

Neo-Dualism: Accumulation, Distress and Proliferation of a Fissured Informality

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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.

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

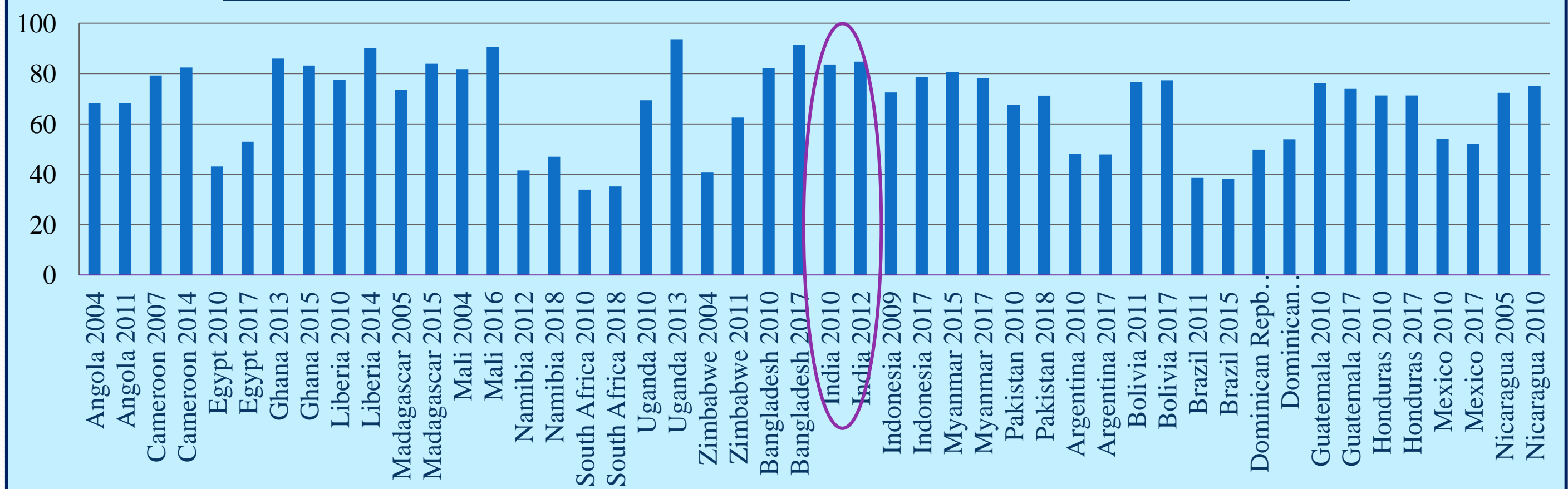


Table 1. Shares (%) of sectoral workforce in aggregate workforce in India over time

Year	INFS Rural self-emp.	INFS Rural Estab.	INFS Urban self-emp.	INFS Urban Estab.	Informal Sector (INFS)	Org Manuf. Sector	Agri. Sector	Other Sectors
1999-2000	8.40	1.34	4.03	5.31	19.02	2.03	61.01	17.88
2010-11	9.16	2.51	5.43	5.99	21.96	2.71	51.93	22.27

Sectoral reallocation of workforce: Farm to non-farm sectors, mainly in INFS.

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

Year	INFS Rural self-emp.	INFS Rural Estab.	INFS Urban self-emp.	INFS Urban Estab.	Informal Sector (INFS)	Org Manuf. Sector	Agri. Sector	Other Sectors
1999-2000	8248	15427	14760	25161	14137	165871	10463	57668
2010-11	10271	21784	17016	30597	18051	299593	14858	100462

Increasing productivity gap: between FS and INFS, and within INFS.

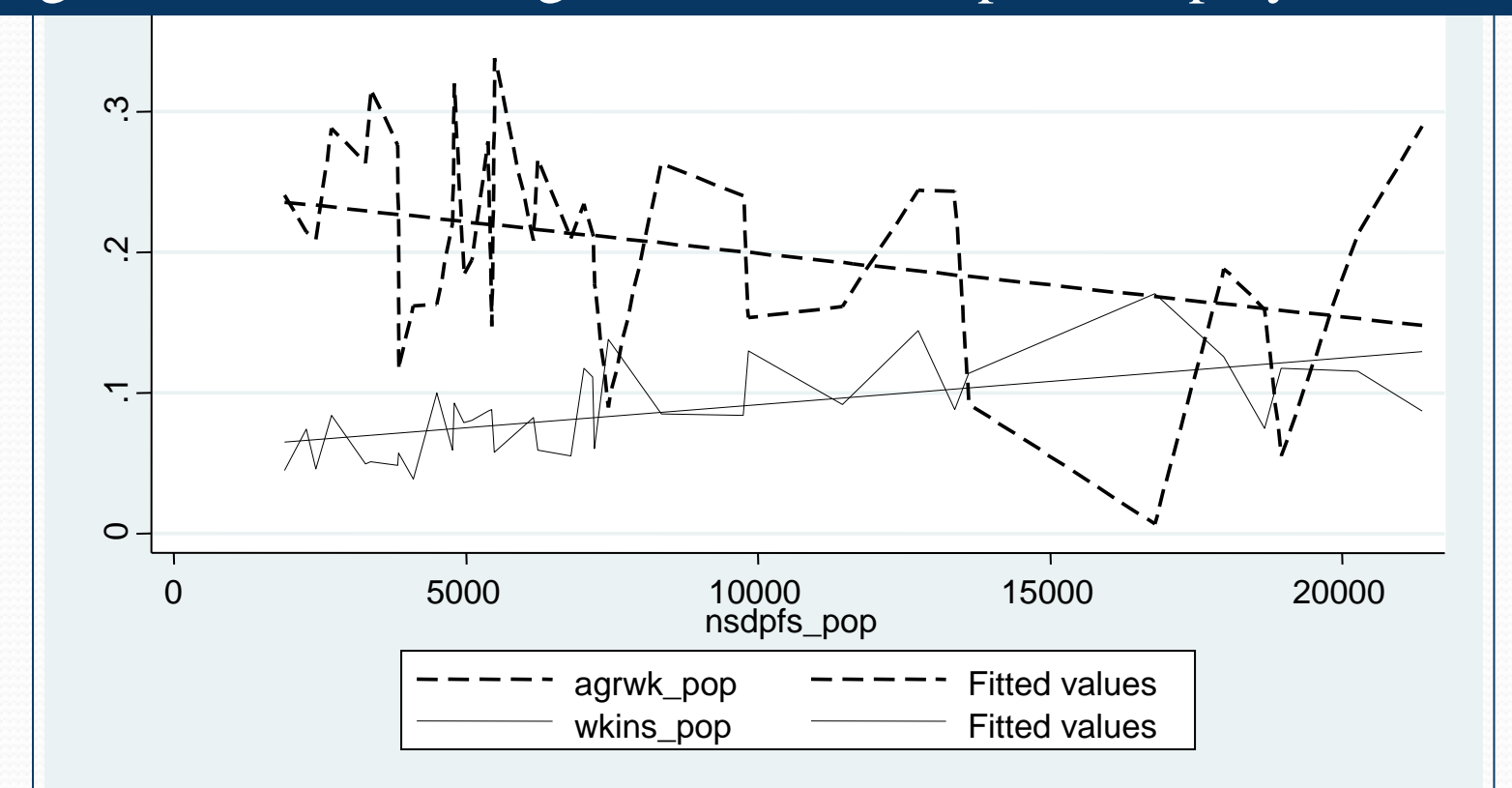
Increasing Informality in India- WHY?

Compare to agriculture, productivity of (Table 2)

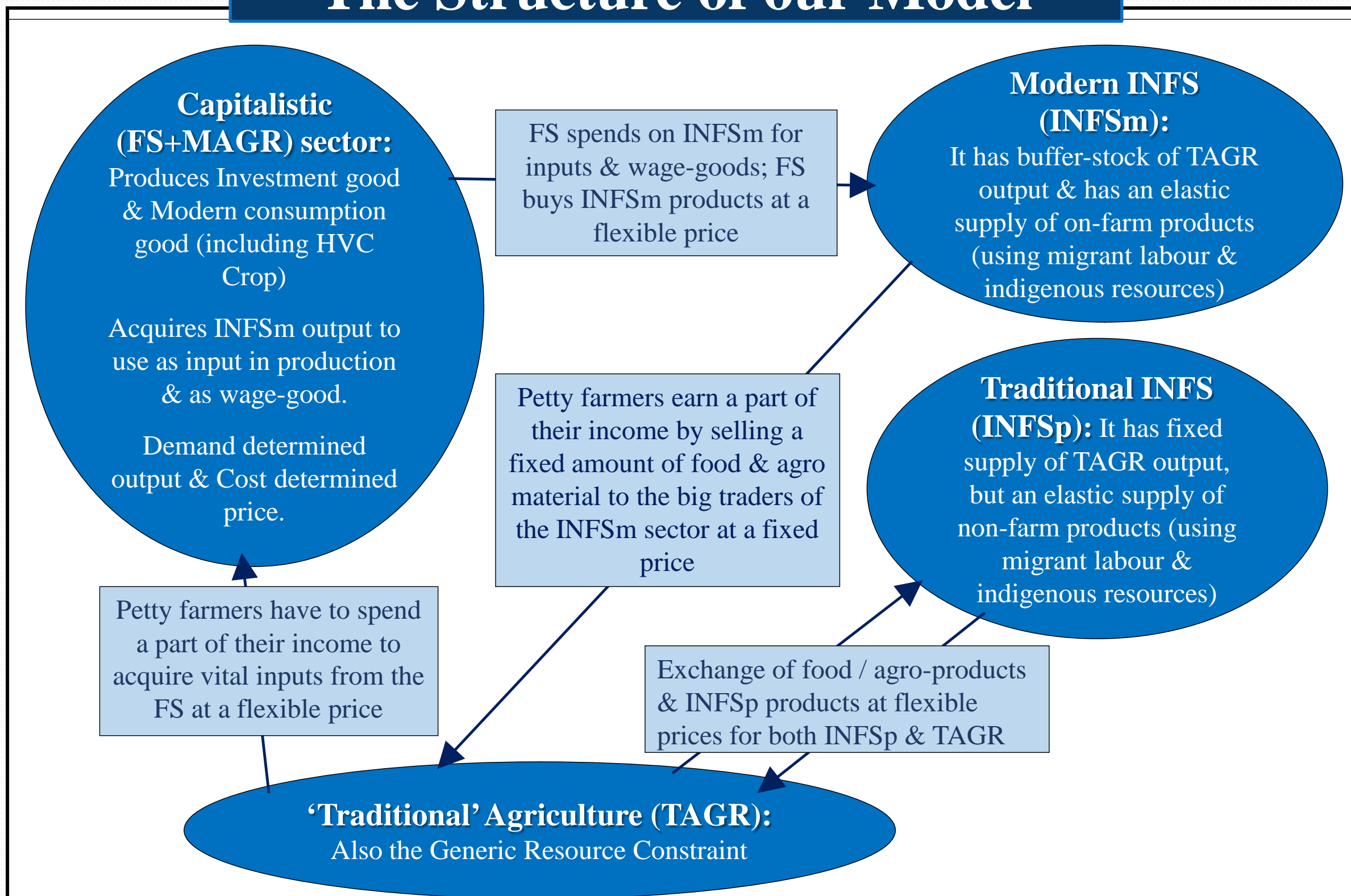
- Rural self-employment /OAE is lower
- Urban OAE is almost equal
- Other economic sectors are higher
- Movement from the low productive agriculture to even lower productive OAE → **Push from agriculture.**
- Movement out of agriculture to other productive sectors → **Pull from those other sectors.**

Migration from agriculture – push & pull: any relation with FS?

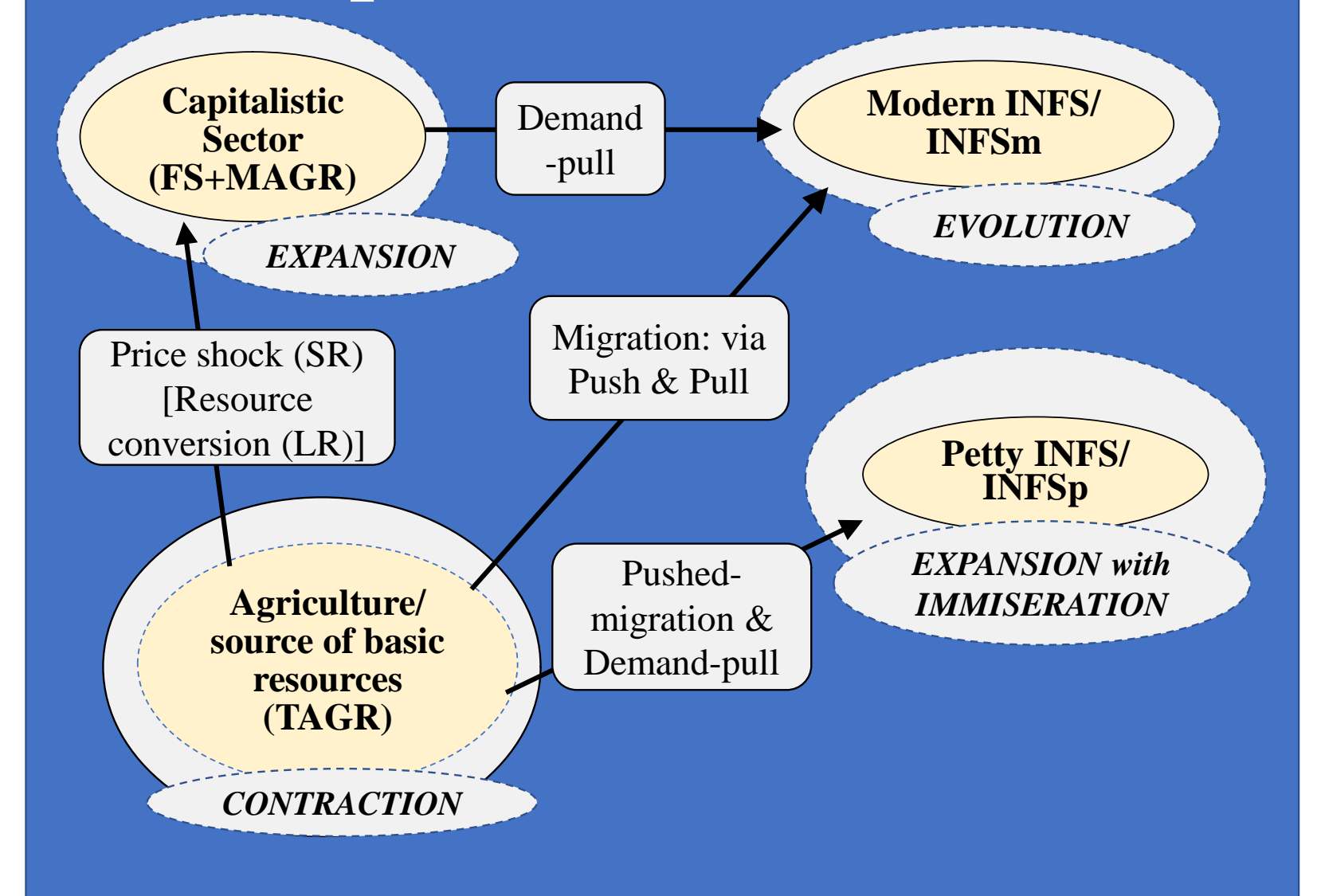
Figure 2: With a growth of FS the share of workforce engaged in agriculture is reducing and the slack is picked up by the INFS.



The Structure of our Model



Expansion of the FS- the push & pull effects on INFS



Propositions: (Verified empirically with the Indian data)

- When the formality expands, the relatively advanced as well as backward segments of INFS expand through the operations of push and pull factors.
- These push and pull factors drive away labor from TAGR towards INFS.
- FS productivity improvement increases the productivity gap across advanced-petty segments of the INFS.

Our Contribution:

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

Thus, we propose a critique of 'inclusive growth'