Informality: A Global Scenario

- Intensity of informal employment is high and still increasing in many major countries of Asia, Africa, and Latin Americas.
- The GDP growth rates are also high in many of these countries.
- India stands out as a glaring case: with having
  - 84% of informal non-farm-employment (70% in informal sector, only) and that is still growing;
  - an avg. GDP growth rate of 7.4% during 2010-19.

Table 1: Shares (%) of sectoral workforce in aggregate workforce in India over time

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<tr>
<td>1999-2000</td>
<td>8.40</td>
<td>1.34</td>
<td>4.03</td>
<td>5.31</td>
<td>19.02</td>
<td>2.03</td>
<td>61.01</td>
<td>17.88</td>
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<td>2010-11</td>
<td>9.16</td>
<td>2.51</td>
<td>5.43</td>
<td>5.99</td>
<td>21.96</td>
<td>2.71</td>
<td>51.93</td>
<td>22.27</td>
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Sectoral reallocation of workforce: Farm to non-farm sectors, mainly in INFSp.

Increasing Informality in India- WHY?

- Rural self-employment / OAE is lower
- Urban OAE is almost equal
- Other economic sectors are higher
- Movement from the low productive agriculture to even lower productive OAE ➔ Push from agriculture.
- Movement out of agriculture to other productive sectors ➔ Pull from those other sectors.

Table 2: Partial labor productivity (annual) of different sectors in India over time (Rs. at constant 1993-94 price)

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<tr>
<td>1999-2000</td>
<td>8248</td>
<td>15427</td>
<td>14760</td>
<td>25161</td>
<td>14137</td>
<td>165871</td>
<td>10463</td>
<td>57668</td>
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<td>2010-11</td>
<td>10271</td>
<td>21784</td>
<td>17016</td>
<td>30597</td>
<td>18051</td>
<td>299593</td>
<td>14858</td>
<td>100462</td>
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Increasing productivity gap: between FS and INFS, and within INFS.

Figure 1: Proportion of informal employment in non-farm employment (%)

Propositions: (Verified empirically with the Indian data)
- When the formality expands, the relatively advanced as well as backward segments of INFSp expand through the operations of push and pull factors.
- These push and pull factors drive away labor from TAGR towards INFSp.
- FS productivity improvement increases the productivity gap across advanced-petty segments of the INFSp.

The Structure of our Model

Modern INFS (INFSp): It has an elastic supply of TAGR output & has an elastic supply of on-farm products (using migrant labor & indigenous resources).

Traditional INFS (INFSp): It has fixed supply of TAGR output, but an elastic supply of non-farm products (using migrant labor & indigenous resources).

Capitalistic (FS+MAGR) sector: Produces investment goods & modern consumption goods (including HVC Crop). Acquires INFSp output to use as input in production & as wage-good. Demand determined output & cost determined price.

Pett farmers have to spend a part of their income to acquire vital inputs from the FS at a flexible price.

Exchange of food / agro-products & INFSp products at flexible prices for both INFSp & TAGR.

Figure 2: With a growth of FS the share of workforce engaged in agriculture is reducing and the slack is picked up by the INFSp.

Our Contribution:
The large & expanding Indian INFSp & its growing (inter & intra-sectoral) dualities / fissures is actually a consequence of the very growth process.

Thus, we propose a critique of ‘inclusive growth’