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## THE URBAN INFORMAL SECTOR: A THIRD WORLD EXPERIENCE

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Population growth has been one of the most unmanageable problems of the Third World Countries. This has been exacerbated by the impact of investment strategies brought by global politico-economic policies. It may be noted that shifts in investment to the modern, capital-intensive-urban-based industry have been impoverishing the traditional-rural-agricultural countryside, thereby inducing massive rural-urban influx and a shift from rural underemployment to urban unemployment. These migrants are largely poor, unskilled, illiterate agricultural families that get eventually absorbed into the urban labour market of service and trade at very low wages through the informal sector.

The objective of the present paper is to see where and how these migrants get absorbed, what the patron-client relationship is, and how such activity is sustained by the dynamics of the urban economy. The focus of the study is on women as significant contributors to the domestic economy and their role in satisfying the basic human needs as well as in poverty reduction. The magnitude of the problem has attracted the interests of such international agencies as the ILO and Overseas Development Agency (U.K.). Hyderabad City, one of the leading metropolitan settlements of India, has a proliferation of the informal sector activity and is therefore selected as the study area for the purpose of this paper.

### 1 INTRODUCTION

The trends and patterns of population distribution and movements bear testimony to the existing dichotomies in global development, and consequently the classification of countries into developed, developing and under-developed regions. The continuing concentration of population within the developing countries, particularly the acceleration of metropolitan and even mega-city growth are proof of the deepening/ widening chasm between the rural and the urban, the traditional and modern, the indigenous and western, and the agricultural and industrial sectors. The wide disparities between these sectors have rendered the large urban settlements more attractive and magnetic than necessary and intensified population migration from countryside to the cities.

The problems accruing from unmanageable urbanization are peculiar to the developing countries particularly due to the non-complementarity of the city vis-à-vis the countryside. While urbanization itself is a global phenomenon, a greater proportion of the world's urban population i.e. 54.3% was concentrated in the developing countries in 1970. It increased to 65.3% in 1990. Estimates made by the U.N. indicate a further rise of urban population but a decrease in its share to 60.8% by 2000 A.D. A major chunk of this (41.2%) is projected to happen in Asia which has one of the oldest civilizations and, therefore, of urbanization. An increase in this

proportion supported by an annual average growth rate of 3.2% per annum is expected. This concentration will thus sharpen to 44.2% by 2000 A.D.

Whereas the growth rate of urban population of the world is expected to stabilize in African and Asian countries higher growth rates (5.1% and 3.2% per annum 1980-1990) are indicated. Given these growth rates, the possibilities of declining urban concentration appears remote even if deliberate government policies do attempt to monitor the movements.

Although the size of the urban population itself is phenomenal the levels of urbanization are not very high, when compared to the developed or industrialized countries, owing to the predominant rural economies. Thus, whereas the world averages of urbanization levels range from 37% in 1970 to 43% in 1990, those in the developing countries are 26% and 34% respectively for the corresponding years.

In the developing countries hierarchies, forming various patterns and structures of urban system, have emerged, and continue to change in response to the investment policies of the nation states. However, one general trend is: national and regional polarization and emergence of primate cities. The paucity of finances have rendered greater importance to scale economies and investment in one or two settlements. They have thus grown to unmanageable proportion, as Table 1 indicates.

Table 1 Metropolitan Settlements: 1991

S. No.	Region	No. of Metropolitan Settlements	Total Population in Metropolitan Settlements	Average Size (mio)
1	Africa	16	30938	1.934
2	Central America	8	13713	1.714
3	South America	35	83133	2.375
4	Asia	101	293661	2.906
5	Total	160	421445	8.929
6	India	20	62688	3.134

The emergence, growth and proliferation of metropolitan settlements and urban agglomeration has been more marked during the second half of the present century. Particularly in the past 1960s, the independence of several has resulted in the lifting of migration restrictions imposed during the colonial period. This change has opened the flood gates of employment seekers. The inability to achieve political and economic stability due to internal conflicts between diverse ethnic groups and external economic dependence, has only exacerbated the trend of rural-urban influx and metropolitan concentration.

The developing countries have, by 1991, thus acquired 160 metropolitan settlements together supporting thus a population of 421,445,000 with an average size of 2.6 million per settlement. Over 63% of these settlements are concentrated in Asia. While the average Asian metropolis amounts to a population of 2.9 million India's average metropolis size is larger (3.1 million). India, by virtue of its very large

population size, has almost 20% of Asia's metropolitan settlements, and over 21% of its metropolitan population. Even as proportion of the total developing countries, India's share is 12.5% of all settlements and 14.9% of population in 1991. Thus, it may be noted, that despite the Indian Planning Commission's warning since 1981 to encourage the growth of small and medium towns, the population concentration in metropolitan settlements and the complexity of the metropolitan settlements increased. What emerged the second half of the 20th century is a potpourri of the rural and urban lifestyle i.e. even while the settlement urbanized, it retained its rural/traditional culture and way of life. One of these characteristic features is reflected in the informal sector of the urban economy. It stands in sharp contrast to its counterpart, the formal sector. Nevertheless the informal sector is becoming important and more widespread.

## 2 A CONCEPTUAL BACKGROUND

Although the informal sector activity is an integral part of older cities, their prevalence in cities of newly independent (post 1960s) countries is not insubstantial. With the pioneering study by HERT (1972) on Ghana and the ILO report on Kenya, interest in this area gained momentum. The importance of the informal sector to the urban economy of cities, criticism of its negligence by government through their policy of discrimination between the formal and informal sectors, management problems, statistical information, in addition to conceptualizing the informal sector, are the principal themes studied. The more recent works highlight the coexistence of the formal and informal sector and the need to strengthen this relationship (RAJU 1992). MCGEE (1988) attributes the evolution of the informal sector to "urban involution".

While the existence of urban economic dichotomy is indisputable, AZIZ (1984) makes note of 'trichotomy' including within its purview, the organized formal sector, organized informal sector, and unorganized informal sector.

The informal sector, organized or unorganized, is the result of the excessive number of unemployed, unskilled and economically weak persons. These people occupy the interstices created by the gaps in demand and supply of services and infrastructure, extending the same at low and negotiable rates. It would be interesting to study the gender implications, particularly regarding women. The purpose of this paper is to look into:

- (a) the incidence of informal sector activity in Hyderabad and the estimated growth in the 'mega-city' by 2000 A.D.,
- (b) a comparison of proportionate informal sector activity in the higher income locality within a specific administrative unit (block), vis-à-vis its slum area,
- (c) case studies of women in different informal activities, organized and unorganized.

### 3 HYDERABAD'S OCCUPATIONAL SITUATION

Hyderabad's feudal system of government and lifestyle gave rise to and sustained the informal sector activity (ALAM 1965). Estimates of the Third Economic Census, showing an account of 451,504 workers in the informal sector of Hyderabad, and 681,168 in Hyderabad including its suburbs, highlight quantitatively the importance of this sector and the need to allocate development funds. The vegetable, fruit, flower and fish vendors, the petty traders, both stationary and itinerant, and the welders, mechanics, painters, masons, etc. a male dominated sector, coexisted. Women, however, owing to what was called the purdah system, did not venture out and their participation in any formal or informal economic activity was minimal. Yet, since 1960 major changes took place. Greater awareness, economic necessity due to rising inflation, achievement of higher education and individual interest as well as the government's reservation policy of education and employment quota for women have served to increase both literacy levels and employment.

The Regional Center for Urban and Environmental Studies (RCUES) and Center for Economic and Social Studies (CESS) have made two exhaustive studies on the urban informal sector and the unorganized economic activity in Hyderabad. The occurrence, structure and importance of the activity was examined and its future growth assessed. While MOHAMMAD looked into the definite characteristics and nature of the informal sector, PRASAD looked into its management aspect, including economic regeneration, environmental improvement and small loan extension.

The economy of Hyderabad is managed by 714,101 workers employed in 221,792 units. 58.50% of the workers are occupied in the informal sector. The size of the informal sector units with an average of 2 employees per unit is small compared to the average size of the formal sector units (44 employees). This does not only emphasize the small size of the informal sector units, but also a proliferation of them, with the concentration of 97% of the total units as against 3% in formal sector.

Table 2 Proportionate Size of Units in Urban Activity in Hyderabad - 1987

Sector	Manufacturing, Processing & Repairs	Construction	Trade & Commerce	Transport & Storage	Services
Informal Sector	2.9	1	2.1	1.7	1.9
Formal Sector	52.0	-	18.0	67.0	44.0
Total	9.9	1	2.5	2.6	3.2

Source: computed from Table 1.3, MOHAMMAD (1992)

Of the total number of units 39.9% are located in the core of the city - 38.2% within the municipal limits. Another 17% are in the periphery of the city. It may be noted that

these units cater thus to domestic needs and are located closer to residential rather than industrial areas.

#### 4 WOMEN IN THE INFORMAL SECTOR

Female work participation in urban vis-à-vis rural areas is almost negligible. It is reported that in urban China women constitute over 21% of total laborforce (HOWE 1971). The existing sex-wise occupational structure of the manufacturing sector based on a sample study indicates a low 4.5%. This is mainly due to the requirement of highly skilled and professional qualified workers who are scanty amongst women. On the other hand the informal sector, owing to the lower technological skill required and relative accessibility extended, supports a slightly higher level of female work participation of 10%. In the non-manufacturing sectors of trade, commerce and services, the female participation rates are higher (Table 3).

Table 3 Hyderabad: Employment by Gender

S. No.		Informal Sector			Formal Sector		
		Male (%)	Female (%)	Total (in thousands)	Male (%)	Female (%)	Total (in thousands)
1	Manufacturing	90.0	10.0	60	95.5	4.5	179
2	Construction	91.1	8.9	43	-	-	-
3	Trade & Commerce	89.0	11.0	188	91.3	8.7	46
4	Transport & Communication	96.5	3.5	86	91.1	8.9	45
5	Services	74.5	25.5	208	88.4	11.6	225
	Total	85.3	14.7	585	90.0	10.0	495

Particularly in respect of services the proportion of females are comparatively high and are mainly constituted by domestic servants.

Over forty informal sector activities are identified but not all are accessible to women. Their accessibility is limited to only 23 activities. Some activities are shared by or indulged in by both sexes but four are restricted to women. In KARUNANYAKE and WONASHINGHE'S (1988) study of Colombo female participation is not uniform in all sectors and areas. It is noted that some activities are gender-fixed. They include boutiques, housemaids, clothes/ utensils swappers, and papad/ chips makers. Selected sample cases, at random, in proportion to their incidence are taken to examine: the need to work, income ranges, the education status and their contribution to the family or household income-expenditure share. Ten broad categories are taken for this purpose.

The samples (Table 4) exhibit wide ranges in incomes and variations in educational status and contribution to household income and expenditure. Of the ten selected categories, eight do not require educational qualifications, only three require some skill (pottery, basket weaving, fish cleaning).

Table 4 Socio-Economic Profile of Households

S. No.	Occupation	Average Household Size	Literacy in Percent	Percent Earners	Average Income per HH	Per capita Income
	(a)	(b)	(c)	(d)	(e)	(f)
1	Potter	4	75	25	1500	375
2	Housemaid	5	25	55	1729	353
3	Construction labour	6	21	54	2325	388
4	Fish cleaner	6	90	36	2650	481
5	Flower vendor	3	67	67	3325	1108
6	Vegetable vendor	4	46	54	3800	876
7	Basket weaver	5	80	40	4800	800
8	Fish seller	6	58	16	4200	700
9	Tailor/ Boutique	4	100	53	17708	5348
10	Beauty parlour/ Saloon	3	100	50	20000	5000

The last two activities (Table 4) require comparatively major investment as well as formal training. The size of households do not show much variation but the proportion of literates vary from 21% in construction to 100% in respect of tailors (boutique and saloons). The percentage of earners, too, range from 16% in the fish seller's category to 67% in the flower vendor's category. But here, the number of earners in a household is determined by many factors including need and willingness to work, availability of work, and accessibility of work. Most of them particularly in the lower income groups have developed on the one hand a resentment towards the formal sector workers, and on the other frustration due to inability to save money despite putting in much time and effort. The incomes of the households range from Rs. 1500 (= 75 DM) per month with Rs. 375 (= 19 DM) per capita to Rs. 17,708 (= 885 DM) per household and of Rs. 5348 per capita (= 267 DM).

The expenditure pattern of the household and the contribution by the women earners have their own peculiarities. In all income groups and occupational categories the percentage of income spent on food is substantial and ranges from 32% in the tailor/ boutique households to 73% in the case of the vegetable vendors. However, the proportion of income spent on food in the city of Hyderabad is 30%, which is the lowest in comparison to other metropolitan cities of India (Economic Census of A.P.). The vegetable vendor group spends about 18% towards rent, which would increase their total expenditure on food and rent to 92%. The balance of a meager 8% is stretched to support children's education, clothes etc. The amount and proportion spent for rent is not substantial. The expenditure in all these households

surveyed (except the last two categories), is compared to earnings substantial. Many households can not provide the necessary food, shelter, clothing and education.

The contribution of women's earnings to the total household's earnings (Table 4) varies from 28% to 100% as does the contribution to the household expenses. The daily wages particularly in the low income category spend as much as their husbands on household expenditure. The vendors also subscribe large amount. In all cases, however, the husbands as head of the households give a fixed amount to their wives. But this amount is not adequate to manage the household expenses, and, thus she earns to supplement that. Among the largest income earners, their amount given is normally sufficient for the total household expenditure, therefore, women can keep their earnings for all their personal savings.

The female population share in Hyderabad is 48% of the total population (2,055,543 in the year 1991). The sex ratio is 0.926 in Hyderabad (India 0.893). It constitutes 42% of total literate in Hyderabad and accounts for 50.6% literate of total female population. In contrast to these figures, the proportion employed is negligibly small, constituting only 7% of the total employment, and 10% of workers in the informal sector.

The principal factors that determine the low participation rates of women include (1) the priority they give to children's upbringing, (2) time taken by household chores, (3) increasing number of nuclear families, (4) limited number of temporary and part-time jobs, (5) low level of skills and specialization, (6) husband- and/or in-laws-dissuasion. These criteria are most applicable to the middle class families. In the higher and lower income groups, the causes vary widely. The higher income groups and elite families employ people to do the routine household work, and they themselves continue to work in their area and occupation of interest and choice. In the lowest income group economical compulsions and increasing inflation rates are the crucial determinants for entering workforce.

However, the primary objective of all these women, as their responses to queries suggest, is to see that their children are given a better education and training so that they get better jobs. These women, very few of them are single mothers, manage the limited earnings, and hold the fabric of the Indian urban society together. They bear the responsibility of offering the next generation a better life and strive towards this with total determination whereby the urban poverty levels are kept at bay. What they do require to ensure success in their endeavor are indoctrination and guidance through certain awareness programs e.g. on health, hygiene, thrift as well as to the right perspective of priorities to spend their limited resources judiciously.



## 5 INCIDENCE OF THE INFORMAL SECTOR - IN THE CITY

The urban informal sector as is reiterated by successive studies, is of peculiar characteristic to the urban settlements in developing countries. Several scholars have attributed its preponderance to the slum areas and the poorest sections of the urban population. To test the applicability of this observation to Hyderabad, an administrative block of Hyderabad (block 3 of administrative ward No. 8) has been selected for detailed investigations.

From within this block, 68 households were selected randomly, based on a 0.5% sample (total number of households 13,600). These 68 households are split in 35 living in slum areas and 33 living in higher income residential areas. In the slum area (SA), 46% of the households were in the informal sector, while in the non-slum area (NSA) the proportion was only 27%.

A comparison of the informal sector activity and the socio-economic implications in the two specified areas highlights the presence of variations and the degree of variations if any. The related average household income is Rs. 2084 and 1300 respectively. It is surprising that the informal sector income in the SA is higher than in NSA, exceeding by over 1.6 times. Similar variation exists with respect to per capita income too, with Rs. 263 and 202 respectively. The literacy level in the NSA, however, is twice (81%) that in SA (41%). This implies that literacy and income levels need not correlate positively (Table 5).

Table 5 Hyderabad: Informal Sector in Slum and Non-Slum Areas (block 3)

Total Sample = 68	Total No. of Households	% in Informal Sector	Average Household Income (Rs.)	Per capita Income (Rs.)	% Literacy
Slum Area	35	46	2084	263	41
Non-Slum Area	33	27	1300	202	81

Reasons for this surprising results are:

- (a) the informal sector is not slum-specific;
- (b) low income need not to be peculiar to slums above;
- (c) literacy levels and income levels need not to be interrelated;
- (d) preference to shift to the formal sector is minimal.

## 6 MEGA-CITY PLANNING AND THE INFORMAL SECTOR

The informal sector activity in Hyderabad is as old as the settlement itself. Its flexibility and wide ranging activities have rendered it more accessible to many people who seek part time or temporary employment. The growth of this sector is preordained (MOHAMMAD 1992).

The implication of Hyderabad's geographical conditions is that the newly emerging mega-city planning, coordinated by HUDA and MCH, are likely to displace more people from the rural sector and indirectly channelize their shift to the informal sector. An assessment is attempted here, taking the proposed area planned under the mega-city program for the year 2011. A 50-kilometer radius has been earmarked for land use planning with Rs. 913 crore. There are 453 villages within this area. Taking for granted that the landed gentry are likely to shift from agriculture to industry and the educated get observed into these industries, the mega-city plan is likely to affect the landless agricultural labor, who constitute 17% of the population in each of the mandals around Hyderabad (1991 Census).

Taking into consideration the different growth rates of the population in the mandals during 1981-91, which range from 17.6% in Choutuppal to 61.8% in Rajendranagar, the population for 2000 and 2011 A.D. can be obtained. The existing rural population component in the specified area in 1991 was 704,043, of whom 70% are illiterate and 20% are landless agricultural laborers and marginal workers. With growth rates ranging from 18% to 62%, the population is expected to increase to 170,671 and 212,251 respectively by 2001 and 2011 A.D. Most of these people will be absorbed by the informal sector in either construction or as domestic assistants. The mega-city program includes, among its objectives, creation of additional employment opportunities; but, the outcome remains to be seen. The provision of viable and gainful, alternative occupations would help to a large extent in improving the quality of life. However, it would be more economic for the urban development authority to guide these immigrating people rather than to extend all the facilities that a planning package entails. It would also be beneficial to the informal sector, if the government adopted a policy of positive interference, as advocated even by the ILO.

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