case of lay off, retrenchment and closure, resolution of individual and collective disputes of workers, etc. The law suggested by us also has provisions pertaining to social security. We are of the view that a composite law will not only protect the interests of the workers

in these enterprises but will make it easier for the small enterprises to comply with the same. (6.28)

A system of self-certification has been introduced (in the draft law proposed) to offset the criticisms of 'Inspector Raj'. (6.106)

Term 'retrenchment' should be defined precisely to cover only termination of employment arising out of reduction of surplus workers in an establishment, such surplus arising out of one or more of several reasons. (6.43)

Federations of trade unions as also Central organisations of trade unions and federations should be covered within the definition of trade union and be subject to the same discipline as a primary trade union. The same dispensation will apply to employers' organisations and employees' organisations. (6.54)

Negotiating agent should be selected for recognition on the basis of the check off system, with 66% entitling the union to be accepted as the single negotiating agent, and if no union has 66% support, then unions that have the support of more than 25% should be given proportionate representation on the college. (6.66)

Secret ballot even on a restricted basis is logistically and financially a difficult process in industries like railways, banks, post offices, coalmines and other undertakings operating in a number of states. (6.70)

Check off system in an establishment employing 300 or more workers must be made compulsory for members of all registered trade unions. (6.73) We would also recommend that recognition once granted, should be valid for a period of four years, to be co-terminus with the period of settlement.

No claim by any other trade union/federation/ centre for recognition should be entertained till at least 4 years have elapsed from the date of earlier recognition. The individual workers' authorisation for check off should also be co-terminus with the tenure of recognition of the negotiating agent or college. (6.76)

REGIME OF HIRE & FIRE, RETRENCHMENT AND CLOSURE

... the Commission is of the view that notice of change (in service condition) issued by an employer as per provision of section 9A, should not operate as a stay under section 33 though such a decision of the management will be justiciable under section 33A. (6.82)

Prior permission is not necessary in respect of lay off and retrenchment in an establishment of any employment size. Workers will, however, be entitled to two month's notice or notice pay in lieu of notice, in case of retrenchment. . We recommend that the provisions of Chapter VB pertaining to permission for closure should be made applicable to all establishments to protect the interests of workers in establishments which are not covered at present by this provision if they are employing 300 or more workers. Necessary changes in chapter VA in regard to retrenchment and closure will have to be made accordingly. the Commission would like to recommend the compensation per completed year of service at the rate of 30 days on account of closure in case of sick industry which has continuously run into losses for the last 3 years or has filed an application for bankruptcy or winding up, and other non-profit making bodies like charitable institutions, etc and at the rate of 45 days for retrenchment by such sick industry or body where retrenchment compensation at the rate of 60 days of wages and similarly a higher rate of compensation for closure at the rate of 45 days wages for every completed year of service for profit making organisations. For establishments employing less than 100 workers half of the compensation mentioned above in terms of number of days wages may be prescribed. (6.88) We are recommending restoration of original threshold limit for prior permission, increased rate of compensation; consultation with the representatives of the workers without giving workers a right to veto; judicial review by the LRC (Labour Relations Commission) in case of disputes; and legal provisions or review by appropriate Govts that make it obligatory for the employers to purchase insurance cover for the employees. (6.90)

Arising out of above, we recommend that while the layoff compensation could be 50% of the wages at present, in the case of retrenchment, chapter VA of the law may be amended to provide for sixty days' notice for both retrenchment and closure or pay in lieu thereof. The provision for permission to close down an establishment employing 300 or more workers should be made a part of chapter VA, and chapter VB should be repealed. In case of closure of such establishment which is employing 300 or more workers, the employer will make an application for permission to the appropriate Govt 90 days before the intended closure and also serve a copy of the same on the recognized negotiating

agent. If permission is not granted by the appropriate Govt within 60 days of receipt of application, the permission will be deemed to have been granted. (6.91)

VIRTUAL BANING OF STRIKE

"Go Slow" and "Work to Rule" are forms of action, which must be regarded as misconduct. (6.41)

We, therefore, recommend that in the case of socially essential services like water supply, medical services, sanitation, electricity and transport, when there is a dispute between employers and employees in an enterprise, and when the dispute is not settled through mutual negotiations, there may be a strike ballot as in other enterprises, and if the strike ballot shows that 51% of workers are in favour of a strike it should be taken that the strike has taken place, and the dispute must forthwith be referred to compulsory arbitration (by arbitrators from the panel of the Labour Relations Commission (LRC), or arbitrators agreed to by both sides). (6.48)

Strike could be called only by the recognised negotiating agent and that too only after it had conducted a strike ballot amongst all the workers, of whom at least 51% support the strike. Correspondingly, an employer will not be allowed to declare a lock out except with the approval at the highest level of management except in cases of actual or grave apprehension of physical threat to the management or to the establishment. The appropriate government will have the authority to prohibit a strike or lock out by a general or special and refer for adjudication the issue leading to the strike/lock out. The general provisions like giving of notice of not less than 14 days, not declaring a strike or lock out over a dispute which is in conciliation or adjudication and so on will be incorporated in the law. In this context we also recommend that an illegal, strike or illegal lock-out should attract similar penalties. A worker who goes on -an strike should lose three days wages for every day of illegal strike, and the management must pay the worker wages equivalent to, three days wages per day of the duration of an illegal lock out. The union which leads an illegal strike must be derecognised and debarred from applying for registration or recognition for a period of two or three years. (6.101).

CONTRACT WORK

Organisations must have the flexibility to adjust the number of this workforce based on economic efficiency. It is essential to focus on core competencies if an enterprise wants

to remain competitive. We would, therefore, recommend that contract, labour shall not be engaged for core production/services activities. However, for sporadic seasonal demand, the employer may engage temporary labour for core production/ service activity. We are aware, that off-loading perennial non-core services like canteen, watch & ward, cleaning, etc to other employing agencies has to take care of three aspects (1) there have to be provisions that ensure that perennial core services are not transferred to other agencies or establishments; (2) where such services are being performed by employees on the payrolls of the enterprises, no transfer to other agencies should be done without consulting, bargaining (negotiating) agents; and (3) where the transfer of such services do not involve any employee who is currently in service of the enterprise, the management will be free to entrust the service to outside agencies. (6.109).

There is no need for any wage board, statutory or otherwise, for fixing wage rates for workers in any industry. (6.118)

(Note: The numbers in brackets refer to the relevant SNCL
Report paragraphs)

Second National Commission On Labour
On Women and Child Labour?

K. Hemalata

The report of the Study Group on 'Women and Child Labour' is the most voluminous of all the reports of the various study groups set up by the Second National Commission on Labour on different subjects. The Study Group probably intended that the increasing number of women in the unorganised sector should be reflected in the attention paid by the Labour Department to their concerns. It has recommended that more than 80% of the time and personnel of the Labour Department should concentrate on enforcement of labour laws, of which 50% should be for women workers. But apparently even the Labour Commission did not take this suggestion seriously. Leaving aside the rhetoric, the Commission did not address many of the important concerns of working women.

Unequal wages are one of the major concerns of the working women, particularly in the unorganised sector. The Equal Remuneration Act (ERA) is observed only on breach. The Study Group made the following recommendations on the ERA:

- The Act should be amended to apply across units on occupation, industry, and regional basis, not only within an establishment.
- Phrase 'same work or work of a similar nature' should be replaced by the phrase 'work of equal value'.
- Guidelines should be provided to inspectors in order to help them to identify discriminatory practices pertaining to the ERA.
- The Advisory Committee under the ERA needs to be converted into an empowered committee and be given a role to oversee the functioning of the Labour Commissioner's Office in relation with the ERA. The Act should also be suitably amended to include the role of the social organisations in the - implementation of the Act and monitoring of labour authorities.

- The Advisory Committee of ERA has to function as a watchdog panel. It has to play greater innovative role, and vested with some authority and armed with powers to question the discrimination and disparity in the case of women workers.
- For the purposes of filing claims and registering cases of discrimination and disparity of matters of emoluments in the case of women, the regional branches of the trade unions, some of the willing members of the committee, capable of contacting the management of enterprise, plant of industrial unit, on receipt of a complaint, could be suggested.
- A separate inspecting agency to detect and identify the discrimination and unequal emoluments for the same / equal value of work based on skills, efforts, and responsibility is recommended.

In the Report, the Commission expressed great concern for the workers, particularly the women workers in the unorganised sector. But none of the above recommendations of the Study Group on Equal Remuneration Act found any place in the recommendations of the Commission. In fact, the Commission had nothing to say on how to ensure equal remuneration for working women in the unorganised sector.

The Study Group also recommended that all sexual behaviour as defined in the Supreme Court's Order be included in both the parts of Schedule V(c) of the Industrial Disputes Act, 1947. This also did not find favour with the Commission. On the question of allowing night work for women, the Study Group recommended that 'night work should be allowed on a case to case to basis, only if adequate transport and security is provided. The case of each industry for allowing night work would have to be examined by a committee to be nominated by the ministry of labour'

But this is the recommendation of the Commission on night shift for women: - "On the question of night work for women there need not be any restriction on this if the number of women workers in a shift in an establishment is not less than five and if the management is able to provide satisfactory arrangement for their transport, safety, and rest after and before shift hours"

(6.121 (b)). Even today, many factories and establishments compel women to work in night shifts without providing transport, even if they are able to do so.

The Commission has been more considerate on the question of maternity benefit. It says: "So far as the organised sector is concerned, the existing provisions for maternity benefits should be extended so as to be applicable to all women workers" (8.100).

"There are many classes and establishments where women are being employed increasingly to which the Maternity Benefit Act is not applicable. We recommend that those classes may be brought within the scope of the Act on priority basis by following the National Industrial Classification" (8.101).

"So far as women in the unorganised sector are concerned, there is undoubtedly a need for a separate legislation for providing maternity benefits. Its implementation is possible through Welfare Funds or area based Schemes" (8.102). The Commission also accepted the suggestion of the Study Group and recommended to take immediate steps to extend the scope of the ESI Act for purposes of employment injury benefit and maternity benefit throughout the country, without waiting for the corresponding provision for medical benefits" (8.106).

The Commission recommended increase in the quantum of maternity benefit to a minimum of Rs. 2,000 (8.280). But at the same time, the Commission recommends "a policy that discourages having more children" (9.133). In practice this will mean that women will be punished for the decision on the number of children, a decision that is generally taken, not them but by their husbands and in laws.

The Commission made a welcome recommendation on the incorporation in labour legislation of a provision for crèches, irrespective of the gender of the worker, but this is to be confined only to establishments with 20 or more workers. The Study Group recommended the number to be 10.

There is also a recommendation favouring widow pension scheme and payment of children's allowance.

Our Study Group has suggested the introduction of a National Widow Pension Scheme coupled with a training programme to help the younger ones to be self-sufficient. (8.332)

A National Scheme may be designed for the payment of children's allowance on a universal basis, subject to a means test, to persons below the poverty line. (8.340)

The united countrywide struggles of the anganwadi employees on their demands found some reflection in the Report, which recommended: ICDS (integrated Child Development Services) Schemes need to be redesigned to include the childcare under three. Current weakness in implementation and allocation need to be corrected. Wages, conditions of work, training and accreditation of child care workers need consideration at the policy level" (9.121). On the wages and social security of the anganwadi workers, the Commission says: The anganwadi workers and the Balwadi workers are getting only nominal wages called honoraria. These and other similar workers are considered as part of the unorganised sector. They are entitled to minimum wages, and related social security measures, which we propose in the legislation for the unorganised workers" (7.307). But the Commission feels: "Its (the Scheme's) total dependence on the Government for funds further leads to lack of sustainability" (9.108). At present the ICDS is one of the best Schemes for poor and malnourished children and women in the rural and tribal areas and urban slums. Of late the Government is trying to withdraw from the Scheme and made several attempts to hand over the management to NGOs, Panchayats etc. The anganwadi employees throughout the country have stiffly opposed this, all these years. As a result the Government had to backtrack to some extent. This observation of the Commission will rather encourage the Government to pursue with its efforts to wriggle out of the Scheme, rendering all its other recommendations for the benefit of the anganwadi employees meaningless. The World Bank, whose dictates the Government obeys faithfully, also recommends collection of contributions from the beneficiaries, who belong to the BPL families, for improving the conditions of the anganwadi employees.

In the name of encouraging organisation of women workers, the Commission recommended: "the Government should allow widespread registration of MBOs (Membership Based Organisations) of women workers under the Trade Union Act...recognise MBOs in Export Processing Zones to protect women workers in this zone" (9.195). This is a harmful proposal, which will only lead to disruption of the trade union movement on the basis of gender. What is required today is integration of working women in to the mainstream trade union movement to effectively face the challenges posed by the policies of globalisation. Employers in many establishments today use women to bring down the wages and to scuttle trade union movement. Once the wages

are brought down or the women get organised and demand benefits like maternity benefit, crèches etc, they are often thrown out. Separate organisations for women cannot solve the problems of women workers. Men in the unorganised sector equally, if not more, need the strength of organisation to get their due rights and benefits. Misplace consideration for women workers in the form of separate MBOs, will neither help the women workers nor the workers in the unorganised sector, whose interests the Commission proclaims to safeguard.

(Note: The numbers in brackets to the relevant SNCL Report paragraphs)

Second National Commission On Labour**On Social Security**

In the liberalisation era, the issue of social security has become the most crucial need that is felt today by not only all sections of the workers but also the 'non-workman' employees, including the 'knowledge workers'. The Government of India, had earlier constituted a Task Force on Social Security to examine the issue of integrated comprehensive scheme on social security, which had presented its report way back in May, 2000. The Government did not take any action on the report. But, the entire report of the Task Force was referred to the Second National Commission on Labour for an in-depth study. The reason stated was "the acceptance of recommendations of the Task Force involved heavy financial implication". The Government also stated: "further action can be taken only after the recommendations of the National Commission on Labour become available to the Government".

The Second National Commission on Labour, on its part, set up a Study Group on the self same subject. The Study Group had also come out with a voluminous report. But, neither the Study Group Report nor the final Report of the Commission suggest in concrete terms how the issue of the 'heavy financial implications involved' should be addressed. As such, the Recommendations are destined to end without any substantive action.

However, the Study Group report pointed out one most glaring aspect. It noted that the developed countries are spending up to 40 per cent of their GDO on safety nets. But, in India, the public expenditure on social security is a mere 1.8 per cent as against 4.7 per cent in Sri Lanka and 3.6 per cent in China. This should have naturally led the Commission to suggest stepping up of public expenditure on social security. But, that was not to be. As the terms of reference to the Commission itself asked for only a "minimum level of labour protection", the Study Group 'made its recommendations deliberately modest' as in its opinion 'the country can ill afford a very ambitious programme of social security'. The Commission Report stuck to this script.

COCEPTUAL ISSUES

This is what the Commission Report recommends on the 'conceptual issues' of social security.

"Our Commission accepts the need to consider social security as a fundamental human right". (Para 8.30)

"Considering all the conceptual issues as well as the demographic profile of the country we feel that no single approach to provide social security, will be adequate. The problem has to be addressed by a multi-pronged approach that would be relevant in the Indian context". (8.51)

"A scheme may be contribution -defined or benefit defined". (8.429)

"The Commission feels that the Schemes should be benefit-defined". (8.430)

SELF-CONTRIBUTORY

The Commission Report poses different levels, tiers and kinds of schemes. But, the emphasis is on social insurance schemes, which are self-contributory it states: "Social insurance schemes are contributory, and their viability depends upon the rate/s of contributions received and the quanta of benefits paid out. Different packages of benefits with different rates of contributions should be designed to suit the capacity of the contributors to pay". (8.427)

"We recommend a system in which the State bears the responsibility for providing and ensuring an elementary or basic level of security, and leaves room for partly or wholly contributory schemes. This will mean that the responsibility to provide a floor will be primarily that of the State, and it will be left to individual citizens to acquire higher levels of security through assumption of responsibility and contributory participation. Such a system will temper and minimise the responsibility of the State, and maximise the role and share of individual and group responsibility. Thus, there will be three levels in the system (8.32)

"The Study Group of this Commission felt that in evolving an integrated and comprehensive system of social security in India, one should have a broad vision and one should develop a structure which will encompass the whole population with its diverse needs. It cannot be a single scheme but has to be a combination of schemes catering to the needs of different target groups with different needs and different paying capacities.

The Study Group has expressed the view that, in India, there already exists a three-tier system which can be expanded and consolidated". (8.406)

"The system envisaged by the Commission comprises of four tiers, (a) Social assistance programmes, financed from the exchequer and wholly based on tax revenue, (b) Schemes which are partly contributory and partly subsidised by the State, (c) Wholly contributory social insurance schemes; and (d) Voluntary Schemes". (8.407)

"There will be three kinds of social security schemes: social insurance type of contributory schemes, subsidised insurance/welfare fund type of partly contributory and partly socially assisted schemes and social assistance schemes which will be wholly noncontributory. (8.434)

INSTITUTIONAL ARRANGEMENTS

This is what the report prescribes on what should be the institutional arrangements for social security: 1

It is high time that a national policy on social security is formulated and a national plan to achieve the objectives set out in this policy evolved". ... "it is necessary to create a small but strong agency in the Central Government which will be concerned with the horizontal and vertical coordination of social security planning, monitoring and review". (8.414)

"We strongly recommend the constitution of a high-powered National Social Security Authority, preferably under the chairmanship of the Prime Minister of India. The functions of the Authority will be mainly to formulate the National Policy on Social Security and to co-ordinate the Central and State level programmes". (8.415)

"A Social Security Fund of India and a Social Security Fund of each State may be set up". (8.433)

"We would suggest a Department of Social Security within the Minister of Labour. This Department would provide policy inputs and secretarial services to the National Authority, coordinate, monitor and review specific programmes among various Ministers and the States. Similar arrangements can be made in the States". (8.416) "We feel that the unification of administrative responsibility, in respect of the existing social security legislation, is both necessary and desirable". (8.417)

"The Commission recommends the establishment of a comprehensive social security system covering various existing programmes of different Ministries/Departments.

However, to begin with, functional integration of all social security programmes in the organised sector could be attempted, pending a review of the need for administrative integration". (8.418)

But, the Commission is not for immediate ratification of the ILO Conventions on social security, which should be the starting point. It says: "The Study Group of Social Security constituted by our Commission felt that it might not be possible to ratify all the Conventions of the ILO immediately (emphasis added), but it is desirable to plan for their eventual ratification by upgrading laws and practices, beginning with the Minimum Standard Convention. The Commission endorses the view of the Study Group". (8.78)

SMALL MERCIES

Certain small mercies have, however, been doled out on threshold, definition of workman, wage guarantee, education allowance etc.

"The Task Force on Social Security recommended that wage ceiling and employment threshold can and should be uniform with a provision for raising the wage ceiling and its eventual removal and lowering employment threshold and its ultimate removal. The Commission also agrees with it". (8.93)

"The term 'workman' may be replaced by the term employee' so as to make the Workers' Compensation Act applicable to all categories of employees; the term 'employee' may be defined to mean any person employed in any employment specified in Schedule 11; the entries in Schedule 11 may be revised so as to make it applicable to all classes of employees progressively; and restrictive clauses, wherever they occur in the Schedule, may be omitted". (8.96)

"The. National Renewal Fund (NRF) was established in February 1992 to provide a form of a wage guarantee which had to be used for retraining, redeployment, counselling etc. But in practice, NRF has mostly been utilised for implementing the VRS. There is need to restructure this Fund to serve as a wage guarantee fund". (8.179)

"A provision be made for payment of education allowance to all employees by amending the existing laws regulating employment and conditions of service of employees". (8.182) Significantly, the Commission has conferred a bonanza on the employers by suggesting that they be freed from the liability towards workmen's compensation! "The Workmen's Compensation Act should be converted from an employers' liability scheme to a social

insurance scheme (read self -contributory), its coverage should be progressively extended to more employments and classes of employees, and the restrictive clauses in Schedule 11 of the Act should be removed. (8.97)

AREA BASED SCHEMES

For the rhetoric, the Commission Report has copious platitudes covering the disabled, physically handicapped, lepers, mentally ill, scavengers and those who are economically and socially distressed.

The Commission Report, after a lengthy discussion on welfare funds, social assistance programmes, food security, care of the elderly, et al, commends area based schemes at the State level.

"A reasonable alternative to the various occupations based schemes would be to design a scheme on area basis". (8.247)

"The area-based scheme appears to be suitable for application to the workers in the unorganised sector'. (8.254)

"The basic benefits may include (a) insurance against death or disability, (b) health insurance and (c) old age benefits". (8.248)

"The coverage under death and disability may be comprehensive. In case of disability the compensatory payment may be made periodically". (8.249)

"Under old age benefits, a pension based on a savings linked scheme may be evolved". (8.251) "The funding of the scheme is envisaged to be from contributions from members and from other sources". (8.252)

"The project is conceived as a state level project". (8.253)

Note here again the stress on 'contributions from members' and the vague mention of 'other sources', which takes abundant care not to require the Central Government to commit any allocations for the area based schemes!

EMPLOYMENT AND LAND

However, the Commission had Report dwelt on two important issues - access to employment/relief and land assets -, which deserve to be noted.

"The need to provide some form of public assistance to meet the distressing consequences of unemployment has become more urgent after globalisation. The only

way to mitigate such stress or insure against such exposures, will be to provide at least a modicum of support that will enable the victim to face the rigours of unemployment during the period of transition". (8.273)

"Effort to implement a National Employment Assurance Scheme is of considerable importance. Such a Scheme would not be unfeasible and should be given a fair trial". (8.292)

"We feel that it is the responsibility of the State to provide a basic level of subsistence by an appropriate social security measure to those who have no employment and no source of income. The Central Government should consider introducing a National Scheme of Unemployment Relief to the unemployed persons subject to a means test. (Para 8.294)

But here is a caveat: "The unemployment scheme should be financed by a tripartite contribution to be determined actuarially". (8.177)

The concept of 'tripartite contribution' in this regard has not been explained.

"Land is critical for rural people. Institutions and policy reforms are needed to give better access and secure rights to all the critical assets that are unevenly distributed". (8.296)

The Study Group recalled that while announcing the new economic policy in 1991, the then Finance Minister had given an assurance that a social safety net would be created to protect those who would be affected by the new policy. No such social safety net has been created yet. Even after all the phrase mongering in the SNCL report, social security will remain a mere pipe dream.

(Note: The numbers in brackets refer to the relevant SNCL Report paragraphs)

Second National Commission On Labour**Some More Highlights****ON EMPLOYMENT AND DOWNSIZING**

"As on June 2000, there were 958 Employment Exchanges in the country and the job seekers registered with these exchanges were 406.98 lakhs. Between January - June 2000, 26.64 lakh were registered for new jobs, while Employment Exchanges were able to provide jobs to only

80, 0000 persons' (12.69)

"During the last few years there has been considerable talk of downsizing either through voluntary retirement schemes or through retrenchment. In public sector Banks 99,452 have opted for VRS. This accounts for 11% of its staff. Staff accounts for 65-70 % of total costs in public sector banks. National Textile Mills has introduced VRS in six units in Tamilnadu. During the last one year, 15,000 jobs have been cut between March 2000 and June 2001" (12.72)

"About 1200 employees of the Taj Group of Hotels have opted for VRS. Oberoi and Welcome Group of Hotels have downsized by about 1800. ITDC may off load another 1500 after privatisation. Automobile companies are downsizing in order to remain competitive. Telco got downsized by 9,375 workers, Bajaj Auto by 4,785 workers and Hindustan Motors by 1500 jobs. Escorts, Daewoo India, LML Ltd and Maruti Udyog have all cut the jobs. The software sector too is feeling the impact of the slow down. Indian Railways are the world's second largest transport system. Not only will there be no recruitment in the Railways but it is considering proposals to cut 30,000 jobs every year. This is only a glimpse of the grave situation (and not a complete list)". (emphasis added - 12.73)

"Casual workers are increasing in both the urban and rural sectors". (112.89)

ON WAGES AND WAGE POLICY

"Our Commission feels that the Government of India should appoint an expert committee to study the pros and cons of the national minimum wage and make suitable recommendations for construction of such a current national minimum wage" (12.179) In determining such a national minimum wage, the recommendations of different

committees, the 15th Session of the ILC, and the judgements of the Supreme Court should be used as guidelines" (12.180)

It is difficult to lay down a clear-cut criterion for fixing an appropriate ratio between salaries of the top management and wages paid for the worker at the lowest rung of the ladder". (12.183)

"Our Study Group on Unorganised Labour has recommended that the minimum wage prescribed by the Fifth Pay Commission for the lowest category of Government employees (Rs/. 2400 + Rs. 2100 DA + Rs. 4500) should be the minimum wage for a worker in the unorganised sector". (12.247)

"We fully appreciate the considerations that have prompted the Study Group to make this recommendation. But we regret that we do not find it possible to accept and endorse this suggestion". (emphasis added - 12.248)

We feel that we should legislate only what is capable of being put into practice". (12.250)

"Workers cannot be given minimum protection unless minimum wages prescribed and enforced in the unorganised sector". (12.262)

The above clearly demonstrate the lack of will on the part of the Commission, find solutions to the problems of the workers in the unorganised sectors, while the legislative provisions were to be dismantled to facilitate 'flexible labour market'. It reflects the dual standards adopted by the Commission. While it has recommended immediate steps for changing the labour laws, it has resorted to dilatory tactics on issues of urgent concern to the unorganised workers. It has justified a patronising attitude towards the highly paid executives when it has turned down the decades-long-debated concept of relativity (and reducing the wage differentials) between the highly paid and the lowest paid.

Second National Commission On Labour

On Unorganised Sector

The following are excerpts from the summary of conclusions and recommendations of the Second National Commission on Labour, after it elaborately studied the subject of unorganised sector, by commissioning a study group to look into it in depth.

The unorganised sector is in no way independent or exclusive sector but it dependent on the organised sector and the rest of the economy through variety of linkages such as raw material, capital, generation of employment, market facilities and so on. (7.22)

Despite existence of labour laws, the workers in this sector do not get social security and other benefits for various reasons and there is hardly any trade union or institutional mechanism to fight for them. (7.23)

In the organised sector too permanent workers are getting casualised and contractualised as a consequence of new economic and industrial policies. Such workers (casual or contract) in the organised sector as well as unionised workers in the unorganised sector can be considered to be included in the unorganised sector. (7.24)

All workers who are not covered under the social security laws can be considered as part of the unorganised sector. (7.25)

The term-unorganised sector eludes definition. Its main features can be identified and the sectors and process where unorganised labour is used can be listed though not exhaustively. Apprentices, casual and contract workers, home-based artisans, a section of self-employed persons involved in jobs such as vending, rag picking and rickshaw pulling, agricultural workers, migrant labour and those who perform manual and helper jobs come under this sector, as well as those who depend on natural resources that are open or common property. (7.26)

The official definition of the informal sector enterprises consists of directory establishments that employ between 6 and 9 persons and non directory establishments which employ 5 persons or less and own account enterprise. (7.28)

The study group appointed by the Commission has brought out certain general characteristics of enterprises or employment in this sector such as low wages and low

earnings, high percentage of employment of women, employment of family labour, child labour and migrant labour, piece-rate payments, home-based work or contractual work, seasonal or intermittent employment, lack of organisation into trade unions, casual and multiple jobs, existence of debt bondage, existence of cooperatives of self-employed workers, dependence on others for supply of raw material, less access to capital, existence of health hazards etc. (7,30)

The Annual Report of the Ministry of Labour for 1999-2000 which is based on 1991 census gives the following information about unorganised workers. Out of the total workforce of 340 million, 286 million are main workers and 28 million are marginal workers. Out of the 286 million main workers, 259 millions are in the unorganised sector. In relative terms, unorganised labour accounts for 90.6%. Out of 191 million workers engaged in agriculture, forestry, fisheries and plantations, 190 million (99.2%) are in unorganised sector. Out of 28.92 million workers in the manufacturing sector, 21.62 (750%) are in the unorganised sector. In building and construction, 78% are in the unorganised sector. In trade and commerce, 98% are in the unorganised sector and in the transport, storage and communication, 61.5% are in the unorganised sector. (7.309)

Land reforms have not been implemented, in spite of reminders from many Commissions, and the manifestos of political parties. Employment opportunities are not adequate. Those in employment often do not get the minimum wages that have been guaranteed in law. Working conditions are deplorable, sometimes, inhuman. It is, therefore, necessary to construct a new legal framework and system of social security that will provide, protection and welfare to the workers in the unorganised sector. (7.383)

It is, therefore, logical and wise to enact an umbrella type of law for the unorganised sector which would guarantee a minimum of protection and welfare to all workers in the unorganised sector, and would leave it open to the Government to bring in special laws for different employments or sub-sectors if experience indicates the need for it. It will also be open to governments to repeal existing sub-sector laws or merge existing (welfare) Boards with the Boards or Rounds that we are suggesting in the Umbrella Legislation (7.384)

We have to address the question, what is the minimum that the Umbrella legislation for workers in the Unorganised Sector should ensure. There should be a policy framework

that ensures the generation and protection of jobs, and access to jobs; protection against the exploitation of their poverty and lack of organisation: protection against arbitrary or whimsical dismissals; denial of minimum wages and delay in payment of wages, etc. The system of Welfare should include access to compensation for injuries sustained while engaged in work; provident fund; medical care; pensionary benefit maternity benefits and childcare. (7.433)

The law should be capable of being implemented and monitored easily. It should, therefore, include machinery for the disposal of claims and complaints at a place that is not too distant from his place of work, with expedition. (7.434)

The system for Social Security must be such that the worker can make a commensurate contribution to the cost, consistent with as many of his needs as possible, and deliver the services as near his place. The machinery should not be cumbersome, costly, centralised, and burdened with many administrative layers and overheads. (7.435)

The labour policy set out in the five-year plans since Independence was based on the belief that the basic needs of workers for food, clothing and shelter must be satisfied. (7.438)

An important aspect of labour policy outlined in the Seventh Plan relates to the formulation of an appropriate wage policy, and provisions for the welfare and working and living conditions of unorganised labour not only in the rural sector but also in urban areas. The Eighth Plan (Chapter VII) said that improvement in the quality of labour, productivity, skills and working conditions and provision of welfare and social security measures, especially of those working in the unorganised sector was crucial for enhancement of the status of labour. The Plan laid emphasis on the enforcement of labour laws especially laws relating to unorganised labour and women and child labour. (7.441)

In looking at the need for social security in the unorganised sector and the demands on a system of social security in the unorganised sector, we have to keep certain characteristics of the sector in mind. (7.444)

A major obstacle to introducing contributory social insurance schemes for the unorganised sector is the difficulty in identifying the employer. Unlike the organised sector where steady and regular employment is more or less a given fact, unorganised sector workers need employment security, income security and social security

simultaneously. The needs of these workers often vary from those of workers in the organised sector. (7.445)

We have to see how these constraining factors can be eliminated or mitigated to extend the benefits of social security to workers in the unorganised sector. We should not lose sight of the fact that in this sector social security should have promotional and preventive aspects addressing employment and income security and converting healthcare, childcare and old age. (7.447)

The Social Security measures for the Unorganised Workers should include healthcare, maternity and early child care, provident fund benefit's family benefits, amenities benefits including housing, drinking water, sanitation, etc. compensation or employment, injury, retirement and post-retirement benefits, cover in cases of loss of earning or the capacity to earn, schemes, either independent or in association with the Government, Welfare Bodies, NGOs and Social Organisations, for the up gradation of skills and the education of workers, and elimination of child labour, forced labour, and unfair labour relations and practices. (7.448)

Before going into modalities of setting up of an Unorganised Sector Workers Board it is necessary to classify the occupation in the unorganised sector. (7.457)

Minimum wages Legalisations have listed certain employments/ occupations. (7.458)

Industrial classification of economic activities has not been found helpful in arriving at the kind of distinct groups/classes of occupations and processes existing in the unorganised sector. (7.459)

The factors considered for classification are recruitment, payment, unionisation, casual nature, relation to child labour, family labour, migrant labour, wage and earning levels, skill levels, home-based activities, source of raw material, access to capital, nature of output, occupational hazards. (7.460)

We have classified workers in this sector on the above basis. (7.461)

National industrial classification of economic activities is on the basis of nature of economic activity carried out in an establishment. The National Classification of Occupation 1968 bases its report on the nature of occupation. In the unorganised sector both these principles can be used but combined with other elements. (7.463) If the classification is based on the distinction between the workers and a producer it will be

more or less equivalent to distinction between the employed and the self-employed. In our analysis, no substantial group emerged as merely self-employed or employed. In almost all occupations we can find both self-employed and employed workers. (7.464)

In some cases the same person is employed in different occupations. For example a marginal farmer is working as producer, own account worker and also self-employed. Further the same person gets employed as agricultural workers land also as construction worker. (7.466)

We believe that classification should be an ongoing process. For instance if a child labour prone group exists under the board, after some time the group can be removed when sufficient improvement is reported in the incidence of child labour in that group. There should also be flexibility to accommodate newer classes and eliminate existing classes. (7.468)

We are suggesting a tentative but a comprehensive list of groups that can be useful in wage fixation and in undertaking studies to assess the undergoing changes in respective groups of industry and occupation. For the purpose of social security measures and cess collection, separate group-based consideration would be necessary. (7.469)

It is clear to us that crucial guarantees of justice lie in minimum wages, job security, safety and social security. (7.472)

To meet these crucial requirement we propose the constitution of unionised sector workers board with constituent bodies that will extend to the level of Panchayats. (7.473)

The employers employing more than 5 workers shall ensure that the workers engaged by them are registered with the board and issued identities cards by the boards and the employing less than 5 workers shall help the workers in securing in registration and identity cards. (7.474)

Second National Commission On Labour**The Note of Dissent**

The NDA Government chose to give representation only to the representatives of the BMS and INTUC on the Second National Commission on Labour, and ignored the other central trade unions. Sanjeeva Reddy (INTUC) and Hasubhai Dave (BMS) were made part-time members of the Commission, when it was set up. Sanjeeva Reddy continued to associate with the Commission till the last and fully concurred with the recommendations of the Commission, in its entirety. But, the SMS changed its nominee on the Commission mid-stream. In January 2002, Hasubhai Dave was replaced by C.K. Saji Narayanan. He, unlike the INTUC nominee, chose to dissent on certain issues, owing to "disagreement with the thought process and basic philosophy of the reforms". But, he has also signed the Commission Report, accepting its recommendations on all other matters, except those of chapter VI on Review of Labour Laws. We append a few excerpts from the Note of Dissent by C.K. Saji Narayanan.

Ravindra Varma, Commission-Chairman, who was 'deeply distressed' over the note of dissent, recorded his response thereto. He commented. "We were always aware that our recommendations had also to be contextual, and capable of being practically implemented, without detriment to the prospects of further upgradation or the interests of all sections of our people -all of whom had equal rights and duties as citizens. We felt - and we have stated it in our report that if we put contextually impractical laws in the statute book they tend to become a dead letter, honoured by being overlooked or circumvented - or become instruments that turn socially self-destructive. We have tried to keep these considerations in mind while formulating our recommendations, even while safeguarding the scope for upgrading standards of life, liberty and endeavour".

He however concluded his response on a pleasant note:

"We are however very happy he (Saji Narayanan) has made it clear in his note of dissent, that he agreed with and welcomes the recommendations we have made in the other eleven chapters in the report".

This is a significant note indeed!

EXCERPTS FORM THE NOTE OF DISSENT**Previous reports and insecurity of labour**

The economic reforms and the consequential labour reforms for the last decade had been in a totally wrong direction. Capitalist ideology has swallowed the thought process at the helm of affairs. It discusses how much rights of workers are to be curtailed and why not employers be given unfettered rights against workers. Previously several reports which are controversial like Montek Singh Ahluwalia Committee report on 'employment opportunity', Geetha Krishnan Committee report on expenditure reforms, Rakesh Mohan Committee report on privatisation in Railways, Planning Commission sub committee report etc. have been instrumental to propagating this Capitalist ideology while making their recommendations.

This assumes great seriousness in the context when labour all over the country feel their protection is being taken away in the name of over protection and globalisation, and when Trade Unions are on a warpath to protect worker's rights against the so called 'reforms'.

Globalisation and insecurity of labour

In the new era of globalisation, workers are looking upon every change proposed in labour laws with caution. In the age of globalisation workers are on the defensive and workers' rights are at stake. Hence because of globalisation and anti-labour reforms, trade union unity is getting strengthened. In labour sector the accepted methods of implementing changes is through negotiations. Those who are asked to change should be convinced of the rationale behind the reforms, and should have an opportunity to ventilate their claims and objections, But Government did not pursue this method while talking about reforms. Wherever there is discussion on changes that is affecting worker's rights, it has to be discussed or negotiated with Unions.

Nowadays globalisation is an excuse to hurt the workers. Globalisation has caused damages to the workers in many ways. Globalisation has placed workers in a highly insecure situation. The impact of globalisation on labour is that it wants to take worker on ransom for their insecurity. Reform of labour laws is fear based, i.e., fear of closure, recession etc. Hence this capitalist ideology will necessarily lead to chaos, destruction of

industrial peace and loss of production resulting in industrial loss as workers deprived of their rights will have to resist.

One of the impacts of globalisation is that it downsized the organised sector and pushed many into unorganised sector. In the same way the reforms are primarily downsizing the rights of workers in the organised sector and pushing their position to that of those in the unorganised sector. Our ten years' experiment with globalisation has proved that it has not "brought about macro economic discipline" as the claim goes, but had reverse impact on the economy. We have identified that globalisation had mainly shown an ugly face with its negative impacts. Hence we are not to accept the package of law reforms put forward by the advocates of globalisation, which later was pushed forward by employer's organisation. Globalisation cannot be accepted as an order or ideology of future. It is only an unwanted eventuality.

Chapter V B of I.D. act (Para 38)

Intention of Ch.VB is to discourage closure etc. that is detrimental even to the society. Not only the workman but the society is also concerned about nonfunctioning of an industrial establishment. That is why provision for Government scrutiny in to unscrupulous and malafide closure, retrenchment and lay off is made in the form of Ch. VB. Still at present this is only in a limited way. This idea should be further modified by

1. Removing the limit of even 100 workers
2. Applying Ch. VB to all establishments in which employer-employee relations exist apart from the present position of application only to factories, plantations and mines.
3. Workers are protected well in the event of unavoidable retrenchment or closure, by adequate compensation and provision for re-employment.

In changed situations, 10 years after the introduction of new economic policy of 1991 and consequent exit policy, number of establishments having even 100 employees is getting reduced. In the changed situations due to downsizing even the limit of 100 is on the higher side.

Indian industrial circle want to shift their failure mainly due to mal-administration to the shoulders of workers. According to the philosophy of this unsuccessful industrialists, flexibility means right of management to "adjust" their labour force from time to time according to their whims and fancy in the name of "changing needs of the industry" or "to

meet the exigencies caused by genuine economic reasons" or "in the best interest of the undertaking' etc. The closure-maniacs in business lobby are trying to take the idea of flexibility in a reverse gear. Instead of saying "we want to run industry" they demand "we want closure of industry and retrenchment of workers". This is detrimental to the society also. They want to apply their agenda of failure even to profit making units.

So the following proposals are devoid of any rationale 1. Total removal of prior permission for lay off and retrenchment. 2. Raising the limit from 100 workers to 300 for applicability for closure. 3. Ch. VB is to be repealed progressively. 4. Post factor permission after 1 month of lay off in establishments with more than 300 workers 5. Varying scale of compensation for sick units and profit making units 6. If the Government within 60 days of the receipt of application does not grant permission, the permission will be deemed to have been granted. I do not agree with any of these proposals.

Non-core activity

Any attempt to shift any of the regular work to contract system should be totally rejected. The trend should be to progressively convert contract works to regular work. There is no justification to make any new category in perennial (permanent) jobs viz. 'non-core activity' for the purpose of introducing contract labour. Abolition of contract labour should not be replaced by encouragement of contract labour. This is legalising an illegal activity. Non-core activities also cover a vast field of industrial activity and if a distinction is made, a large number of employees will loose the existing protection under the law. The terminology of core and non-core sector is thoroughly unrealistic. This differentiation should be dispensed with. Both are part and parcel of the same activity.

Absorption

In appropriate cases the judicial body should have power to order absorption of such contract labour as regular employee. Study group of our Commission had rightly recommended that the body vested with the responsibility for making recommendation on abolition of contract labour should also be empowered to order absorption by principal employer such number of contract labour as is considered just and reasonable. There is nothing wrong for the Commission to independently looking at the problem and reverse

the dictum of the SAIL judgement. The fear that if we do not follow the principles laid down in SAIL judgement it would result into defeating the judgment is baseless. Because the SAIL judgment has failed to consider the realities of situation. If we adopt a different approach than one recognised by SAIL judgment, it would not be wrong as in the past, Supreme Court judgment in. Shah Banu case was given a burial by enacting a new law.

Equal pay and benefits

Equal pay for equal work should be the basic principle that should apply to all types of exploited categories of workers including women, badli, casual, temporary, part time, apprentice, migrant labour, etc. and also for the other exploited categories to be abolished like child labour, bonded labour, contract labour etc. till they are abolished. Contract labour and other exploited categories like women, badli, casual etc. cited above should be given the wage and all other benefits which a regular worker gets, so that the employer will not engage contract labour for the purpose of monetary gain. Hence the words "equal wages" should be substituted by "equal wages and all other benefits".

Working Hours

It is shameful that many of the Central statutes and some State statutes still prescribe 9 hours working per day. 8 hours working per day is universally accepted. Advocates of flexibility of working hours want to increase it; that again on the plea of global competition and technological changes. It is something against common sense to connect work culture with working hours and holidays.

First National Commission has suggested that working hours should be reduced from 48 hours to 40 hours. This Commission should not put reverse gear to this proposal, which again in the name of changed circumstances. Composite bargaining agency Concept of sole bargaining agent is encouraging or creating monopoly of Trade Union. The belief that sole bargaining agent will create industrial harmony is basically unrealistic and imaginary.

Therefore instead of sole bargaining agent, the system of composite bargaining agency should be evolved. The sole bargaining agency can be an exception in a situation where all other unions get less than say 15% votes and the larger union getting more than say 70% votes in the secret ballot.

With regard to Composite Bargaining Agent

1. There should be secret ballot of all unionised workers.
2. Composite bargaining agency should be constituted on the basis of proportional representation.
3. Unions getting less than 15% votes should be excluded.

Outside leadership

Trade Union movement has progressed because of the initiative of outside leaders. Whatever idealism trade union movement had in the past and* has even today is due to outside leadership. So outside leadership should not be progressively diminished, but a healthy proportion between outsiders and insiders in leadership has to be maintained. Otherwise trade unions will deteriorate itself to mere 'bread butter trade unionism'. Outside political leadership or interference should be curtailed. If the objective is to curtail dadagiri trade unionism the remedy lies elsewhere.

Political fund (Para.26)

Sc. 16 Of Trade Union Act should be amended to prohibit political funds.

Check off and secret ballot (Para.26)

Adoption of secret ballot is the correct system of confirming the membership of a trade union. Such secret ballot shall be conducted after a regular period of time.

Strike (Para.20)

Any move to restrict the right to strike is undemocratic.

Any constraint over strike without a "self restrictive, alternate and effective redressal mechanism" will only destroy industrial peace. Strike ballot (Para.20) is an attempt to restrain strike. Considering strike ballot and consequent majority support as "the equivalent of successful strike" in the Commission's report, will not serve the purpose. The idea that "the result of strike ballot too be considered as strike" is unrealistic, unless in subsequent period the employer also is made disentitled to his profits out of fruits of production. Workers use strike as a pressure tactics and method of redressal. Token strike has relevance only in a world where conscientious employers show high moral level. Unfortunately that is miserably lacking in our country. Main purpose of strike is to pressurise the employer, which will not be achieved by token or symbolic strike.

Exemptions (Para. 62)

Government should not be given the arbitrary power to grant exemptions. The model legislations appended to various chapters of the report of the commission should not contain such arbitrary powers given to the Government.

Some section or workers like security and watch and ward staff, confidential staff etc., should also not be brought under exemption (Para.22)

Legislation for Small scale sector

The principle shall be that labour laws should have uniform applicability. Any exemption or deviation will only be disadvantageous to workers and nothing else. That is why even a separate law for small-scale sector is apprehended to be reducing some of the existing workers' rights.

Bonus

1. 81/3% should be the minimum bonus even for the small enterprises
2. There shall not be a ceiling on maximum percentage of bonus payable.
3. Ceiling of eligibility limit (Rs.3500 now) and calculation limit (Rs.2500 now) of salary also should be raised to the level of living wages.

Wages

The purpose of brining about changes in definitions is to consolidate, simplify and to bring about uniformity. So it is against this spirit to have two separate definitions on "wages" and "remuneration" (para.19). It is wrong to include only basic wages and DA and avoiding all other monetary benefits from the definition of wages.

Wages should be defined as 'all remuneration capable of being expressed in terms of money' as defined in Sc.2 (rr) of I.D. Act, 2(h) of M.W. Act, Sc, 2(21) of Bonus Act and Sc.2 (vi) of Payment of Wages Act.

Miscellaneous

The Commission has recommended (in Para. 10) that 'Government may lay down a list of such highly paid jobs who are presently deemed as workmen as being outside the purview of laws relating to workmen and included in the proposed law for protection of non workmen". The division should be either on the pecuniary basis or on the nature of duties and not on a third basis of arbitrary Government listing. This should be clarified.

System of self -certification (Para.52) is not the right method to offset the criticism of inspector raj". There is a case for the employers, especially in small-scale sector for demanding reduction of inspectorate. If one person were vested with the powers of various inspectors designated in various Acts purpose would be served.

Second National Commission On Labour

On Healthy Policy and ESIC

The Commission Report has, in the Chapter on social security, dealt with health related issues as well. This part is in tune with the earlier changes contemplated by the Government on the basis of the Sathyam Committee report, which the trade unions had opposed. The following excerpts will testify to it:

"The National Health Policy assigns a minor role to health insurance to supplement the public services. The running of the medical services by the, ESIC, parallel to the National Health Service might have been a historical necessity at the time when the ESI Scheme was introduced. The object and scope of the Scheme needs to be reviewed in the current context-when public as well as private medical services have increased". (8103)

"It does not seem possible to extend the existing composite scheme of the ESIC to all sections of the workforce and all parts of the country in the near future. The Corporation has, to take a decision to de-link the employment injury and maternity benefits from the medical benefits, and to extend the application of the ESI Scheme for the purposes of these benefits throughout the country. Alternatively, separate social insurance schemes (read self contributory) confining to these benefits will have to be evolved". (8.104)

"The Study Group on Social Security has strongly urged that the benefit structure of the ESI Scheme be unpacked, and provision be made for extension of the scheme for one or more benefits separately or in groups.

The Study Group further suggested that immediate steps be taken to extend the scope of the Act for purposes of employment injury benefit and maternity benefit throughout the country without waiting for the corresponding provision for medical benefits. This Commission agrees with the views of the Study Group". (8.106)

"When the constraints on extension of the ESI Scheme are removed, there would be no justification for retaining the other restrictions on the application of the Act. If necessary there may be a ceiling on wages for purposes of contributions and benefits". (8.108)

"Casual and contract workers may be covered for limited benefits at reduced rates of contribution as recommended by various committees and the ILO". (8.109)

"Exemptions may be granted from the ESI, in cases where establishments provide similar or superior benefits". "Since the ESI Scheme is a contributory scheme, the rates of contribution should be fixed on an actuarial basis, and be free from collective bargaining". (8.111)

"The Study Group has suggested a review of the decision to impose a ceiling for purposes of reimbursement, and the level of the ceiling, and to consider the desirability of its withdrawal. The Commission agrees with this suggestion". (8.112)

"The management of the ESI scheme should be professionalised. While a tripartite body may continue to remain the general body, day-to-day administration may be entrusted to a body of experts who should constitute the governing body". (8.113)

"The ESI Scheme has provision for payment for funeral expenses. It is suggested that it should be substituted by the term emergency expenses so as to include care of the sick and the elderly members". (8.114)

"While basic health security has to be provided by the primary healthcare infrastructure, it may be supplemented by one or more of the various options. The ESI has an important role to play in supplementing the public medical service. It is, therefore, necessary to take all possible measures to improve its working and its expansion". (8.316)

(Note: The numbers in brackets refer to the relevant SNCL Report paragraphs)

Second National Commission On Labour

On Provident Fund and Pension Schemes

The SNCL Report has made recommendations on the Provident Fund, Pension Scheme and related issues in the chapter on social security. This part of the Report is again a mix of platitudes and a preconceived broad sheet of reforms, which will end up in undermining the existing measures rather than extending their scope. The following are extracts from the Report Summary:

*A law to place all the provident funds under a common regime seems to be called for. (8.115)

*The P.F. Act be made applicable to all classes of establishments, subject to such exceptions as may be considered necessary for specified reasons. (8,117)

*Regarding applicability of the P.F. Act, the Task Force on Social Security has recommended that the employment threshold should be brought down to 10 immediately, to 5 during the next 3-5 years, and to one within a short time-frame thereafter. The Commission agrees with these suggestions. (8.118)

*Our Study Group has suggested that the special dispensation granted to co-operatives is not warranted, and should be removed. We endorse this view. (8.120)

These are aimed at extending the scope of EPF coverage, hopefully!

*The Study Group constituted by us, commissioned a quick study to see whether the coverage of casual and contract labour has served the purpose for which it was intended. The study revealed that the provisions to cover persons employed on casual or on contract basis were operating largely to the disadvantage of the workers. (8.122) An alibi to deny coverage to the contract workers?

*We suggest that appropriate provisions be made in the Act to enable the Organisation to frame different schemes with different contributory and benefit packages for application to different classes of establishments, employees and persons. This is particularly necessary to make the Act applicable to self-employed people. (8.124) Here again a proposal for unpacking!

*The Commission suggests that the EPFO organise an inquiry into the working of all exempted funds by an independent agency and review the entire scheme of granting exemptions from the provisions of the Act. (8.126)

*Considering the likely expansion of the coverage of the Schemes under the EPF act, there seems to be a greater need for decentralising the administration of the Schemes. One way to decentralise the administration is to authorise more and more employers to administer their own provident Funds, the EPFO acting as a regulatory authority. (8.128)

*It is suggested that the Act be amended so as to do away with the distinction between different classes of establishments for purposes of the rate of contribution. (8.129)

It is not clear whether the Commission favours liberal exemptions or to withdraw exemptions!

*The EPFO should streamline the procedure for tackling the defaulting employers speedily and to recover the arrears promptly. (8.130)

Note the stark indifference in the face of huge arrears, of which over 80 per cent are classified as 'not realisable'.

*We suggest that the EPFO should have its own mechanism for investment of its balances; investment patterns should be liberalised and government may consider issuing of indexed bonds for investment of PF balances. (8.132)

No recommendation on the unjustified interest rate reductions, unilaterally effected by the Government over the years.

*The Commission is of the opinion that the provision for premature withdrawal of funds should be restricted. (8.136)

*There can be no justification for permitting premature final withdrawals in case of resignation. (8.137)

Curtailement of existing provisions for exigencies suggested.

"Proposals to integrate the Payment of Gratuity Act with the Employee Deposit Linked Insurance Scheme and also to introduce an Unemployment Insurance Scheme as part of the Scheme should be implemented soon. (8.138)

*It is desirable that an independent valuer and not the actuary who designed the Employees Pension Scheme, does three yearly or five yearly valuations. (8.147).

*All the ambiguities in the interpretation of the Employee Pension Scheme be referred to the Actuary and the Scheme be amended suitably as per his advice. (8.148)

Annual valuation was assured to take care of the demand for linkage with price-index. This is sought to be shuttled. Actuary is made the arbiter of all matters relating to the Pension Scheme.

*The Payment of Gratuity Act may be integrated with the EPF Act and converted into a social insurance scheme. (8.149)

*Integration of the Payment of Gratuity act and the EPF Act will ensure automatic extension of the Payment of Gratuity Act to all establishments to which the EPF Act applies. (8.150)

*The scope of the Payment of Gratuity act should be co-extensive with that of the EPF Act. (8.152)

*An integrated insurance scheme providing for gratuity, unemployment benefits, lay off and retrenchment compensation may be evolved, and entrusted to the EPFO for its implementation. (8.160)

*An unemployment insurance scheme could play a substantial role in coping with unacceptable levels of unemployment resulting from the implementation of the structural adjustment programmes and other economic reforms. (8.175)

*The scheme should preferably be implemented through the EPFO organisation and be applicable to all establishments and employees to which the EPF Act is currently applicable. (8.176)

The EPF Organisation is to be given a larger role. But, how such integration and co-extensive arrangement will be brought about, what will be the financial commitment that would devolve on the employers and the Government has been left delightfully vague.

*The Insurance Companies be required to develop two or more plans providing coverage for the major risks faced by people leaving it to individuals to choose from among them according to their capacity. (8.242)

*The IRDA has decreed that every insurance organisation must provide social insurance cover to a prescribed number of persons belonging to the weaker sections in the unorganised sector every year. Our Study Group has suggested that a separate

organisation be set up to administer these schemes, and the insurance companies licensed by the IRDA be asked to make appropriate contributions to this organisation. (8.244)

*The cost of subsidy should be augmented by earmarking a part of service tax being levied on insurance business. (8.246)

Though the IRDA claim to be the Pension Regulator is not accepted, the basic prescription of pension reforms of the IRDA, which is based on a) individual retirement accounts and b) diverting pension funds to stock market are very much in place!

Source: The Working Class, September 2002

APPENDIX 6:

International Labour Organization Conference, June 2002

Conclusions from the General Discussion Concerning Decent Work and the Informal Economy

1. Recognizing the commitment of the ILO and its constituents to making decent work a reality for all workers and employers, the Governing Body of the International Labour Office invited the International Labour Conference to address the issue of the informal economy. The commitment to decent work is anchored in the Declaration of Philadelphia's affirmation of the right of everyone to "conditions of freedom and dignity, of economic security and equal opportunity". We now seek to address the multitude of workers and enterprises who are often not recognized and protected under legal and regulatory frameworks and who are characterized by a high degree of vulnerability and poverty, and to redress these decent work deficits.

2. The promotion of decent work for all workers, women and men, irrespective of where they work, requires a broad strategy: realizing fundamental principles and rights at work; creating greater and better employment and income opportunities; extending social protection; and promoting social dialogue. These dimensions of decent work reinforce each other and comprise an integrated poverty reduction strategy. The challenge of reducing decent work deficits is greatest where work is performed outside the scope or application of the legal and institutional frameworks. In the world today, a majority of people work in the informal economy - because most of them are unable to find other jobs or start businesses in the formal economy.

3. Although there is no universally accurate or accepted description or definition, there is a broad understanding that the term “informal economy” accommodates considerable diversity in terms of workers, enterprises and entrepreneurs with identifiable characteristics. They experience specific disadvantages and problems that vary in intensity across national, rural, and urban contexts. The term “informal economy” is preferable to “informal sector” because the workers and enterprises in question do not fall within any one sector of economic activity, but cut across many sectors. However, the term “informal economy” tends to downplay the linkages, grey areas and interdependencies between formal and informal activities. The term “informal economy” refers to all economic activities by workers and economic units that are - in law or in practice - not covered or insufficiently covered by formal arrangements. Their activities are not included in the law, which means that they are operating outside the formal reach of the law; or they are not covered in practice, which means that - although they are operating within the formal reach of the law, the law is not applied or not enforced; or the law discourages compliance because it is inappropriate, burdensome, or imposes excessive costs. The ILO’s work needs to take into account the conceptual difficulties arising from this considerable diversity.

4. Workers in the informal economy include both wage workers and own-account workers. Most own-account workers are as insecure and vulnerable as wage workers and move from one situation to the other. Because they lack protection, rights and representation, these workers often remain trapped in poverty.

5. In some countries, the term “informal economy” refers to the private sector. In some other countries, the term is considered synonymous with the “underground”, “shadow” or “grey” economy. However, the majority of workers and enterprises in the informal economy produce legal goods and services, albeit sometimes not in conformity with procedural legal requirements, for example where there is non-compliance with registration requirements or immigration formalities. These activities should be distinguished from criminal and illegal activities, such as production and smuggling of

illegal drugs, as they are the subject of criminal law, and are not appropriate for regulation or protection under labour or commercial law. There also may be grey areas where the economic activity involves characteristics of both the formal and informal economy, for instance when formal workers are provided with undeclared remuneration, or when there are groups of workers in formal enterprises whose wages and working conditions are typical of those existing in informality.

6. The informal economy absorbs workers who would otherwise be without work or income, especially in developing countries that have a large and rapidly growing labour force, for example in countries where workers are made redundant following structural adjustment programmes. Most people enter the informal economy not by choice but out of a need to survive. Especially in circumstances of high unemployment, underemployment and poverty, the informal economy has significant job and income generation potential because of the relative ease of entry and low requirements for education, skills, technology and capital, but the jobs thus created often fail to meet the criteria of decent work. The informal economy also helps to meet the needs of poor consumers by providing accessible and low-priced goods and services.

7. Workers and economic units in the informal economy can have a large entrepreneurial potential. Workers in the informal economy also have a reservoir of skills. Many people working in the informal economy have real business acumen, creativity, dynamism and innovation, and such potential could flourish if certain obstacles could be removed. The informal economy could also serve as an incubator for business potential and an opportunity for on-the-job skills acquisition. In this sense, it can be a transitional base for accessibility and graduation to the formal economy, if effective strategies are put in place.

8. In many countries, both developing and industrialized, there are linkages between changes in the organization of work and the growth of the informal economy. Workers

and economic units are increasingly engaged in flexible work arrangements, including outsourcing and subcontracting; some are found at the periphery of the core enterprise or at the lowest end of the production chain, and have decent work deficits.

9. The decent work deficits are most pronounced in the informal economy. From the perspective of unprotected workers, the negative aspects of work in the informal economy far outweigh its positive aspects. Workers in the informal economy are not recognized, registered, regulated or protected under labour legislation and social protection, for example when their employment status is ambiguous, and are therefore not able to enjoy, exercise or defend their fundamental rights. Since they are normally not organized, they have little or no collective representation vis-à-vis employers or public authorities. Work in the informal economy is often characterized by small or undefined workplaces, unsafe and unhealthy working conditions, low levels of skills and productivity, low or irregular incomes, long working hours and lack of access to information, markets, finance, training and technology. Workers in the informal economy may be characterized by varying degrees of dependency and vulnerability.

10. Although most at risk and therefore most in need, most workers in the informal economy have little or no social protection and receive little or no social security, either from their employer or from the government. Beyond traditional social security coverage, workers in the informal economy are without social protection in such areas as education, skill-building, training, health care and childcare, which are particularly important for women workers. The lack of social protection is a critical aspect of the social exclusion of workers in the informal economy.

11. While some people in the informal economy earn incomes that are higher than those of workers in the formal economy, workers and economic units in the informal economy are generally characterized by poverty, leading to powerlessness, exclusion, and vulnerability. Most workers and economic units in the informal economy do not enjoy

secure property rights, which thus deprives them 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 benefits. They are vulnerable to harassment, including sexual harassment, and other forms of exploitation and abuse, including corruption and bribery. Women, young persons, migrants and older workers are especially vulnerable to the most serious decent work deficits in the informal economy. Characteristically, child workers and bonded labourers are found in the informal economy.

12. Unregistered and unregulated enterprises often do not pay taxes, and benefits and entitlements to workers, thus posing unfair competition to other enterprises. Also workers and economic units in the informal economy do not always contribute to the tax system, although often because of their poverty. These situations may deprive the government of public revenue thereby limiting government's ability to extend social services.

13. To promote decent work, it is necessary to eliminate the negative aspects of informality while at the same time ensuring that opportunities for livelihood and entrepreneurship are not destroyed, and promoting the protection and incorporation of workers and economic units in the informal economy into the mainstream economy. Continued progress towards recognized, protected decent work will only be possible by identifying and addressing the underlying causes of informality and the barriers to entry into the economic and social mainstream.

14. 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, often developed without tripartite consultation; the lack of conducive legal and institutional frameworks; and the lack of good governance for proper and effective implementation of policies and laws. Macroeconomic policies, including structural adjustment, economic restructuring and privatization policies, where

not sufficiently employment-focused, have reduced jobs or not created adequate new jobs in the formal economy. A lack of high and sustainable economic growth inhibits the capacity of governments to facilitate the transition from the informal to the formal economy, through the creation of more jobs in the mainstream economy. Many countries do not have explicit employment creation and business development policies; they treat job quantity and quality as a residual rather than as a necessary factor of economic development.

15. In appropriate circumstances, trade, investment and technology can offer developing and transition countries opportunities to reduce the gap that separates them from advanced industrialized countries, and can create good jobs. However, the problem is that the current globalization processes are not sufficiently inclusive or fair; the benefits are not reaching enough people, especially those most in need. Globalization lays bare poor governance. Trade, without export subsidies that distort the market, without unfair practices or the application of unilateral measures, would help living standards to be raised and conditions of employment to be improved in developing countries, and would reduce decent work deficits in the informal economy.

16. Since a defining characteristic of workers and enterprises in the informal economy is that they often are not recognized, regulated or protected by law, the legal and institutional frameworks of a country are key. The ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up and the core labour standards are as applicable in the informal as in the formal economy. But some workers are in the informal economy because national labour legislation does not adequately cover them or is not effectively enforced, in part because of the practical difficulties of labour inspection. Labour legislation often does not take into account the realities of modern organization of work. Inappropriate definitions of employees and workers may have the adverse effect of treating a worker as self-employed and outside the protection of labour legislation.

17. Inappropriate legal and administrative frameworks that do not guarantee and protect freedom of association make it difficult for workers and employers to organize. Democratic, independent, membership-based organizations of wage workers, own-account workers, self-employed persons or employers in the informal economy are sometimes not allowed to operate under local or national legislation and are often unrecognized and excluded from or under-represented in social dialogue institutions and processes. Without organization and representation, those in the informal economy generally do not have access to a range of other rights at work. They are not able to pursue their employment interests through collective bargaining or to lobby policy-makers on issues such as access to infrastructure, property rights, taxation and social security. Women and youth, who make up the bulk of workers in the informal economy, are especially without representation and voice.

18. Economic units operate in the informal economy mainly because inappropriate regulations and excessively high tax policies are responsible for excessive costs of formalization and because barriers to markets and the lack of access to market information, public services, insurance, technology and training exclude them from the benefits of formalization. High transaction and compliance costs are imposed on economic units by laws and regulations that are overly burdensome or involve dealing with corrupt or inefficient bureaucracies. The absence of an appropriate system of property rights and the titling of the assets of the poor prevents the generation of productive capital needed for business development.

19. Informality can also be traced to a number of other socio-economic factors. Poverty prevents real opportunities and choices for decent and protected work. Low and irregular incomes and often the absence of public policies prevent people from investing in their education and skills needed to boost their own employability and productivity, and from making sustained contributions to social security schemes. Lack of education (primary and secondary) to function effectively in the formal economy, in addition to a lack of recognition of skills garnered in the informal economy, act as another barrier to entering

the formal economy. The lack of livelihood opportunities in rural areas drives migrants into informal activities in urban areas or other countries. The HIV/AIDS pandemic - by illness, discrimination or loss of adult breadwinners - pushes families and communities into poverty and survival through informal work.

20. The feminization of poverty and discrimination by gender, age, ethnicity or disability also mean that the most vulnerable and marginalized groups tend to end up in the informal economy. Women generally have to balance the triple responsibilities of breadwinning, domestic chores, and elder care and childcare. Women are also discriminated against in terms of access to education and training and other economic resources. Thus women are more likely than men to be in the informal economy.

21. Since decent work deficits are often traceable to good governance deficits, the government has a primary role to play. Political will and commitment and the structures and mechanisms for proper governance are essential. Specific laws, policies and programmes to deal with the factors responsible for informality, to extend protection to all workers and to remove the barriers to entry into the mainstream economy will vary by country and circumstance. Their formulation and implementation should involve the social partners and the intended beneficiaries in the informal economy. Especially in countries struggling with abject poverty and with a large and rapidly growing labour force, measures should not restrict opportunities for those who have no other means of livelihood. However, it should not be a job at any price or under any circumstances.

22. Legislation is an important instrument to address the all-important issue of recognition and protection for workers and employers in the informal economy. All workers, irrespective of employment status and place of work, should be able to enjoy, exercise and defend their rights as provided for in the ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up and the core labour standards. To ensure that labour legislation affords appropriate protection for all workers, governments should

be encouraged to review how employment relationships have been evolving and to identify and adequately protect all workers. The elimination of child labour and bonded labour should be a priority goal.

23. The informal economy provides an environment that allows child labour to thrive. Child labour is a key component of the informal economy. It undermines strategies for employment creation and poverty reduction, as well as education and training programmes and the development prospects of countries. Child labour also exists in industrialized countries. The eradication of child labour requires poverty reduction, good governance, effective enforcement, improved access to universal education and social protection. It requires commitment and cooperation between the social partners as part of the promotion of fundamental rights and the programme to transfer jobs from the informal to the economic mainstream. Key to the success of abolishing child labour is the creation of more quality jobs for adults.

24. It is the responsibility of governments to provide an enabling framework at national and local levels to support representational rights. National legislation must guarantee and defend the freedom of all workers and employers, irrespective of where and how they work, to form and join organizations of their own choosing without fear of reprisal or intimidation. Obstacles to the recognition of legitimate, democratic, accessible, transparent and accountable membership-based organizations of workers and employers in the informal economy must be removed, so that they are able to participate in social dialogue structures and processes. Public authorities should include such organizations in public policy debates, and provide them access to the services and infrastructure they need to operate effectively and efficiently and protect them from harassment or unjustified or discriminatory eviction.

25. Policies and programmes should focus on bringing marginalized workers and economic units into the economic and social mainstream, thereby reducing their

vulnerability and exclusion. This means that programmes addressing the informal economy, such as provision of education, training, microfinance, etc., should be designed and implemented with the main objective of bringing workers or economic units in the informal economy into the mainstream, so that they are covered by the legal and institutional framework. Statistical and other research should be focused and designed to give effective support to these policies and programmes.

26. Governments must provide the conducive macroeconomic, social, legal and political frameworks for the large-scale creation of sustainable, decent jobs and business opportunities. Governments should adopt a dynamic approach to place decent employment at the centre of economic and social development policies and also to promote well-functioning labour markets and labour market institutions, including labour market information systems and credit institutions. To increase job quantity and quality, emphasis should be placed on investing in people, especially the most vulnerable - in their education, skills training, lifelong learning, health and safety - and encouraging their entrepreneurial initiative. Poverty reduction strategies, in particular the Poverty Reduction Strategy Papers (PRSPs), should specifically address the problems in the informal economy. The creation of decent jobs should be a measure of success for these strategies. In many developing countries, rural development and agricultural policies, including supportive legal frameworks for cooperatives, need to be enhanced and strengthened. Special attention should be given to the care responsibilities of women to enable them to make the transition from informal to formal employment more easily.

27. A conducive policy and legal environment lowers the costs to establish and operate a business, including simplified registration and licensing procedures, appropriate rules and regulations, reasonable and fair taxation. It also increases the benefits of legal registration, facilitating access to commercial buyers, more favourable credit terms, legal protection, contract enforcement, access to technology, subsidies, foreign exchange and local and international markets. Besides, such policies discourage businesses in the formal economy from shifting into the informal economy. This helps new businesses to

start and smaller businesses to enter the formal economy and to create new jobs, without lowering labour standards. This also increases state revenues.

28. Another high priority is a coherent legal, judicial and financial framework for securing property rights to enable assets to be turned into productive capital through sale, lease or use as collateral. Reform of legislation regarding property rights should give special attention to gender inequalities in rights to own and control property.

29. To address the needs of the poor and vulnerable in the informal economy, the conclusions concerning social security adopted by the 89th Session of the International Labour Conference in 2001 should be supported and implemented. Governments have a lead responsibility to extend the coverage of social security, in particular to groups in the informal economy which are currently excluded. Micro insurance and other community-based schemes are important but should be developed in ways that are consistent with the extension of national social security schemes. Policies and initiatives on the extension of coverage should be taken within the context of an integrated national social security strategy.

30. The implementation and enforcement of rights and protections should be supported by improved systems of labour inspection and easy and rapid access to legal aid and the judicial system. There should also be provisions for cost-effective dispute resolution and contract enforcement. National governments and local authorities should promote efficient bureaucracies that are corruption and harassment free, are transparent and consistent in the application of rules and regulations, and that protect and enforce contractual obligations and respect the rights of workers and employers.

31. An important objective for both employers' and workers' organizations is to extend representation throughout the informal economy. Workers and employers in informal

activities may wish to join existing trade unions and employers' organizations, or they may want to form their own. Employers' and workers' organizations play a critical role in either strategy: extending membership and services to employers and workers in the informal economy, and encouraging and supporting the creation and development of new member-based, accessible, transparent, accountable and democratically managed representative organizations, including bringing them into social dialogue processes.

32. Both employers' and workers' organizations can play an important advocacy role to draw attention to the underlying causes of informality and to galvanize action on the part of all tripartite partners to address them, and to remove the barriers to entry into mainstream economic and social activities. They can also lobby the public authorities for the creation of transparent institutions and the establishment of mechanisms for delivering and linking services to the informal economy. The innovative and effective strategies and good practices that employers' organizations and trade unions in different parts of the world have used to reach out to, recruit, organize or assist workers and enterprises in the informal economy should be more widely publicized and shared.

33. Employers' organizations in collaboration with or through other relevant organizations or institutions could assist economic units operating in the informal economy in a number of important ways, including access to information which they would otherwise find difficult to obtain, such as on government regulations or market opportunities, and also access to finance, insurance, technology and other resources. They could extend business support and basic services for productivity improvement, entrepreneurship development, personnel management, accounting and the like. They could help develop a lobbying agenda specially geared to the needs of micro and small enterprises. Importantly, employers' organizations could act as the conduit for the establishment of links between informal enterprises and formal enterprises, the opportunities for which have increased due to globalization. They could also initiate activities adapted to the needs of the informal economy that can yield important results

such as improved safety and health, improved labour-management cooperation or productivity enhancement.

34. Trade unions can sensitize workers in the informal economy to the importance of having collective representation through education and outreach programmes. They can also make efforts to include workers in the informal economy in collective agreements. With women accounting for a majority in the informal economy, trade unions should create or adapt internal structures to promote the participation and representation of women and also to accommodate their specific needs. Trade unions can provide special services to workers in the informal economy, including information on their legal rights, educational and advocacy projects, legal aid, provision of medical insurance, credit and loan schemes and the establishment of cooperatives. These services should not, however, be regarded as a substitute for collective bargaining or as a way to absolve governments from their responsibilities. There is also a need to develop and promote positive strategies to combat discrimination of all forms, to which workers in the informal economy are particularly vulnerable.

35. The ILO should draw upon its mandate, tripartite structure and expertise to address the problems associated with the informal economy. An approach based on decent work deficits has considerable merit and should be pursued. The ILO approach should reflect the diversity of situations and their underlying causes found in the informal economy. The approach should be comprehensive involving the promotion of rights, decent employment, social protection and social dialogue. The approach should focus on assisting member States in addressing governance, employment-generation and poverty-reduction issues. The ILO should take into account the conceptual difficulties arising from the considerable diversity in the informal economy.

36. The efforts of the Office should:

(a) better address the needs of workers and economic units in the informal economy and they should be addressed throughout the Organization, including already existing policies and programmes;

(b) strengthen its tripartite approach to all activities in this area and especially to ensure close consultation and active involvement of the Bureau for Workers' Activities and Bureau for Employers' Activities in all aspects of the work programme, in particular their design;

include an identifiable and highly visible programme of work with dedicated resources that is able to draw together relevant expertise including experts in workers' and employers' activities;

(d) be linked logically and integrally to the ILO's major strategic objectives and InFocus programmes, for example the Decent Work Agenda, the Declaration on Fundamental Principles and Rights at Work and its Follow-up, the Global Employment Agenda, and upholding the overall goals of gender equality and poverty reduction; and be able to draw upon the multidisciplinary expertise and experience of all four technical sectors and operate effectively across all sectors and field structures. Linkages should also be made with major international initiatives, such as the Millennium Development Goals and the Youth Employment Network;

(e) be organized in innovative and effective ways to focus the particular and/or combined expertise of specialists in labour law, eradication of the worst forms of child labour, equal opportunities, social aspects of globalization, labour inspection, social dialogue, social protection, micro and small enterprise development and employment policy, together with specialists in workers' and employers' activities, to deliver specifically designed strategies to address the identified causes and impacts of decent work deficits thus contributing to poverty reduction;

(f) ensure that technical assistance activities seek to integrate workers and economic units in the informal economy into the mainstream economy and are designed to produce this result;

(g) be reflected in the programme and regular budget and technical assistance priorities and supported by adequate regular budget and extra-budgetary resources.

37. Specific priority areas for the ILO's work programme and technical assistance should be to:

(a) help member States to formulate and implement, in consultation with employers' and workers' organizations, national policies aimed at moving workers and economic units from the informal economy into the formal economy;

(b) place special emphasis on removing obstacles to, including those in the legal and institutional framework, the realization of all the fundamental principles and rights at work;

(c) identify the obstacles to application of the most relevant labour standards for workers in the informal economy and assist the tripartite constituents in developing laws, policies, and institutions that would implement these standards;

(d) identify the legal and practical obstacles to formation of organizations of workers and employers in the informal economy and assist them to organize;

(e) gather and disseminate examples and best-practice models of innovative and effective strategies used by employers' organizations and trade unions to reach out to, recruit and organize workers and economic units in the informal economy;

(f) undertake programmes and policies aimed at creating decent jobs and education, skill-building and training opportunities to help workers and employers move into the formal economy;

(g) target those areas of the informal economy where child labour is prevalent with the objective of assisting member States to design and implement policies and programmes to eradicate child labour;

(h) apply the ILO's policies and programmes on enhancing employability, skills and training, productivity and entrepreneurship to help meet the massive demand for jobs and

livelihoods in ways that respect labour standards and enable entry into the economic and social mainstream;

(i) assist member States to develop appropriate and facilitating legal and regulatory frameworks to secure property rights and title assets, and to encourage and support the start-up and sustainable growth of enterprises and their transition from the informal to formal economy;

(j) mainstream the issues concerning and solutions to the challenges often presented by the informal economy in poverty reduction strategies, in particular the Poverty Reduction Strategy Papers (PRSPs);

(k) promote the renewed campaign agreed at the International Labour Conference in 2001 to improve and extend social security coverage to all those in need of social protection, especially those in the informal economy, inter alia, through the development and piloting of innovative ideas, such as the Global Social Trust;

(l) address discrimination in the informal economy and ensure that policies and programmes specifically target the most vulnerable, in particular women, young first-time jobseekers, older retrenched workers, migrants and those afflicted with or affected by HIV/AIDS;

(m) develop greater understanding of the relationship between the informal economy and the feminization of work, and identify and implement strategies to ensure that women have equal opportunities to enter and enjoy decent work;

(n) assist member States to collect, analyse and disseminate consistent, disaggregated statistics on the size, composition and contribution of the informal economy that will help enable identification of specific groups of workers and economic units and their problems in the informal economy and that will inform the formulation of appropriate policies and programmes;

(o) expand the knowledge base on governance issues in the informal economy and solutions and good practices for dealing with these issues;

(p) collect and disseminate information on transitions made to the mainstream economy, how such transitions were facilitated, and key success factors;

(q) take the lead role in working with other relevant institutions whose expertise could complement that of the ILO in addressing the issues in the informal economy;

(r) include work with other international organizations including United Nations and Bretton Woods institutions, promoting dialogue to avoid duplication, identify and share expertise, while the ILO itself takes the lead role.

APPENDIX 7:

Informal Sector and Marketing

The informal sector is an integral part of global production and marketing chains. What is particular to the informal sector is the absence of rights and social protection of the workers involved in it; in every other respect, and particularly from the economic point of view, the formal and informal sectors form an integral whole.

Educational package

Educational package to be used with national trade union centers or national unions in organizing campaigns. Popular materials about existing organizations could be developed, people from these organizations could be identified who could talk about their experience and, resources permitting, exchange programs and visits could be organized.

Cooperatives: the creation of cooperatives can be an important flanking support measure for informal sector workers organizations as it already is for unions in many countries. This role of co-operatives and their relevance to informal sector organization could be discussed with information and advice from the International Co-operative Alliance and the ILO Co-operative Branch, among others

Education: Study circles have proved a successful didactic method in organizing women workers in the informal sector. In this context, it may be relevant to note that the International Federation of Workers' Education Associations (IFWEA) has recently (starting in 1997) developed an international study circle program (local study circles linked through Internet discussing the same issue simultaneously in different countries).

Representation :Informal sector workers spontaneously organize, sometimes with the help of unions or supportive NGOs. After the initial stages, they then face the difficulty of sustaining and developing their organizations. One of the main problems is that these

organizations usually remain unrecognized by those with whom they need to bargain (public authorities, contractors, etc.).

Except for as yet rare instances where they have achieved genuine bargaining power and legal protection, homeworkers and domestic workers remain unprotected from employers who offer work on a take-it-or-leave-it basis. This lack of visibility and recognition has been an obstacle to the growth of informal sector organizations and in some cases a threat to their survival.

Social Protection and Services: the guiding principle on social protection should be that all workers need social protection (health, life and property insurance, old age security and safety nets) as well as social services (health, education and child care), irrespective of their position in the process of production. This also applies to homeworkers who are own-account (self-employed) workers, i.e. do not have an easily identifiable single employer, even though they may be a part of chains of production leading to big companies.

Major types of intervention to support enterprise-based job creation
- Promotion of a conducive policy and regulatory environment for small and medium-sized enterprises
- Stimulation of an enterprise culture
- Promotion of national tripartite frameworks for productivity and cooperation improvements
- Design of national strategies for small enterprise development
- Reform of cooperative policy and legislation
- Advice to central banks to improve the regulatory framework for improved access to credit and finance
- Development of effective support service intermediaries, including tripartite productivity centres
- Capacity building for employers', workers' and similar organizations

- Promotion of business linkages
- Human resource development and the promotion of cooperative efficiency)
- Development of effective financial retail agents
- Development of SME credit windows in commercial banks
- Support for associations of savings and credit cooperatives
- Training for business start-up and expansion
- Entrepreneurship, productivity and management development
- Identification of business opportunities
- Facilitation of access by cooperatives to markets and export opportunities
- Development of credit guarantee systems
- Design of micro-finance for self-employment schemes
- Promotion of access to social protection and services for self-employed and small enterprises
- Improvement of working conditions in small enterprises
- Development of cooperatives for indigenous people

Drawn from good practice in countries where pertinent reforms have been implemented, the following suggestions may be useful in reorientating training systems towards improving conditions in informal sector enterprises:

(i) Training for employment should be conceived broadly, meaning well beyond what happens in the typical, government-sponsored, two- or three-year programmes aimed at preparing school leavers for their first jobs in the formal sector; related concepts, notably that of trainee and trainer, should be defined accordingly;

(ii) It is important, before developing a training strategy for informal sector enterprises (or whatever the preferred terminology may be), to reach a consensus about the merits of

improving conditions for large numbers of people who work at very low levels of productivity and income, possibly at the expense of some other worthy cause;

(iii) For reasons of feasibility, and on equity grounds, training measures to improve, little by little, conditions in large numbers of informal sector enterprises may be favoured over measures aimed at "picking a few winners"; instead of offering fully fledged training courses, one could think of administering distinct "shots" of skill, aimed at the most obvious weaknesses in enterprise performance; ways and means of encouraging private training providers, including micro-entrepreneurs who might qualify as master craftsmen, to get involved in implementing a modular approach of the sort, should be explored;

(iv) It makes sense in conditions of uncertainty, for example about future skill requirements, to try and make training systems and their product more flexible than what is usually the case; it should be acknowledged, however, that such flexibility is easily compromised by an undue infatuation, common among bureaucrats, with regulation, such as concerning minimum entry qualifications, or in respect of training standards, testing and certification, or as regards conditions to be met by private sector training providers;

(v) While aiming at early results, the basic approach to systemic reform should be to pursue gradual changes in existing structures and procedures; policy-makers, after all, may make mistakes, or fall behind new developments, or underestimate resistance to top-down approaches; there should be ample opportunity for evaluation and for adjustments as appropriate;

(vi) It is crucial to convince training managers, trainers and others concerned of the need for change, to involve them in the design of alternative policies, and to provide them with training and incentives as necessary to ensure implementation;

(vii) The effectiveness of training increases as and when clients are somehow involved in making decisions which affect them; the merits of decentralizing public provision should therefore be explored, including the devolution of control over budgets to training managers; in any event, programme implementers should have room for manoeuvre and

be allowed, within limits, to experiment, for example as regards training contents and methodology;

(viii) Major changes, even if implemented gradually, are likely to require substantial resources; rather than claim additional government funds, existing ones should be re-budgeted and made better use of, while alternative means, including external resources, are being explored; likewise, it is recommended to rely as much as possible on existing institutions, be they public or private, adapted or regrouped as necessary for meeting new purposes;

(ix) Training for work in micro-enterprises should, as necessary, be complemented by before- and after-training services, such as vocational guidance and trouble-shooting in respect of credit or markets or access to technology;

(x) In targeting trainees from groups designated as disadvantaged, one should not be led to believe that their training will do away with the root cause of their disadvantage.

APPENDIX 8

TERMS OF REFERENCE OF STUDY- *"The Mauritian Informal Sector- A comparative desk-top study of the Informal Sector in the developing world"*

1.To compile and categorise available information related to the Informal Sector/Informal Economy for selected target economies *(India, Botswana, Malaysia and Mauritius)*

- (a) To undertake a socio-economic analytical mapping of the Informal sector of above mentioned countries.
- (b) To review published materials for their suitability for use as examples or basis for a study of the Informal Sector of Mauritius, including the KILM indicators
- (c) To liaise with members of the Committees on Informal Sector, SMEs and Handicraft
- (d) To hold meetings with stakeholders with a view to discussing matters of relevancy
- (e) To include within the report definitions, nature and extent of Informal Sector, its impact on the national economies, effect of globalisation, trade regimes, privatization, role of governments, NGO's, legislation, health and security aspects, and policies and strategies related to "management" of the Informal Sector, sectoral differentiation, labour force characterization/economic activities, evolution of the Informal Sector, and support systems and any other information relevant to the study.
- (f) To indicate areas of potential research for the Informal Sector of Mauritius.
- (g) To prepare and submit a comprehensive report to the Mauritius Research Council.
- (h) To carry out such tasks as mentioned in close collaboration with and under the guidance of the Lead Consultant for the project.