



COMPARATIVE STUDY OF INFORMAL SECTOR IN INDIA AND HER NEIGHBOURING COUNTRIES SRILANKA AND BANGLADESH

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ABSTRACT

The Asian Development Bank (ADB) recent research indicates that the most of the developing member countries (DMCs) economies continue to grow at high rates that inequalities in standards of living are widening, and the poor are being bypassed by growth. Based on the reports of DMCs, the Key Indicators (ADB 2008) provides evidence that absolute inequality has increased in many countries in Asia and that the rich have grown richer faster than the poor. How can this problem be addressed? One way is to improve the labour market opportunities for workers since employment is the major vehicle of the poor to rise out of poverty. To cope with poverty, the poor take on informal employment, such as subsistence informal jobs, secondary jobs, and occasional jobs. This type of labour arrangement has grown in many DMCs, making the informal sector a major component of the economy. It is from ADB report that the prevalence of informal employment and social protection issues can be ascertained, the share of informal sector can be properly reflected in the GDP, and the relationship between poverty and the informal sector can be thoroughly examined. At present 10% of India's over 470 million workforce is in the informal sector. India's informal worker doesn't have the privileges – likes social security and work place benefits. Situation is more or less same in other two neighbouring countries of India. In Bangladesh more than 80% of the workers in all divisions are engaged in informal jobs. According to 15th ICLS (International Conference of Labour Statisticians) in Srilanka the contribution of informal employment to the total employment is about 60.8%. The present paper is to focus on the comparative analysis of the informality, poverty, gender discrimination, livelihoods, and the nature and pattern of employment in the informal sector of these three Asian countries, viz., Bangladesh and Sri Lanka with India. On the basis of secondary data this paper made an attempt to analyse the changing scenario of economic growth and development in these countries and strategies to move out informality.

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INTRODUCTION

The classical development theories based on Lewisian framework, assumed that the traditional or informal sector would gradually shrink with the process of industrialisation, urbanisation and modernisation. The prevalent view was that the informal sector, which occupied a large space in the economies of the developing countries, would gradually disappear with the enforcement of appropriate policies for the development of the modern sector that provided gainful

employment in the formal sector. However, the contemporary evidence neglects this truth. Nowadays different empirical literature suggests that the informal sector is thriving along with the process of modernisation and industrialisation and also Globalisation. There are several ways of defining the informal sector-a simple and standard definition is that the informal sector is a set of units engaged in the production of goods and services without maintain proper registration and complying with the existing industrial and labour laws.

These informal units typically operate at a low level of organisation or household, without a detailed division of labour and capital, on one hand, and of family labour and hired labour, on the other hand are based mostly on casual employment, kinship or personal or social relations rather than contractual arrangements with formal guarantees. According to National commission for Enterprises in the unorganised sector (NCEUS) govt of India, those persons who do not find employment in the formal sector, are forced to participate in the informal sector for their survival as they cannot afford to be unemployed. This is the most acceptable way of defining the informal sector in low income economies. It is important for policy makers to identify the type of regulations or govt. Policies that are detrimental to the growth of the formal sector in perpetuating poverty in South Asia and the causes of growth of the informality are issues that remain under research mainly due to lack of sufficient information. The South Asian countries will contribute about 40% of the total new entrants to the global working age (15-64) population. According to United Nations survey the regions current population 1.65% billion will increase 25% by 2030 and 40% by 2050. Given the regions 'demographic dividend' in terms youthful population the working age population is projected to increased even more 35% by 2030. All Asian countries except Maldives and Srilanka, the largest share of employed are the low and self-employed (involved in small scale enterprises with no more than 5 workers or family enterprise workers). In case of female workers, the problem of their work is unrecognised and unpaid, and therefore does not enter many standard labour force and employment indicators. In Asian economies, moreover, underemployment continues to be the most significant concern. This is especially true in southeast and south Asia.

Literature review

The informal sector was internationally defined as a concept of labour force by the 15h ICLS in 1993 (ILO, 1993). Measurement of informal sector has been approached from social and economic perspectives. The social approach focuses on the characteristics of informal sector as a source for employment, the contribution of the sector to total employment and the work conditions. The economic approach focuses on the contribution to the GDP. The informal sector has traditionally been viewed as a temporary alternative to unemployment and poverty (Fields, 1975) which tends to disappear as an economy matures and becomes more developed. It is not surprising that many economists initially associated informal economic activity with developing countries (De Soto, 1989, Marshall, 1987) where decent work deficits are most pronounced and social security nets are relatively under developed. However in contrast to such a view of the informal sector as a transitional marginal phenomenon, recent evidence seems to indicate that it may be more of a long term feature of developing economies (Bekkers and Stoffers, 1995, charmes, 2000) The move from permanent to flexible employment, from stationary to distant work etc is fast-emerging as the labour market reality. Even jobs in the formal economy are becoming informalized; non-core tasks are increasing outsourced thus furthering the process of casualization and informalization of work opportunities. For instance, in Bangladesh, the percent of individuals employed in the (non-agriculture) informal sector is 88.5% in 2010, whereas India and srilanka is 83.5% and 62.1% in 2009/10 (ILO, 2013).

The National council of Applied Economics Research estimates that the informal sector generates about 62% of GDP, 50% of national savings and 40% of national exports (ILO, 2002). A number of countries in South Asia display puzzling trends in the participation rates of Women, with India being most notable for its falling rates in recent years. India's economic growth has rapidly increased over the past two decades; reaching an average of 8% (growth has since showed down considerably since 2011). The fall in the female labour force participation rate (because declining fertility rate, increasing enrolment in education), and also decline in the number of women working in rural areas, emerged as a major surprise to academics and policy makers. In contrast, female participation rates in Bangladesh have risen, while Women participation has been rather static in Sri Lanka despite high levels of human development and more success at growing rapidly.

Data Source: The paper uses mainly secondary data of different international organisations and survey reports and countries national institutions and reputed organisations and published journals.

Analysis and Interpretation

Definition of the Informal Economy

Most authors trying to define the informal economy in different way but one commonly used working definition is: all currently unregistered economic activities which contribute to the officially calculated (or observed) Gross National Product. Smith (1994, p. 18) defines it as "market-based production of goods and services, whether legal or illegal that escapes detection in the official estimates of GDP. In general, the informal economy develops all the time according to the 'principle of running water': it adjusts to changes in taxes, to sanctions from the tax authorities and to general moral attitudes, etc." (Mogensen, et, al. 1995 p 5).

Informality

There is a large body of literature on the possible causes and indicators of the informal economy, in which the following three types of causes are distinguished: *Causes:* (i) The burden of direct and indirect taxation, both actual and perceived: a rising burden of taxation provides a strong incentive to work in the informal economy (ii) The burden of regulation as proxy for all other state activities: it is assumed the increases in the burden of regulation give a strong incentive to enter the informal economy. (iii) The tax morality "(citizens' attitudes toward the state), which describes the readiness of individuals (at least partly) to leave their official occupations and enter the informal economy. It is assumed that a declining tax morality tends to increase the size of the Informal economy. (Thomas (1992); Schneider (1994a, 1997); Pozo (1996); Johnson, Kaufmann and Zoido-Lobaton (1998a, 1998b); and Giles (1999a, 1999b).

Indicators

A change in the size of the informal economy may be reflected in the following indicators:

- **Development of monetary indicators:** if activities in the informal economy rise, additional monetary transactions are required.
- **Development of the labour market:** increasing participation of workers in the hidden sector results in a decrease in participation in the official economy. Similarly, increased activities in the hidden sector may be expected to be reflected in shorter working hours in the official economy.
- **Development of the production market:** An increase in the informal economy means that inputs (especially labour) move out of the official economy (at least partly); this displacement might have a depressing effect on the official growth rate of the economy.

The informal sector in an economy may be a source of unfair competition to registered, formal firms and also deprive governments of potential tax revenue and diminish a government's capacity for regulatory oversight. The four indicators measure the degree of informality among businesses in three Asian countries. The results are based on surveys of more than 127,000 firms.

By 2015, the persistence of the informal economy, the explosive growth of urban populations in many Asian cities and the increase in service-sector employment will combine to significantly expand the informal economy in urban settings. Globalization is also related to the growing importance of the informal sector in providing employment opportunities. "There is a growing divide between a formal global economy and the expansions of an informal local economy in most societies. They enjoy none of the property and other rights, nor the capabilities and assets they need to enter into productive economic transactions.

The ILO estimates that a large share of job creation is in the informal economy – nearly 75 per cent of new jobs in South-East Asia. Workers in informal activities generally face greater insecurity and have less protection than other workers. The unfortunate result can be the social marginalization of informal workers. *Work in the informal economy is characterized by low levels of skill and productivity, low or irregular incomes, long working hours, small or undefined workplaces, unsafe and unhealthy working conditions, and lack of access to information, markets, finance, training and technology.*

Table 1.

Economy	% of firms competing against unregistered or informal firms	% of firms formally registered when they started operations in the country	No. Of years firm operated without formal registration	% of firms identifying practices of competitors in the informal sector as a major constraint
Bangladesh(2013)	39.4	86.0	0.8	9.1
India(2014)	50.1	87.2	0.7	17.3
Srilanka (2011)	47.4	77.3	2.1	28.6

Source: World Bank Group (Enterprise Survey) [10]

Informal employment and their nature of work in these three Asian's countries

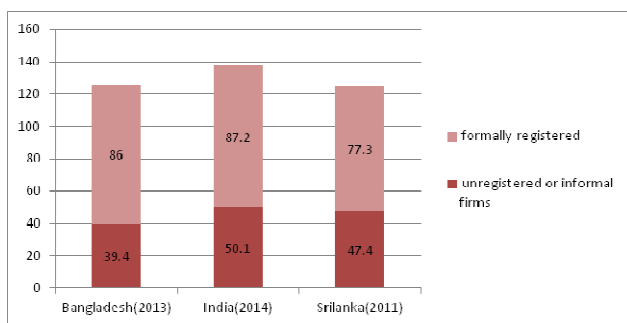


Fig.1.

If recent trends continue, Asia's informal economy will remain vast. Although the number of contributing family workers is projected to decline by around 86 million – a reflection of declining agricultural employment – the number of own-account workers is expected to increase by 128 million. Based on this, their combined share in total employment would decline moderately from 61.9 per cent in 2006 to 57.3 per cent in 2015. At the same time, wage and salary employment is expected to increase by 176 million, although part of this increase will be in small and micro-enterprises operating in the informal economy. Gender inequalities are more prevalent in the informal economy, where women are concentrated at the lower end of the scale, often earning significantly less than men. And while Asia's informal economy will continue to cut across all economic sectors – agriculture, industry and services – the largest growth is likely to occur in the region's urban centres.

While many workers in the informal economy are visible in jobs along the streets of cities, towns and villages in developing countries, others work out of view in shops and workshops. The least visible are those who produce goods from their homes. Other categories of informal work are casual workers in restaurants and hotels, subcontracted employees of firms such as janitors and guards, casual workers and day labourers in agriculture and construction and temporary office workers and off-site data processors. Among them are youth. The result is that many youth without family support, unemployment benefits and social assistance must look for employment opportunities in the informal economy.

Temporary work and flexible employment

New technologies encourage decentralized production. Increasingly, jobs are out-sourced and sub-contracted as enterprises seek greater flexibility and lower costs. Decentralized processes also enable enterprises to avoid trade unionism and labour conflicts. While *globalization did not create flexible work, it contributes to its development through network enterprise that promotes a diversity of contractual arrangements between capital and labour.* The numbers of full-time, career-seeking and long-term employees have fallen. Restructuring and downsizing have resulted in more fixed-term contracts, part-time work and subcontracting arrangements. Temporary help, on-call workers and self-employment are increasing. Flexible work patterns affect employment relations making it more difficult for collective representation. Work once considered "atypical" is now becoming "typical." These changes undermine freedom of association and the inherent rights of collective bargaining.

Evidence from industrialized countries suggests that temporary work is often performed by young workers often with lower levels of educational attainment.

Part-time employment

In many countries there has been rapid growth of part-time work in recent decades. This is associated with changing work patterns and labour market flexibility. Part time employment also relates to the number of women in the labour force.

In this case, part time work may provide a better balance between working life and family responsibilities. Some employees prefer shorter working hours to provide more private time. Part-time employment is also used as a means to spread employment or redistribute work in response to high unemployment. These are all sensitive issues requiring additional research and thorough analysis. *Part-time employment is not always a choice for young employees since many prefer fulltime jobs. Working part-time sometimes involves lower hourly wages and fewer social benefits.* It can also result in fewer opportunities for training programmes and career development related to employment that benefit youth. There is no official ILO definition of full-time work since this varies by country. However, the 81st session of the International Labour Conference adopted a Convention and Resolution that defined a “part-time worker” as “an employed person whose normal hours of work are less than those of comparable full-time workers.”[12]

Gender, Employment and Incomes in the Informal Economy of these three countries

The ILO estimates for 2013 shown in the table below reveal some differences across India and the other two Asian countries having the largest share of informal employment in non- agricultural sector.

Table 2. Informal employment of three Asian countries

Country	Year	Informal Employment (% non-agricultural employment)
Bangladesh	2010	88.5
India	2009/10	83.6
Srilanka	2009	62.1

Source: ILO (2013)

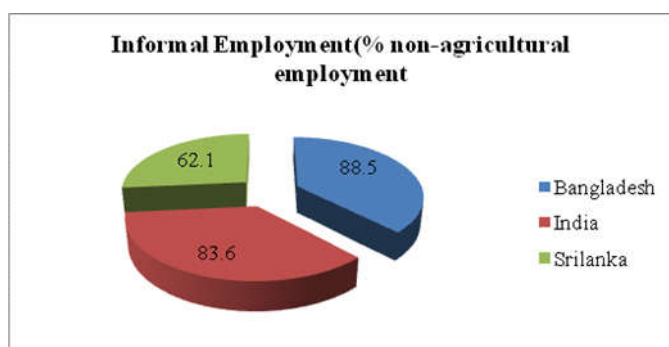


Fig. 2. Compounded from table 2

- The majority of women in the informal sector are own account traders and producers or casual and subcontract workers; relatively few are employers who hire paid workers.

- Men and women tend to be involved in different activities or types of employment even within same trades. In these countries, for example, male traders tend to have larger scale operations and to deal in non-food items while female traders tend to have smaller scale operations and to deal in food items.
- Average incomes of both men and women are lower in the informal sector than in the formal sector of these economies.
- the gender gap in income/wages appears higher in the informal sector than in the formal sector and exists even when women are not wage workers.
- the relatively large gender gap in income/wages in the informal sector is largely due to two interrelated factors:
 - Informal incomes tend to decline as one move across the following types of employment: employer – self-employed – casual wage worker – sub-contract worker
- Women are under-represented in high income activities and over-represented in low income activities (notably, subcontract work)

Table 3A. Contribution of Informal/Formal Sector Employment by Gender: (Srilanka)

Gender	Sector	
	Formal	Informal
Male	36.5	63.5
Female	44.4	55.6

Source: Srilanka Labour Force Survey (2015)

Table: 3B Employment by Nature of Employment and Sex: (Bangladesh)

Gender	Sector	
	Formal	Informal
Male	80.8	68.9
Female	19.2	31.1

Source: Computations Using 2010 LFS and ISS

Woman, working in the informal sector and contributing to growth: Women informal traders contribute a significant share (20-65%) of GDP in the trading sector & the contribution of women in the informal sector to total GDP is greater than their share of employment in the informal sector. This is because women are more likely than men to engage in multiple activities in the informal sector.

Poverty and Growth Linkages: There is an overlap between working in the informal economy and being poor: a higher percentage of people working in the informal sector, relative to the formal sector, are poor. This overlap is even greater for women than for men. Informal workers typically lack the social protection afforded to formal paid workers, such as worker benefits and health insurance, and typically work under irregular and casual contracts.

However, the precise relationship between informal employment and the intensity of poverty appears only when informal workers are disaggregated by subsectors of the economy, status of employment (i.e., employer, self-employed, worker), and gender, as summarized below: [12]

Table: 3C Employment in Informal Economy in non- agricultural activities by component, both sexes :(India)(2009/2010)

Gender	Persons in informal employment % of non agricultural employment	Persons employed in the informal sector % of non agricultural employment	Persons in informal employment outside the informal sector % of non agricultural employment
Male	83.3	69.4	26.2
Female	84.7	59.4	14.7

Source: ILO, department of statistics, June 2012

Table 4. The size of the informal (and official) economy of the three Asian countries

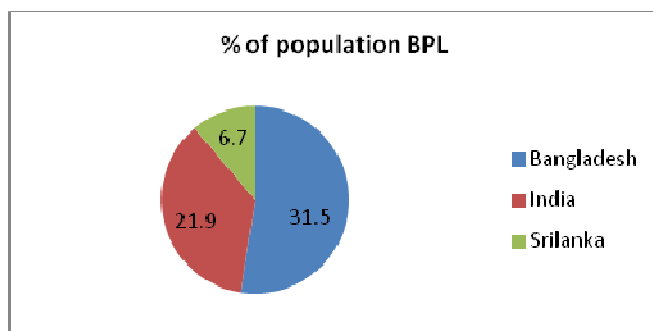
Country	GNP at market prices (us\$ billion 2000)	Informal Economy in % of GNP(1999/2000)	Informal Economy GNP per capita
Bangladesh	4689	35.6	1317
India	45318	23.1	1040
Sri Lanka	1600	44.6	3791

Source: ILO (2013)

Table 5. Share of population below the National poverty line (%)

Country	% of population BPL
Bangladesh	31.5
India	21.9
Sri Lanka	6.7

Source: ADB (2015)

**Fig.3. Source: Compounded From table 5**

Growth has decelerated due to both domestic and external factors

Like most developing regions, Asian countries weathered the first phase of the global financial crisis (2008–09) relatively well. In fact, the region's economy grew by 9.5 per cent in 2010, the fastest rate in two decades. This result was driven by India, which expanded by over 11 per cent in 2010, while Bangladesh, and Sri Lanka all grew by between 6 and 8 per cent. Late in 2011, the economies of the region started to slow down, again led by India. Overall, growth in South Asia has been largely reliant on the services sector (taking a production perspective) and private consumption (in terms of aggregate demand). However, the decomposition of GDP growth for India shows that sustaining high rates of growth rests on robust output from industry and high investment rates. In other words, *the current slowdown in India has been propelled by poor performance in the manufacturing sector and low levels of investment*. Both of these dimensions are major barriers for Asian countries in their pursuit of higher and more sustainable rates of growth – growth that also leads to job creation in the formal economy. Beyond the overall slowdown of the economy, Asia continues to face a number of macroeconomic challenges and imbalances.

First, inflation has been high and persistent in this region: in 2013, average consumer price inflation is estimated to have ranged from 5.8 per cent in the Maldives to 10.8 per cent in India.

Increased Competition within a Shrinking Market

The *Inclusive Cities Study* dispels the myth that the nature of the informal Economy gives it flexibility to cope with shocks and economic downturns. The new entrants were mostly women as greater absolute numbers became engaged in the informal economy against a shrinking market (as unemployment increased together with the cost of living, there was less buying power in the economy); increased competition entailed a substantial decline in per capita revenue among informal workers. In total the recession meant diminishing livelihoods in the informal economy. Informal workers were caught in a vicious cycle. Understandably, informal work is a last resort when individuals cannot find employment in the formal economy. The informal sector has no security and conditions are generally severe. Faced with no alternatives informal workers resorted to further short term survival strategies. Admittedly, the strategies added more risk and uncertainty. Strategies ranged from decreasing stock or production particularly among street vendors trading in perishable goods, to increasing the number of hours or days at work. These were huge sacrifices given that informal workers have very little leisure time.

Labour supply pressures pose a challenge for job creation and poverty reduction

The most rapid increases in the labour force will be in these countries with the highest numbers of working poor and the largest informal economies, for example Afghanistan, Bangladesh, India. These countries will face enormous labour supply pressure, and their greatest challenge will be to create sufficient numbers of decent and productive jobs. Whether they succeed will critically depend on, among other things, national policies to mobilize sufficient capital and create conditions for productively employing the large number of new labour market entrants, this will require 'employment-rich' growth. The high proportion of working poor among the total number of employed in these countries makes increased productivity growth absolutely critical, as poverty will only decrease if the poor are able to earn more from their labour. Labour force growth is slowing down in many other parts of developing Asia. A key challenge in these countries is to extend working life and enhance the employability of older workers through lifelong learning in such a way that promotes decent work at later stages in the life cycle, while also providing a mechanism for skills and knowledge transfer to the next generation of workers.

Challenges

The first major challenge is the low female participation rate in the region. Bangladesh and India, where more than two out

of every three women do not participate. One underlying factor herein is the women's disproportionate share of household responsibilities and thus their facing high opportunity costs when they work in the market place. Social norms and lack of access to education also affect these tradeoffs in India. *The second major challenge* is enabling an increase in the share of rural labour force off the farm. The concentration of working South Asians in rural areas reflects that more than 70 percent of the region's working age population lives in rural areas and rural employment rates are higher than urban areas. In Bangladesh, India and Sri Lanka, 20 to 27% of the employed workforce works in the industry with most of them in manufacturing (but in small and micro enterprises with 1-49 workers which have lower value added per worker and hence pay lower wages). Interestingly, the share of agricultural employment in total employment has been declining and employment growth in agriculture was slower than other sectors in the first decade of the century. This, therefore, signifies not just increase in *rural-urban migration* but also the growth of the rural non farm sector across the region. Most nonfarm jobs in South Asia are in the services sector (utilities, real estate, public administration etc) with commerce as a subsector employing 12-33 percent of non farm rural workers. To enable an increase in the share of rural labour force off the farm, first and foremost institutions of local self government need to be incentivized to generate revenues to support skill appropriate village and town industries. Besides, this needs to be given to liberalizing the small scale industry sector in rural areas while aggressively pushing rural literacy and quality implementation of public infrastructure i.e. link roads.

The third major challenge in South Asia is the issue of 'informality' in employment that leads to low earnings, less skills and little access to formal social protection systems. Other things being equal, a higher level of education is likely to reduce informality by increasing productivity. There is a dire need to strategically channelize appropriate resources for training and acquisition of abilities for the youth in rural areas to tide over the initial school to work transitions. Besides, the regulatory framework has to be made less burdensome, quality of government services to formal firms has to be strengthened and state's monitoring & enforcement enhanced to a greater degree. Finally, lies the challenge of reforming labour market institutions, policies and programs for the informal sector.

Policy Recommendations

Given the three countries demographic dividend in terms of a youthful population, the working age population is projected to increase even more – 35 percent by 2030 and by 50 percent by 2050. The total employment in South Asia (excluding Afghanistan and Bhutan) rose from 473 million in 2000 to 568 million in 2010, creating an average of just under 800,000 new jobs a month. Besides, the largest share of the employed are the low end self-employed (involved in small scale enterprises with no more than five workers/family enterprise workers). Nearly a third of workers in India and a fifth of workers in Bangladesh are casual labourers (who incidentally have the highest poverty rates). Regular wage or salaried workers represent a fifth or less of the total employment. In the region as a whole, 55 percent of the 1.04 billion working age population is employed. Thus, with over 490 million young people aspiring to join the work force in the region, there is a dire need to identify major challenges and put in place

effective policies that can enable productive absorption of the young in high quality jobs. The most prominent example is India's National Skill Development Corporation which provides gap financing to trainers in 21 key manufacturing and service sectors. South Asia has a rich mix of informal worker associations and trade unions, self help groups, and other membership and community based organizations that play an important role in the labour market that employs a vast majority of workers. The specific challenge is to cover the gap in protection for informal sector workers while not constraining incentives for creating income from informal activities. *First*, public works programs (such as Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) in India, The National Rural Access Program in Afghanistan, The Rural Community Infrastructure Works Program in Nepal and Employment Generation for the Hard Core Poor in Bangladesh) have features of self targeting, optimal labour intensity, gender sensitivity, accountability and responding mechanisms to seasonality variations. Such program design features have a positive impact on beneficiaries' short term income and ability to smooth consumption.

Second, major investments would be needed to upgrade facilities/equipment and design curricula and materials for training needs of the informal sector. More specifically, trainers from NGOs are often more effective in providing services that meet the needs of the informal economy. *Third*, provision of credit to individuals without access to formal banking services to enable production activities usually in the form of self employment or a household enterprise is critical. There is a need to develop instruments that allow providers of microfinance to identify entrepreneurs most likely to benefit from credit or associated subsidies be it the self help or cooperative delivery model. Except Bangladesh, where three of the top four micro finance institutions (e.g. Grameen Bank) show positive returns, India and Sri Lanka have to address the issue of financial sustainability in a major way.

Social Development

The overall state of social development in the South Asian region as a whole is not comforting. The region currently: i) hosts hundreds of millions of illiterates, ii) has a higher child mortality rate, iii) access to safe drinking water is not available to all, and iv) about a quarter living in poverty and those number raising when compared with those earning \$1.25/day. Although, some increase in the manufacturing and services sector employment and overall rising exports notwithstanding, still agricultural sector and informal mode of employment account for a majority of employment in the region. The formal sector employment having some form of rules and regulations governing employment is pitifully small. Thus, lesser remunerative and low productive work currently affects a significant proportion of the employed. *Poor working conditions in significant workplaces* are also not uncommon. Unemployment and under employment is quite pervasive; the underutilized labour of these Asian accounts for over a fifth of the workforce. Informal sector (economy) dominates employment in the urban areas, while rural workforce is content with the low productive agricultural sector. The move from permanent to flexible employment, from stationary to distance work, etc. is fast emerging as the labour market reality. *Even jobs in the formal economy are becoming informalized; non-core tasks are increasingly outsourced thus*

furthering the process of casualization and informalization of work opportunities.

Many countries in Asia are not only members of the ILO have ratified a number of Conventions including CLSs and also have labour laws including industrial relations, coverage and enforcement continues to raise serious concern. Furthermore, the labour laws have exclusion clauses even with regard to the fundamental right to organize and bargaining collectively. Almost all the countries have restrictive clauses denying trade union right to any or all belonging to: *i*) civil service, *ii*) informal economy, *iii*) agriculture, *iv*) sub-contract/outsourced, and *v*) home-based. In some countries, one union-one enterprise is mandatory for state enterprises. Even strikes can also be banned or cancelled.

Social protection or social security is not by any means a nascent concept for most countries in South Asia. Countries like India and Sri Lanka instituted social security measures soon after they gained independence in the late 1940s. In fact, the Social Protection Index (SPI) of the eight South Asian countries (as a whole) is only 0.061, lowest among the regions in Asia. Most countries spend 2% or less of their GDP on social protection, the exceptions being Sri Lanka (3.2 %). As unemployment, especially among the youth is rampant, it is crucial to increase the coverage of the existing labour market programs. Sustaining the current GDP per capita growth will definitely help in alleviating this issue but the government needs to simultaneously also ensure that the consequent job growth is not contained to the informal sector. Moreover, the governments should prioritize the *expansion of social insurance* to the informal sectors. The predominance of informal sectors is indicative of bottlenecks in access to employment in the formal sectors; as such the governments would benefit from conducting further research to identify these barriers and taking measures to abolish them.

Decent Work Strategies for the Informal Economy: An integrated approach to move out informality:

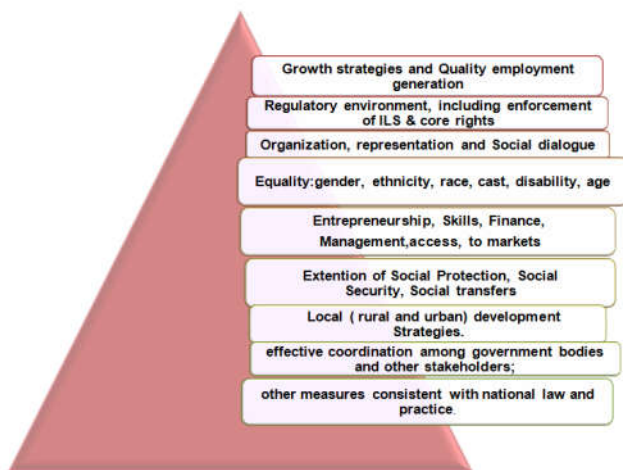


Figure: Transition to Formality

Further, there is a dire need to expand the reach of *social assistance and institute systems* for more acute beneficiary identification. This is absolutely crucial as for these Asian continues to hold the largest number of poor people in the world (particularly India and Bangladesh). The governments should invest in the expansion of existing provisions catering to the financial, health, and educational needs of the poor.

Old age pension programs should also be given considerably more attention in light of the impending increase in the dependency ratio in the forthcoming decades. Countries like Sri Lanka with its free education system. *Disaster relief* should be a crucial component of any social assistant program. The governments should, in the least, make financial provisions for disaster relief, particularly in countries like, Bangladesh and India which are extremely prone to natural hazards. Research on chronic poverty indicates that living in areas frequented by natural disasters is a *key poverty trap*. Finally, there is also a need to make provisions for the marginally non poor population who are unable to benefit from either social insurance or assistance. These groups of people are still extremely vulnerable and have so far remained out of the reach of social protection.

Conclusion

There are many obstacles to be overcome to measure the size of the informal economy (in value added and in the labour force) and to analyze its consequences on the official economy, although some progress has been made. In this paper has been shown that though it is difficult to estimate the size of the informal economy but the informal labour market is attracting a growing attention due to high unemployment in Asian countries. Informal employment thus becomes common feature even in formal sector. Not only in India, is this type of trend prevalent throughout the world. Data also reveals that though female workforce participation rate has increased, most of the employments were informal in nature. This predominance of informality may be attributed to lower bargaining power, immobility and higher rate of illiteracy of female population.

Though, general idea is informality indicates lower job quality, we may conclude with the view that it is better to be employed, even if it is informal in nature, rather than being unemployed. In case of India & Bangladesh decreased rate of unemployment is due to rise in informal employment including self-employment. Such employment enhances the purchasing power among the poorer (both urban and rural) cross section of the society, which turns out to be beneficial for the overall long run development of the economy. Keeping this in mind, *Asian countries has taken several initiatives like MGNREGS or Micro Finance programme, in order to create employment or enhance self-employment activities among the rural as well as urban labour force*. These employments are informal in nature, but have huge impact on livelihood of rural and urban population. Furthermore, the study show that an increasing burden of taxation and social security payments, combined with rising state regulatory activities, are the major driving forces for the size and growth of the informal economy. Informal economies are a complex phenomenon, present to an important extent even in the industrialized and developed economies. With these insights : a government aiming to decrease informal economic activity has to first and foremost analyze the complex and frequently contradictory relationships among consequences of its own policy decisions for inclusive and sustainable economic growth & development.

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