

Chapter 24

The Informal Sector in Kolkata Metropolitan Area: Appraisal and Prospects for Local Economic Development

Annapurna Shaw

Abstract No plan for local economic development within the larger metropolitan region of Kolkata can realistically succeed unless based on an understanding of the informal sector and taking account of it in subsequent local development strategy. The objective of this chapter is to provide a detailed look at the state of the informal sector in the larger metropolitan region of Kolkata since 1991. This information would provide a means to understand the impact of economic liberalization on the local economies of the various smaller towns/municipalities that constitute the Kolkata Metropolitan Area (KMA) and to suggest ways to incorporate the informal sector in the growth process. The study is based on aggregate-level secondary data that present trends in growth and structure of the informal sector in the KMA. The study also considers informal manufacturing activities and informal service activities, and highlights ways to include the informal sector in the local economic development process.

Keywords Informal sector • Local economic development • Kolkata Metropolitan Area

Since economic liberalization began in 1991, the larger metropolitan regions in India, particularly those located in the southern and western parts of the country, have experienced much change (Shaw 1999; Shaw and Satish 2007). However, these metropolitan regions are extensive in area and often comprise a mix of urban local bodies of different sizes and include even village bodies and rural stretches. The change has not been evenly spread, either geographically or in terms of economic sector. Thus, although some areas of the metropolitan region have seen a clustering of the new economy with sectors such as information technology (IT) and

A. Shaw (✉)
Public Policy and Management Group, Indian Institute of Management,
Calcutta, West Bengal, India
e-mail: ashaw@iimcal.ac.in

information technology-enabled services (ITeS) dominating the growth process, the remainder of the metropolitan region has often remained unchanged, with an ever-growing informal sector. Because of its large and ubiquitous presence, no plans for local economic development within the larger metropolitan region can realistically succeed unless based on an understanding of the urban informal sector and taking account of it in subsequent local development strategy. In fact, the informal sector is, in many ways, a sort of economic barometer, reflecting changes in the overall economy of the metropolitan region as changes in its size and composition are closely related to what is happening in the formal economy. Focusing on the informal sector can be a means, then, to understand the impact of economic liberalization, started in 1991, on the local economies of the various smaller towns and municipalities that compose the larger metropolitan region.

The Kolkata Metropolitan Area (KMA), approximately 1886.67 km² in size and composed of three Municipal Corporations and 38 municipal towns, is one of the largest metropolitan areas in the country. With a population of 14.11 million in 2001, it is the third largest, in terms of population, after Mumbai and Delhi. The KMA has a very large and heterogeneous informal sector. By the informal sector, we are referring to that section of the workforce that is not covered by protective legislation and is characterized by low incomes and lack of job security. Such workers would include not only wage earners employed in small-scale enterprises but also subcontracted laborers in large factories and the vast numbers that undertake different types of home-based work for larger units or middlemen. The informal sector is also composed of small units or enterprises run on family or hired labor producing goods or selling goods and services (Shaw and Pandit 2001). It includes a wide range of low-level service workers who may have more than one employer or customer. Thus, wage work with varying degrees of stability/permanence and self-employment with varying levels of earnings constitute the two main forms of work in the informal sector.

The objective of this chapter is to provide a detailed look at the state of the informal sector in the larger metropolitan region of Kolkata since 1991. This information would provide a means to understand the impact of economic liberalization on the local economies of the various smaller towns and municipalities that constitute the KMA and to suggest ways to incorporate the informal sector in the growth process. Section 24.1 describes the methodology of our study; Sect. 24.2, based on aggregate-level secondary data, presents trends in growth and structure of the informal sector in the KMA; Sect. 24.3 considers informal manufacturing activities; Sect. 24.4 overviews informal service activities; and Sect. 24.5 highlights ways to include the informal sector in the local economic growth process.

24.1 Methodology

Given the heterogeneity of labor status, income, and occupations within the informal sector, I have used whatever aggregate data are available and also a questionnaire survey and field visits. The aggregate data, taken from published sources such

as the NSS and the Census, have been used to understand past trends in growth and composition of the sector. The questionnaire and field visits have helped understand recent developments within the sector and suggest ways to include its diverse elements in the growth process. A local economic development (LED) questionnaire administered in July 2005 contained questions to the chairpersons of municipalities and the mayors of municipal corporations within the KMA on both the formal and the informal sector but was focused more strongly on the informal sector.¹ Information was sought on the predominant informal sector occupations by numbers of workers, daily earnings, and the residence of workers. There were also open-ended questions on what programs the municipality was providing for the poor. Completed questionnaires were received from 25 of 40 urban local bodies. In addition to these, field visits were made to 6 local bodies in the Kolkata Metropolitan Area to get first-hand information on local economic development issues. The following local bodies were visited: New Barrackpore (M), Uluberia (M), Baruipur (M), Hooghly-Chinsura (M), Howrah (MC), and Kalyani (M).²

During the field visits, there were detailed discussions with the chairperson/mayor of the local body and some senior officers on their plans for the local body and the problems they were facing. The major sources of employment in the urban local body (ULB), the economic condition of the local population, and suggestions as to what would facilitate the development of the local body were sought. Several informal enterprises/workshops were visited to examine in detail the predominant types of manufacturing activity carried out within the informal sector. There was considerable variety in small-scale manufacturing activity, ranging from the making of musical instrument parts, gloves, and foam leather products in New Barrackpore; *zari* work, *biri* rolling, and shuttlecocks in Uluberia; and surgical instruments in Baruipur to ballpoint pen manufacture in Hooghly-Chinsura. However, in contrast to manufacturing, as the main service activities within the informal sector were broadly similar across most municipalities, for these activities, focus group discussions were used with key representatives; for instance, the hawkers' union leaders in Howrah and the rickshaw pullers' association representatives in New Barrackpore and Hooghly-Chinsura.

24.2 Trends Based on Secondary Data

Over the years, the informal sector has grown in size and as a proportion of the total workforce of the Kolkata metropolitan area. Early estimates based on surveys of the city of Kolkata made in the 1950s indicate that the informal sector accounted for roughly 50 % of the city's workforce (Dasgupta 1973). Three surveys, one by the

¹The Kolkata Municipal Corporation was left out of the survey because of its large size and specific problems. It cannot be treated on a par with the smaller municipal towns and corporations within the KMA.

²M refers to Municipality and MC to Municipal Corporation.

Table 24.1 Informal sector workers as percentage of total workers in the Kolkata Metropolitan Area (KMA), 1990

Urban local body	Informal sector employees (wage workers)	Self-employed workers	Unemployed with odd jobs	Informal sector: total workers
Kolkata city	27.22	24.46	6.73	58.41
Baruipur	27.79	28.09	8.06	63.94
Budge Budge	18.81	17.01	12.70	48.52
Chamdpdany	17.48	24.35	7.80	49.63
Kanchrapara	24.16	33.26	6.25	63.67
Khardah	12.80	13.98	6.10	32.88
Konnagar	20.35	25.83	4.41	50.59

Source: State Planning Board Report (1990)

NSS on employment in Calcutta City in 1953, a government of West Bengal State Statistical Bureau survey on unemployment in 1957, and Sen's (1960) socio-economic survey of the city form the basis of the foregoing estimate. Although "this is only an approximate estimate" (Dasgupta 1973, p. 54), I use it as a starting point to understand more recent developments.

In this regard, the first question is this: What has been the growth of the informal sector since the 1950s? By how much has it increased and what have been the growth areas? Answers to these simple questions are not easy, as there are very few large-scale studies of the informal sector since the 1950s that can be used as a benchmark. There are many smaller studies by individual scholars and organizations that have focused on particular localities or slums, but there is a lack of data for the metropolitan area as a whole. One exception is 'A Survey of the Informal Sector in CMA' done in 1990 by the State Planning Board as part of the Perspective Plan for Calcutta 2011. This is a detailed study based on a large sample size of 20,002 households (97,030 persons), and the sampled areas include five wards within the Calcutta Municipal Corporation, that is, Ward 2 (DumDum), Ward 57 (Beliaghata), Ward 72 (Bhowanipur), Ward 101 (Bagha Jatin). and Ward 117 (Behala), the Howrah Municipal Corporation (Ward 47), and six municipalities (Baruipur, Budge-Budge, Chamdpdani, Kanchrapara, Khardah, and Konnagar) in the metropolitan area.

Based on the foregoing survey, in 1990, that is, more than three decades since the surveys of the 1950s, the informal sector has been estimated to have increased to around 58 % of the workforce in the city of Kolkata (Table 24.1). For the surrounding municipalities, the size of the informal sector has varied depending on the availability of jobs in the formal sector. Thus, in Budge Budge, Chamdpdany, and Khardah municipalities, which depended heavily on the jute industry, the size of the informal sector was small. The percentage of wage earners in formal sector jobs was 31.50 %, 36.11 %, and 55.9 %, respectively, which was much higher than the average for both the city and non-jute industry areas. In other municipalities, the informal sector already exceeded 60 % of the workforce.

What is interesting to note in the foregoing table is that, if we consider the unemployed with odd jobs to be a part of the self-employed, which the CMA report itself has suggested (p. 3 of the report), then the proportion of the self-employed in the informal sector exceeds that of wage workers. Some researchers have already noted this (Mukhopadhyay 1998) and regard it as a positive development because earnings in self-employment exceed those in informal sector wage work.

Moving forward from 1990 to the present, aggregate information of the size and growth of the informal sector is still incomplete as the Census of 2001–2011 has not yet provided detailed industrial classifications, below the one-digit level, of workers (main and marginal), and non-workers by city. However, several developments discussed in regard to the formal sector would suggest that the size of the informal sector has increased further. For instance, the closure of many large industries, particularly jute mills, would have resulted in a concomitant increase in informal sector work. The Primary Census Abstract of Census 2001 for the Kolkata Urban Agglomeration (KUA) indicates a significant increase in home-based manufacturing work, from 45,558 workers in 1991 to 157,335 workers in 2001, that is, an increase by 2.45-fold or around 24.5 % a year during the past decade. Home-based work is referred to as ‘household industry’ in the census, by which is meant small-scale industry conducted by one or more members of the household within the precincts of a house in urban areas. In fact, for West Bengal as a whole, household industry as a percent of the total workforce has increased from 4.24 % in 1991 to 7.37 % in 2001. A gender breakdown of workers reveals that 57.77 % of them (1,254,890) are female and 42.3 % (917,180) are male.

For the KUA, the increase in home-based workers in terms of the total workforce, from 1.35 to 3.43 %, although significant in numbers, has been lower than that for the state. Second, much of the increase has been confined to specific pockets within the KUA. For instance, within the Kolkata Municipal Corporation (KMC), several wards (137, 138, 139, 140, and 141) constituting the Metiabruz area, have experienced a large increase in home-based workers and accounted for 36 % of the total of such workers in the KMC in 2001. Similarly, not all municipalities that are a part of the KUA have seen an increase in home-based work, but certain areas have, for instance, those that are under the Haora District. Here, in Uluberia Municipality, home-based work as a percentage of the total workforce has increased from 4.23 % in 1991 to 14.24 % in 2001. For women workers, the increase has been from 9.50 % in 1991 to 31.03 % in 2001.

A major portion of wage work in the informal sector is done in small production units/workshops that are not covered under the Factories Act of 1948 or registered with the SSI Directorate. The 1990 State Planning Board study of the informal sector had revealed that 21 % of informal sector employees in the municipalities worked as skilled workers in factories, whereas in the city it was 20 %. The importance of production-related work can also be inferred from the 1996–1997 socio-economic survey of households in the Kolkata Metropolitan Area conducted by the KMDA (CMDA 1997). The report indicates that within the KMC area, production and related workers accounted for 22.6 % of all households whereas in other municipal areas within the KMA the percentage was as high as 29.4 % and was the single

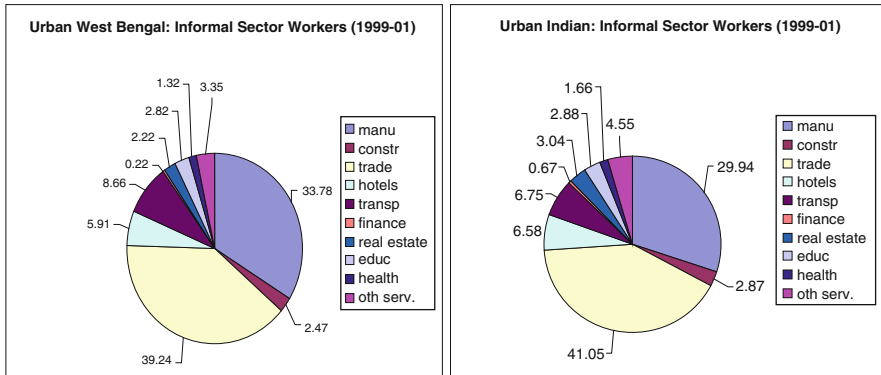


Fig. 24.1 Informal Sector in India (Source: Based on employment numbers given in Table 4, page A-26, of NSS Report No. 459: Informal Sector in India, 1999–2000, Salient Features)

largest occupational group. However, the foregoing figures relate to both the formal and informal sectors combined.

Obtaining recent data on informal sector production units alone was. However, the importance of this type of work to the economy of West Bengal and the nation is evident from the fact that the recently completed fourth all India census of small scale industries 2006–2007 indicates that, after U.P., West Bengal with 2,080,000 units has the highest number of unregistered small-scale factories/workshops and accounts for 10.47 % of the country’s total, 13.44 % of its employment, and 14.06 % of its gross output (MSME 2007).

The NSS 1999–2000 report on the informal sector provides us with actual estimates of workers in informal sector production and service enterprises (NSSO 2001). The pie diagrams given in Fig. 24.1 indicate the percentage distribution of estimated numbers of workers by tabulation category. It can be inferred from the diagrams that in 1999–2000 informal sector trade was the most important in terms of total numbers of workers in both urban West Bengal and in urban India as a whole. Next in importance was manufacturing, which we see has a significantly higher percentage of workers in urban West Bengal as compared to urban India. Thus, despite the overall trend toward services, the secondary data continue to highlight the importance of manufacturing activities in the informal economy of urban West Bengal.

The NSS 1999–2000 report, however, does not tell us anything about growth, and for this we need to turn to the Economic Census, All India Report (1998), which provides some information on the growth of small, unincorporated enterprises (manufacturing and services) and the workers employed by them during the period 1990 to 1998 (GOI 1998). Referring to Table 5.2 of this report, we find that the urban areas of West Bengal experienced a growth rate of small enterprises of 3.11 %, which is higher than the national average for urban areas at 2.5 %, but that the growth rate of workers employed by such enterprises was much less, at 1.80 %, whereas the national average was 1.34 %. However, data from the latest Economic Census, conducted in 2005, reveals a slowing down of the annual growth of enter-

prises to 2.67 % and of employment growth to 0.29 % in the urban areas of West Bengal (GoI 2008).

Turning now to the self-employed in the informal sector, the Planning Board study of 1990 indicates that, in the municipal areas, the leading five occupations were running shops (37.56 %), domestic and personal services (11.06 %), hawkers (10.91 %), craftsmen (9.53 %), and transport operatives (7.39 %). For the city areas of Kolkata and Howrah, the leading occupations were very similar. In contrast to the case of the enterprises, systematic data on growth and change since 1990 among the self-employed in the informal sector who do not own an enterprise are not available. The views of local experts and the field study of July 2005 indicate a growth in transport workers (rickshaw and van-pullers), home-based workers, and domestic services.

To summarize, there are several data sources that seem to indicate an increase in the percentage of workers in the informal sector of the KMA. However, some of these sources are qualitative in nature, and estimations of the increase in size of this sector are difficult to make on this basis. Based solely on the hard data available from the 2001 Census, which indicated a yearly increase of 24 % in household industry workers in the KMA, it can be estimated that the size of the informal sector within Kolkata City has exceeded 60 % now, whereas for the smaller municipalities it would be nearer 70 %.

24.3 Informal Sector Manufacturing Activities in the KMA

Field-based observations are mainly used for this section.

24.3.1 Those Located in Workshops or Small Factories

Informal sector manufacturing activities carried out in small workshops/factories displayed some common characteristics regardless of which municipality was visited. (1) Most production units were registered with the municipality and paid an annual tax; a few of the larger ones such as a ballpoint pen plant in Hooghly-Chinsurah, a musical instrument workshop in New Barrackpur, and a garment factory in Kalyani were registered with the SSI Directorate. (2) The premises of the workshop/small factory was a residential building; there were in most cases no signboards to indicate the presence of the workshop; without local knowledge and contacts, it would be difficult to find these workshops, and thus they are, in that sense, 'invisible' to outsiders. (3) The workshops ran on hired labor paid daily wages or on a piece-rate basis for work done in 1 day; Rs. 50 a day seemed to be an average wage, but there were wide variations depending on skill levels. In the glove factory, women workers doing the cutting took home Rs. 150–300 a week, which is around Rs. 25–50 a day, while workers doing the pasting, the most difficult job, received

Rs. 1,500–2,000 a week. (4) The size of these workshops was fairly large, ranging from 55 workers in the case of the glove factory to 10 workers in the case of musical instrument parts. (5) Manufacturing processes tended to be labor intensive rather than capital intensive; machinery was mostly limited to lathes and sharpening and grinding tools operated by motor. (6) Workshops produced on orders received from larger units/middlemen, who also supplied design specifications. (7) Working conditions were poor to very poor, particularly with regard to lighting and the worker's comfort and safety.

To compare these characteristics with those of other states, it is necessary to turn to the NSS 1999–2000 report on salient features of the informal sector. Findings in the field can be seen against the report's findings for informal sector establishments located in urban areas. By establishments, the NSS refers to "those enterprises which have got at least one hired worker on a fairly regular basis."

Regarding registration, the report reveals the following. In West Bengal, the proportion of urban establishments per thousand that register with the local body is considerably higher, at 530 per 1,000, than that found in the country as a whole (304 per 1,000); this is particularly true in larger states such as Maharashtra (162 per 1,000) and Tamil Nadu (336 per 1,000). Smaller states, on the other hand, such as those in the northeast, have fairly high proportions per 1,000 registered with the local body. This difference could have something to do with trust or assurance that local officials will not interfere or disrupt the functioning of the enterprise.

Regarding the location of the enterprises, the report indicates that the proportion per 1,000 of urban establishments located within household premises in West Bengal is 185, which is higher than the national average of 104. However, a much larger proportion, that is, 780 per 1,000, is located outside household premises in urban West Bengal as in the country (837 per 1,000). My finding that many of the manufacturing units were located within a residential premise can be explained by the fact that the NSS data on urban establishments cover all kinds of activities, not only manufacturing. Included under establishments are sectors such as construction, trading, hotels, transport, finance, real estate, education, health, and other community services, most of which would require premises separate from the household.

Turning now to payment for hired labor, the report indicates that this is significantly lower in the urban establishments of West Bengal, at Rs. 15,839 a year, as compared to the national average of Rs. 21,681. Monthly wages in urban West Bengal stand at an average of Rs. 1,320, which is around Rs. 330 a week or Rs. 55 a day for a 6-day working week. The field-based finding, that the average payment is Rs. 50 a day in most workshops, is very close to this figure derived from aggregate data. Annual payments for hired labor in urban establishments in Maharashtra (Rs. 25,804), Gujarat (Rs. 28,108), Tamil Nadu (Rs. 20,301), and Andhra Pradesh (Rs. 18,499) highlight the smaller earnings made in West Bengal.

Regarding the average size of informal sector establishments in the urban area, the NSS report indicates that the all-India average is 4.3 workers. For urban establishments in West Bengal, it is 4.0. There is very little variation among the states regarding size, with Maharashtra (4.9), Gujarat (4.6), Karnataka (4.3), Tamil Nadu

(4.2), and Andhra Pradesh (4.2) being a little more than West Bengal. What is clearly evident, then, is that the units visited were much larger in size as compared to most establishments and possibly even manufacturing establishments, in the informal sector. Second, in the economically better-off states, generally units employing more than 10 workers with power or more than 20 workers without power are registered under the Factories Act, 1948. Detailed field studies of the ceramic industry in Gujarat (Das 2004) and bakeries in Mumbai (Dewan 2001) reveal this to be the case. Thus, in the small-scale ceramics industry in Gujarat, units registered under the Factories Act had an average of 23.2 employees whereas those unregistered had 6.3 employees. Similarly, in the bakeries of Mumbai, formal sector units had an average of 21 workers and the unregistered units had an average of 4.5 workers.

Regarding the labor intensity of manufacturing processes and poor working conditions in informal sector manufacturing units, detailed case studies from different parts of the country have verified these aspects. For instance, in the case of the ceramic industry in Gujarat (Das 2004), it was noted that the technology used was simple, and workers experienced long hours of work, unprotected from the handling of hazardous substances. It was also noted that the gross value added in the registered sector was about seven to ten times higher than that in the unregistered sector.

Finally, regarding the fact that owners of informal sector manufacturing units produced on orders received from middlemen, the NSS survey of 1999–2000 indicates the following: for home-based enterprises, 851 enterprises per 1,000 manufactured on the basis of orders from a larger enterprise or a contractor/middleman. For all urban establishments, in general, there is predominantly one agency for purchase of basic inputs (813 per 1,000) and one agency for sale of the final product (856 per 1,000). Thus, our findings in the field are supported by the aggregate data.

Apart from the common characteristics of the informal manufacturing units that have already been discussed, the field visits also revealed some interesting contrasts among small entrepreneurs. The contrasts centered on whether the entrepreneurs were interested in supplying export markets or content with their existing markets, which were generally local and, sometimes, national. Those who were already supplying export markets, for instance, the makers of musical instrument parts in New Barrackpore, produced high-quality products made of the best materials available and with an excellent finish: these items included violin chin rests, tailpieces for double basses, violin chord frames, violin shoulder rests, and pegs for violins, violas, and cellos made from ebony and rosewood for buyers in Europe, the United States, and Taiwan. Entrepreneurs were optimistic about the market and available local skills. They recognized the skills of their workers and believed that they could compete successfully.

A second category of entrepreneurs were a few who were currently producing only for the local market but were aiming to enter the export market very soon. An example of this was the owners of a fairly large surgical instruments factory in Baruipur producing ophthalmic instruments. The workshop, one of the largest of its kind in Baruipur, had 18 workers and was 16 years old. It was owned and managed

by a husband-wife team who now planned to export their products. They wanted to make their company a private limited one and take all the necessary steps to fulfill the quality requirements of an export market, including payment of full benefits to workers. They had already begun their search for customers through the Internet. This category of entrepreneurs was also optimistic.

A third category of entrepreneurs consisted of those who were just about breaking even and did not see much potential for growth in the specific industry. The manufacturers of shuttlecocks and ballpoint pens were in this category. The shuttlecock small industry was shrinking in Uluberia partly because of the entry of numerous small units undercutting the profits of larger units such as the one we visited that had 20–22 workers. A shortage of the supply of fine-quality white duck feathers from Bangladesh was another major constraint. In the case of the ballpoint pen industry, the competition was from larger units and from outside the country. A local manufacturer in Hooghly Chinsura with a 5-year-old factory and 20 workers explained to us that unless he shifted from hand-molding his products to auto-molding, he would not be able to survive the competition from big companies and Chinese products. To make this transition, he needed a large loan, which was very difficult to procure.

A final category is made up of the manufacturers of artisanal products for which demand has fallen to such an extent that the industry is in rapid decline, for instance, the production of brass metal utensils. We visited a factory in Hooghly Chinsura employing around 10 workers and operated without mechanical power. Entrepreneurs of such units were barely surviving.

24.3.2 Formal Sector Factories Operating on the Basis of an Informal Workforce

Estimates of the size of the informal sector are complicated by the presence of many formal sector factories that employ workers on an informal basis. A notable example of this is many of the foundries of Howrah, which are covered under the Factories Act of 1948 but employ contract labor. Two such foundries were visited. They too provided a contrast in entrepreneurship styles and prospects for growth. The first had six permanent workers and 36 contract laborers and produced around 200 metric tons of iron castings a month, 95 % of which was being exported to the U.S. and Dubai. In spite of being a vertically integrated plant where upgradation of technology takes place every 4–5 years, we found the processes to be very labor intensive and the quality of output at a basic level. Daily wages began at Rs. 50 a day. However, the commercial manager of the plant, a B.Com graduate, was optimistic about growth in the foundry industry, which he pegged at 7–8 % a year. Although no new foundries were coming up, there was a good demand for their output through exports. In contrast to this, the second foundry with 28 workers produced iron castings for the local market and was just about breaking even. Technologically, both plants were at the same level, the difference being largely one of markets served.

24.3.3 *Home-Based Manufacturing Activities*

As has been indicated earlier, this is an important component of informal sector work, one which has been growing within West Bengal and within the Kolkata Urban Area. The most important kinds of home-based work that were encountered in the field visit were *zari* work and *bidi* rolling. *Zari* is basically a brocade of tinsel thread meant for weaving and embroidery, and *bidi* is a thin Indian cigarette filled with tobacco flake and wrapped in a leaf with a string at one end. Similar to the informal production units located in residential premises, these activities too are almost invisible to outsiders, and only with known contacts can such production sites be located. However, in contrast to the former, these activities are based on family labor and involve both adults and teenage children of the family.

In Uluberia there are at least 20,000 people, mostly Muslims, engaged in *zari* work, which is done via small workshops as well as in the home, the ratios being 25:75, respectively. We visited a few workshops as well as a few homes of *zari* workers. The workshops, run by middlemen, referred to locally as *ostagars*, are located in large huts containing two or more wooden frames for doing the *zari* embroidery. All workers are young men. Working about 13–15 h a day, they make about Rs. 100 a day. It is intense work requiring very good eyesight and concentration. Generally, the material to be embroidered is supplied by the *ostagar*. Workers have to buy their own thread, beads, and other decorating accessories. A number of such shops flourish in the local bazaar.

Within the homes, both men and women do this work, often to the sound of taped music to maintain their concentration. With three family members working several hours each day, they make about Rs. 1,000 a week. It is very laborious work with high penalties for small errors, for instance, a small mark or stain in the material can result in rejection of the product by the *ostagar*. The families who undertake to do *zari* work are very poor and have little bargaining power against the *ostagar*, who dictates prices, quality, and designs. Since the early 1970s, Uluberia has become a centre for *zari* work, particularly among the poorer households. Although some of the finished work caters to the local and national market, some of it is exported to countries such as Dubai. Although the final prices charged for embroidered work are very high, the profits go to the *ostagar* and not the workers, who have remained an impoverished group.

Similarly, *bidi* rolling is also done by poorer households to supplement their incomes and is done both as home-based work and in small workshops. As home-based work it is done by women, and earnings are very low in spite of intense and long hours. For every 1,000 *bidis* rolled, the payment is Rs. 35. Generally, it takes 1 week to roll this quantity. When done in a workshop, the payment is higher, around Rs. 60–80 a day, but for the poor women taking in home-based work is more convenient than having to go to a workshop, and lacking bargaining power, they accept a lower rate from suppliers/middlemen.

24.4 Informal Sector Service Activities

In contrast to the manufacturing work done within the informal sector where invisibility is a prominent characteristic, given that the location of such activities is most often the home or residential premises, service activities in the informal sector, other than personal services, are highly visible. Activities such as hawking, peddling, driving rickshaws and vans, working at construction sites, lifting loads at transport terminal points, are all eye catching and can involve the use of public space, for example, the streets. Hence, there is often a tendency to see the informal sector through its service activities and to report growth and change in terms of these activities alone. In this study we have avoided this overemphasis on the more visual elements within the informal sector by our detailed discussion of the more 'invisible' production activities within the informal sector. However, it is now necessary to focus on the service activities as they constitute an important aspect of informal sector work and also engage a growing majority of the self-employed.

In all the field visits and from many of the filled questionnaires returned, representatives of the municipalities have repeatedly highlighted the significant increase in occupations such as street hawking and rickshaw/van driving. This change has been noted in particular in the jute-dominated municipalities where the gradual loss of jobs in the jute industry caused by the closure of the jute mills is forcing workers to look for other avenues of work. As we have noted earlier, the average daily earnings in these occupations are higher than in informal sector manufacturing work. In Howrah, the average daily earnings of a rickshaw driver are Rs. 150 while that for a hawker are between Rs. 200 and 250 a day. In the small-scale factories that we visited, only the very highly skilled, including masons or *raj mistris*, made such high daily earnings. However, too many entrants into rickshaw pulling and hawking would not only reduce individual earnings through excessive competition but also lead to other problems such as overcrowding in streets. Second, in spite of higher earnings as compared to production workers, they are still a poor group with fluctuating earnings. For rickshaw and van drivers, there are also health-related problems.

Of the 40 local bodies to which the LED questionnaire was sent, 24 responded with the details we sought. The following is based on a summary of these 24 questionnaires. The importance of the informal sector emerges very clearly from the survey. Of the five leading occupations of households in the local body, the informal sector accounted for at least three. In Uluberia (zari), Maheshtala (tailoring), Halisahar (construction work), Bansberia (construction work, *bidi*), Baranagar (wage work in small manufacturing), Uttarpara-Kotrung (brickmaking), and Hooghly-Chinsura (small manufacturing), the leading occupation in terms of numbers of workers is in the informal sector. The table given next indicates the informal sector occupations mentioned by municipal chairpersons/mayors as being among the leading five occupations of the ULBs; it highlights the leading informal sector occupations in different local bodies by economic sector (Table 24.2).

What emerges very clearly is that agriculture and other primary sector activities are now marginal in all the municipalities and the majority of the informal sector

Table 24.2 Leading informal sector occupations in 24 municipalities of the Kolkata metropolitan region

Urban local body	Informal sector manufacturing	Informal sector services	Informal sector: primary activities
Uluberia	Zari, biri	Rickshaw/van pullers, housemaids	
Maheshtala	Tailors, leather and leather products, firecrackers	Construction workers	
Baidyabati	Saree printing, wooden furniture making	housemaids, small vegetable vendors	
North Barrackpore	Making bricks	Construction workers, rickshaw/van pullers	
Kalyani	–	Construction workers, housemaids	
Garulia	–	Rickshaw/van pullers, housemaids, hawkers	
Panihati	Small entrepreneurs	Hawkers, rickshaw/van pullers	
Halisahar	Small entrepreneurs	Construction workers	
Khardah	Small entrepreneurs	Rickshaw/van pullers	
Bansberia	Biri	Construction workers	Fish
Baranagar	Wage work in small manufacturing units, plastic goods	Housemaids, hawkers, rickshaw/van pullers	
Chandanagar	–	Shop workers, rickshaw/van pullers, hawkers	
Uttarpara-Kotrung	Brick making	Rickshaw/van pullers, construction workers	
Baruipur	–	Housemaids, rickshaw/van pullers	Agriculturalists
Bhadreshwar	Small entrepreneurs	Rickshaw/van pullers, housemaids	
New Barrackpore	Small manufacturers	Small shops, rickshaw/van pullers, housemaids	
Budge Budge	Small entrepreneurs, small manufacturers		
Barrackpore	–	Construction workers	
Rishra	Small manufacturers		
Kachrapara	Small entrepreneurs	Daily laborers, housemaids	
Hooghly-Chinsura	Small manufacturers		
Bhatpara	–	Construction workers, rickshaw/van pullers, hawkers	
Madhyamgram	Home-based industries, small entrepreneurs	Hawkers, rickshaw/van pullers	

Source: LED Questionnaire Survey (2005)

occupations are either in small-scale manufacturing or in services. The importance of rickshaw/van driving, hawking, construction work, and domestic work is clearly highlighted.

24.5 Including the Informal Sector in Local Economic Development

The large and growing size of the informal sector has many implications for local economic development. It is the source of employment and earnings for the majority of the municipal population; urban local bodies need to pay this sector much greater attention, particularly in view of the fact that employment in the formal sector and, specifically, the organized manufacturing sector, has, since 1984–1985, grown very slowly (Rani and Unni 2004).³ The formal sector's ability to absorb low-skilled labor has been very limited. Most of the municipalities that responded to our questionnaire already had in place some programs to assist the informal sector. We need to focus on these to highlight their strengths and shortcomings.

24.5.1 Programs and Activities Currently Being Followed by ULBs in the KMA

The LED questionnaires have provided details on the activities undertaken by the municipalities to assist the poor, as follows.

1. Provision of training in various skills

Almost all the municipalities have in place training programs under the centrally sponsored SJSRY (Swarna Jayanti Shehari Rojkar Yojna). Through this, training is being provided to individuals from BPL (below the poverty line) households in vocational trades such as radio and TV repair, computer training, tailoring, soft toy making, beauty parlor skills, making jute products, auto rickshaw/rickshaw repair, making of foam leather bags, knitting, and *batik* and *zari* work. However, unless such training is backed by market demand for the specific products or services, earnings from such activities will remain uncertain. In fact, in several instances, for example, in Uluberia, only the training provided in *zari* work has been successful in that it has actually led to an increase in the numbers of poor families doing this to supplement their incomes. In Bhadeswar, some training courses have succeeded, for instance, tailoring, knitting, beautician courses, soft toys, telephone repairs, nursing, and furniture repair. However, others such as the making of jute products, food

³ According to these entities, the annual growth in the organized sector was 0.65 % between 1984–1985 and 1989–1990, 2.13 % between 1989–1990 and 1994–1995, and 0.70 % between 1994–1995 and 1999–2000. Immediately following economic reforms there was a surge in organized sector employment, but this did not last long.

processing, radio/TV repairs, two- or three-wheeler repair, watch repairing, and refrigerator repairing have not worked, because of the lack of credit. These vocational trades require some investment of capital, for instance, for the basic tools needed for repair work or a sewing machine for tailoring/making bags. Unless some credit is extended to trainees, these trades are not engaged in and many trained individuals are unable to set up the service/activity on their own.

2. Assistance in procuring credit

A few municipalities have assisted the poor in securing credit. The Panihati municipality has helped people to get loans from banks. Halisahar, Baranagar, and Uttarpara municipality have helped by providing references for bank loans.

3. Employment generation

Regarding employment generation, only 1 municipality of the 24 that have responded to the LED survey had in place innovative projects to generate employment among the poor. In Kalyani municipality, there is a small restaurant called 'Tripti Mahal' run by ten poor women through the SJSRY scheme. The land and the building have been provided by the municipality. The building is an old municipal pump house that was not in use. Similarly, the organization 'Astha,' run by a few women, manages a number of bicycle stands such as those at the stadium and near the municipal markets. The women charge 1 rupee for keeping the bicycles. 'Nasta' is another example of a canteen set up near the central park and run by ten women. It provides home delivery food items as well.

4. Creation of infrastructure to facilitate economic activities

Several municipalities have gone ahead to build markets, marketing zones, etc. to facilitate economic activities in the informal sector. In Kalyani, rows of small shops have been built on municipal land for hawkers. Thus, the hawkers are now formal owners/renters of the stalls. In Kalyani there is also Saptaparni, a large marketing complex with more than 200 small shops created to house small shopkeepers. Chandanagore has created some marketing infrastructure such as stalls for its hawkers along the riverfront. In New Barrackpore there is 'Kristi,' a marketing complex built by the municipality for small shops. Rishra municipality is in the process of providing space to vegetable and fish vendors.

24.5.2 Future Directions for Greater Inclusion

Although the foregoing attempts at improving the lot of the informal sector have brought some success, there is need for greater inclusion of the informal sector in local economic development. For this, both broad-based strategies as well as targeted strategies are needed. The broad strategies include the following:

1. Improving the available skill set of the local population through education remains a cornerstone for any long-term success in improving prospects for people in the

informal sector. Because the ULBs own and manage a large number of local schools, an improvement can help the processes highlighted here.

2. Improving health facilities and social security nets for the poor is another fundamental need of informal sector workers. The health centers run by the municipality can be improved to provide better services. The state social security programs, for instance, the PF Program for unorganized workers, can be implemented via local government. Because local-level government in small towns has an established presence and is known through direct contact, it may be more successful in alerting the targeted group to enroll in such programs.

However, ULBs need to view the informal sector not just in welfare terms but also as a vehicle for serious economic development, and for this aspect, strategies targeted at the different components of the informal sector are needed. The capacity of the informal sector to absorb low-skilled labor in a diversity of manufacturing activities that generate considerable output for the state must be kept in mind. Viewing the informal sector only in welfare terms will limit any long-term goal of local economic development and not lead to any sustained increases in efficiency and productivity or to any improvement in the quantity and quality of jobs in the local area. Second, because there is considerable variation in earnings and opportunities within the different segments of the informal sector, no blanket policy can be offered. Some of these segments are highlighted here and suggestions offered.

1. There is a small dynamic element within the informal sector characterized by export-oriented entrepreneurs who value skilled work and produce high-quality goods; opportunities for growth and the improvement of wages and technology exist in such enterprises. ULBs need to facilitate the growth of the dynamic elements within the informal sector. Recognizing dynamic individuals and assisting them locally via access to upgradation programs and marketing outlets, such as provided in national and international fairs, can go a long way in nurturing local enterprise. Municipalities can also use dynamic entrepreneurs as resource persons to impart training to other local entrepreneurs in the same industry. Some successful entrepreneurs have expressed willingness to be involved in this way. Mr. Prasanta Biswas, owner of the Usha Art Emporium and a manufacturer of musical instrument parts in New Barrackpore municipality, is an example.
2. The majority of producers within the informal sector operate at very low levels using cheap labor as the main competitive point to remain in the market; poor wages and poor working conditions coupled with low-end technology characterize such units. The future for these 'sweatshops' and their workers is uncertain unless they upgrade. However, even apart from contributing to the manufacturing output of the state, such units provide employment to large numbers of the local population, and their upgradation and improvement should be an important concern of the ULBs. The ULBs must try to be more proactive regarding these units rather than simply turning a blind eye to their activities.

The approach in regard to these units has to be facilitatory/advisory and regulatory. Loans are a major requirement for technological upgradation. Facilitating access to loans from local banks and state-level institutions would immensely

help those entrepreneurs wanting to upscale and improve production. Efforts can be made by ULBs for a minimum improvement in the working conditions and safety of workers. Some of the units visited were in violation of basic building codes and of health and safety norms. The municipality can also send local entrepreneurs for training and expose them to better ideas and technology through encouraging participation in state/national trade fairs.

3. Home-based work wherein high levels of skill and long hours of work are not remunerated adequately because of the presence of middlemen traders who siphon off the profits through trade is unfair. Thus, zari workers and *bidi* workers in the informal sector are among the most impoverished.

Forming a co-operative of home-based workers in a particular area and helping them to sell directly to the market would ensure that a greater amount of the profits remain with the workers. However, organizing the workers to form a co-operative itself is a difficult task and is best done by experienced NGOs. The municipality can invite such an NGO to undertake this task on its behalf and assist by providing a marketing outlet or display center in the municipal building itself. The experience of SEWA (Self-Employed Women's Association) in forming cooperatives of home-based embroidery workers in Kutch and Patan is worth considering.

4. For service sector workers, supportive policies in regard to their presence via the issue of licenses, building of proper rickshaw stands, provision rate charts, access to credit facilities, and social security were among the suggestions made by their representatives.

24.6 Conclusion

One concludes with the observation that many of the municipal authorities had indicated their feeling that, in recent years, the increased efforts of the state government to bring industry into the state has meant that municipal control over local economic development is declining. The state government directly allots land to these industries and monitors them. The new economy industries are thus mostly out of the control of local government. However, as has been highlighted in this chapter, there remains a large segment of the economy of metropolitan areas supporting a majority of the working population wherein the activities of local government can play a critical developmental role. The informal economy of the small municipal towns within the KMA can be assisted both in targeted ways through sector-specific policies as well as through a general improvement in public goods such as education, public health, and social security. This assistance would lead to long-run improvements in the local economy through an upgradation of local skill sets, health and life expectancy, and productivity from small enterprises.

Acknowledgments This paper was presented at the *4th International Conference on Sociology* held in Athens, Greece, 10–13 May 2010.

References

- Calcutta Metropolitan Development Authority (CMDA) (1997) Socio-economic profile of households in Calcutta metropolitan area: 1996–97. Government of West Bengal, Calcutta
- Census of India (2001) Primary census abstract. West Bengal
- Das K (2004) Income and employment in informal manufacturing: a case study. In: Jhabvala R, Sudarshan RM, Unni J (eds) *Informal economy center stage: new structures of employment*. Sage, New Delhi
- Dasgupta B (1973) Calcutta's 'Informal Sector'. *IDS Bull* 5:53–65
- Dewan R (2001) Health security and occupational safety for informal migrant workers: the case of bakery industry. *Indian J Labor Econ* 44(4):585–599
- GOI (1998) Economic census: all-India report. Government of India, Ministry of Statistics and Program Implementation, Central Statistical Organization, New Delhi
- Government of India (GoI) (2008) Fifth economic census. http://mospi.nic.in/economic_census_press_note.
- Government of West Bengal (1990) Perspective plan for Calcutta: 2011, Supplementary vol. 3: a survey of the informal sector in CMA. State Planning Board, Government of West Bengal, Kolkata
- MSME (2007) Final report-Fourth all India census of micro, small and medium enterprises 2006-2007: unregistered sector. Government of India, New Delhi. <http://www.smallindustryindia.com/publications/books/fcensus.htm>
- Mukhopadhyay I (1998) Calcutta's informal sector: changing pattern of labor use. *Econ Polit Wkly* 33(47-48):3075–3080
- NSSO (2001) Informal sector in India, 1999–2000: salient features. Report no. 459, NSS 55th round (July 1999–June 2000). Ministry of Statistics and Program Implementation, Government of India, New Delhi, p 239
- Rani U, Unni J (2004) Unorganized and organized manufacturing in India: potential for employment generating growth. *Econ Polit Wkly* 39(41):4568–4580
- Sen SN (1960) *The city of Calcutta: a socio-economic survey*. Bookland, Calcutta
- Shaw A (1999) Emerging patterns of urban growth in India. *Econ Polit Wkly* 34(16/17):969–978
- Shaw A, Pandit K (2001) The geography of segmentation of informal labor markets: the case of motor vehicle repair in Calcutta. *Econ Geogr* 77(2):180–196
- Shaw A, Satish MK (2007) Metropolitan restructuring in post-liberalized India: separating the global and the local. *Cities* 24(2):148–163