

# Urban Poverty Vis-A-Vis Informal Sector

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**Abstract:** *India's population is around 1.21 billion (Census 2011) and rising; 836 million people are poor and 395 million earn their livelihood by working in the informal sector. Developing India and the poor struggling to survive is the common view of India's urban cities. Poverty is multidimensional; a socio-economic phenomenon which defies any precise definition. Urban poverty has been differentiated by two broad complementary approaches i.e. economic and anthropological interpretations. Urban poor is basically engaged in the urban informal sector. The quest for better livelihood opportunities has led to large-scale migration and the mushrooming of slums in several Indian cities. Several governmental programmes are in progress to alleviate poverty. India now has that rare window of opportunity to improve the quality of life for its 1.2 billion citizens and lay the foundations for a truly prosperous future—a future that will impact the country and its people for generations to come. "The test of our progress is not whether we add more to the abundance of those who have much; it is whether we provide enough for those who have too little." — Franklin Roosevelt; bearing this in mind, India must march inclusively forward to realize its dream of "DEVELOPED INDIA".*

**Keywords:** Urban Poverty, Informal Sector, Globalization, Liberalisation, Urbanization, Poor, Employment, NGO's, Government.

## 1. Introduction

Last summer I visited to Mumbai for vacations. I experienced the ever-growing development of Mumbai, the undaunting spirit of busy mumbaikars and astonishingly a city that never sleeps. One evening, we were on our way towards the Bandra-Worli Sea link, the picturesque baffled me amidst the subtle flow of the Arabian Sea underneath it. The journey was amazing! While returning I witnessed the other face of Mumbai. At every signal post the poor children came across the traffic, risking life to earn some money either by begging or by selling toys, magazines etc. On the pavement and below the flyovers there were families making their living with no bare minimum households with them. Developing scene on one side and that of the poor struggling to survive on the footpaths on the other? Ahh! What a tyranny? This has left a profound impact on my mind and this is a sordid story of India-the emerging economy! This I thought to be just a tip of a greater iceberg!

India's population is around 1.21 billion (Census 2011) and rising; 836 million people are poor and 395 million earn their livelihood by working in the informal sector [1]. Over 80 million poor people live in the cities and towns of India with 61.80 million people living in slums [2]. With over 575 million people, India will have 41% of its population living in cities and towns by 2030, of its nearly 1 billion inhabitants, an estimated 260.3 million will be below the poverty line (193.2 million in the rural areas and 67.1 million are in urban areas) [3]. Globalisation, Liberalisation, Urbanisation of the Economy (GLUE) has created heaving fault lines beneath the urban surface, most of which citizens have little control over.

With such staggering statistics, I feel, that to transform India into a Developed country it's imperative to address Urban poverty and all the more to address the growing presence of the workers in the Informal Sector who constitute an invisible part of the urban landscape. This group provides a variety of services to ever increasing urban population; In this backdrop, I am making an attempt to get a focused

insight into Urban poverty vis-à-vis Informal Sector,. I am making an effort to provide its definition, comparative world data, Indian scenario, problems and effects, the ongoing governmental efforts along with NGO's efforts followed by conclusion in seek of hope for the oppressed. I am making an effort also to analyze why then, poverty/informal sector is still a face of the so called 'Shining India' .....

## 2. Definition of Urban Poverty

Poverty is multidimensional. It is socio-economic phenomenon which defies any precise definition; its concept & content varies from country to country depending upon what a particular society accepts as a reasonably good living standard for its people. Thus, in California, USA, it would not be surprising if a family owning less than two cars may be dubbed as poor, conversely, in India, "Poverty" manifests itself in its star test form as a visual of starving, unkempt, deprived millions combined with thousands of them lacking denial of choices, opportunities, of human dignity & human rights, insecurity, powerlessness, social exclusion compounded by susceptibility to violence & discrimination. There are two faces of poverty i.e urban poverty & rural poverty. Both need to be addressed separately.

Urban poverty has been differentiated by two broad complementary approaches, they are: economic and anthropological interpretations. Economic definitions use income or consumption complemented by a range of other social indicators such as life expectancy, infant mortality, nutrition, the proportion of the household budget spent on food, literacy, school enrolment rates, access to health clinics or drinking water, to classify poor groups against a common index of material welfare. Anthropological interpretations developed largely by anthropologists and social planners working in the third world allow for local variation in the meaning of poverty, and expand the definition to encompass perceptions of non-material deprivation and social differentiation. They emphasize a great value to qualitative dimensions such as independence, security, self-respect,

identity, close and non-exploitative social relationships, decision-making freedom and legal and political rights [4].

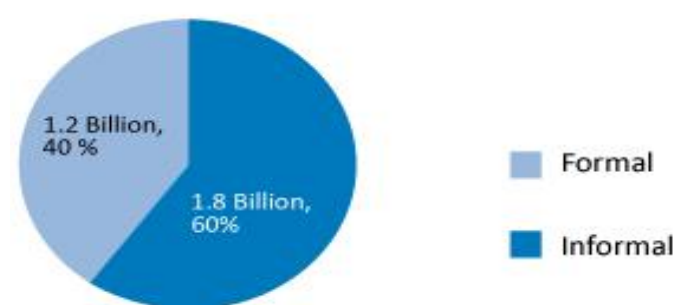
### 3. Definition of informal sector:

The formal-informal dichotomy can be regarded as a new variation on the dualism theories of the past. Keith Hart coined the term 'informal economy' in 1971. The term informal sector came in a broader sense in the academic literature only after the visit of an International Labour Organization (ILO) employment mission to Kenya in 1972. According to the UNSC's System of National Account - SNA (1993), the "Informal sector" consists of units engaged in the production of goods or services with the primary objective of generating employment and income to the persons concerned. These units typically operate at a low level of organization, with little or no division between labour and capital as factors of production and on a small scale [5].

### 4. Comparative World Data

GLUE is a trans-national, so is urban poverty and informal sector. Over the next 25 years, the world's urban population is projected to increase to 4.9 billion people by 2030, roughly 60 per cent of the world's population [6]. According to Census 2011, urban population in India is around 377 million (nearly 30 percent); by 2025, this will grow up to 40 percent - totalling to an estimated 535 million people, who will be living in towns and cities [7]. Currently, around 1.8 billion people work in informal jobs compared to 1.2 billion who benefit from formal contracts and social security protection (Fig-1).

**Worldwide Informal Employment**



**Figure 1: Worldwide Informal Employment**

Source: - Google images

Of the three billion people who live in urban settings, an estimated one billion live in slums. Complimenting the rising urban poor is the rapid expansion of the informal sector. Informal economic activity, excluding the agricultural sector, accounts for three-quarters of jobs in Sub-Saharan Africa, more than two-thirds in South and Southeast Asia, half in Latin America, the Middle East and North Africa, and nearly one-quarter in transition countries. If agriculture is included, the informal share of the economy in each region is even higher (e.g., more than 90% in South Asia). Such widespread, is the existence of urban poverty accompanied with informal sector.

### 5. Indian Scenario

GLUE has transformed India into a global place with increased integration of socio-economic parameters of human progress. India has shared the growth pattern and rapid urbanisation with some of the fastest growing regions in Asia. It has witnessed around 8% growth in GDP in the last couple of years and has planned to achieve a target of over 9% growth during the 12th plan period. Economic development and urbanisation are closely linked. In India, cities contribute over 55 % to country's GDP. By 2025, India will have more than double the number of city dwellers than the United States has today [8].

Urbanisation forms an important component of India's economic growth encompassing a radical increase in the number of poor people living here. Notably the ratio of urban poverty in some of the larger states is higher than that of rural poverty leading to birth of a new phenomenon i.e. 'Urbanisation of Poverty'.

Of the world's 21 most populated cities, three are in India: Delhi, Mumbai and Kolkata. The so called "vibrant model" urban cities have been a facilitator for less space and resources for the urban poor. Capital intensive facilitates and amenities stand to benefit the urban upper and elite classes with growing emergence of large apartment complexes, shopping malls, multiplexes and parking lots etc. Such urban growth is creating a divide between the rich and the poor, thereby raising prices of basic amenities and making them inaccessible to poor. Urban casual informal workers have been left behind in grabbing the growing urban employment opportunities. The self-employed workers face specific problems of access to credit, markets and space and also incur various 'hidden costs'. The quest for better livelihood opportunities has led to large-scale migration and the mushrooming of slums in several Indian cities.

The following Table:1- give a brief of some of the selected states poverty lines for rural and urban India for 2011-12. We can see that, all India poverty line based on the Monthly Per Capita Expenditure (MPCE) for urban areas is Rs .1, 000 and in rural areas it is Rs 816. Also we witness that the MPCE of Maharashtra, Gujarat and Delhi in the urban areas is greater than the national average [9].

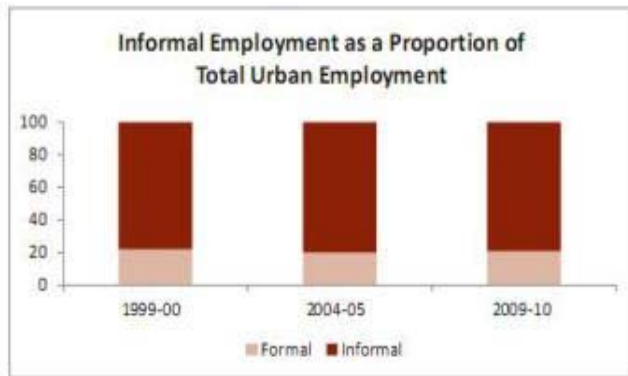
**Table 1: Selected states - Poverty lines for rural and urban areas for 2011-12 (Monthly Per Capita in Rupees)**

SL.NO	State	Rural	Urban
1	Maharashtra	967	1,126
2	Madhya Pradesh	771	897
3	Kerala	1,018	987
4	Rajasthan	905	1,002
5	Gujarat	932	1,152
6	Delhi	1,145	1,134
	All-India	816	1,000

Source: - Press Poverty Estimates, Govt. Of India, Planning Commission, July 2013

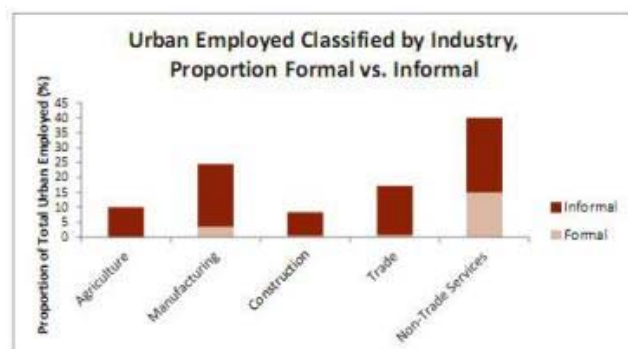
Urban poor is basically formed by the bulk of its workers engaged in the urban informal sector. The extent of informality in urban employment is high at around 70 percent.

It has remained largely unchanged over the course of the past couple of decades. Almost 60 percent of total urban employed are wage workers, and 67 percent of this category are informal wage workers (Fig-2). Classified by industry, the largest category for urban employment is non-trade services, which includes transport, domestic workers and waste pickers. Non-trade services also have the lowest proportion of informality (Fig-3) [10].



**Figure 2:** Informal Employment as a proportion of Total Urban Employment

Source: <http://terraurban.wordpress.com/2012/04/10/urban-poverty-livelihoods-the-india-urban-conference-evidence-and-experience-iuc-2011/>



**Figure 3:** Urban employed (by industry-proportion formal vs. informal)

Source: <http://terraurban.wordpress.com/2012/04/10/urban-poverty-livelihoods-the-india-urban-conference-evidence-and-experience-iuc-2011/>

India has been undergoing tremendous transformations, including growth of urban informal sector activities, deterioration in the quality of employment (in terms of job security, terms and conditions at work), weakening of worker organizations and collective bargaining institutions, marked decline in social security etc. To further understand the effects for increasing urban poverty and informal sector, it is important to know the four categories of informal labour as defined by the Ministry of Labour, Government of India, they are [11]:

1. **Occupation:** Small and marginal farmers, landless agricultural labourers, share croppers, fishermen, those engaged in animal husbandry, beedi rolling, labelling and packing, building and construction workers, leather workers, weavers, artisans, salt workers, workers in brick

kilns and stone quarries, workers in saw mills, oil mills etc. come under this category.

2. **Nature of Employment:** Attached agricultural labourers, bonded labourers, migrant workers, contract and casual labourers come under this.

3. **Specially distressed:** Toddy tappers, Scavengers, Carriers of head loads, Drivers of animal driven vehicles, Loaders and unloaders come under this category.

4. **Service:** Midwives, Domestic workers, Fishermen and women, Barbers, Vegetable and fruit vendors, News paper vendors etc. belong to this category.

In addition to these four categories, there exists a large section of unorganized labour force such as cobblers, Hamals, Handicraft artisans, Handloom weavers, Lady Tailors, Physically handicapped self employed persons, Rickshaw pullers, Auto drivers, Sericulture workers, Carpenters, Tannery workers, Power loom workers and Urban poor.

Thence, it's evident that our proudly proclaimed "global" cities such as Bangalore, Mumbai Kolkata, Delhi, etc which are being show-cased as the new face of an affluent India, constitute lakhs of people who rely on informal labour for their livelihood. The housemaids, security guards, construction workers, garment workers, cobblers, beedi workers, agarbati workers, drivers and many others have a very different story to tell. Their incomes have not grown at the staggering rate of their employers; indeed adjusted for inflation their incomes have often fallen over the last two and half decades, driving them into deeper poverty and making them more susceptible to the socio-economic jet lags.

## 6. Problems of Informal Sector

Predominance of informal employment has been one of the central features of the labour market scenario in India. While the sector contributes around half of the GDP of the country, its dominance in the employment front is such that more than 90% of the total workforce has been engaged in the informal economy. Among the unorganized sector workers, a considerable proportion (about 65%) is engaged in agricultural sector, which in turn indicates the prominence of rural segment in the informal economy. It is widely acknowledged that the informal sector in India suffers from a low productivity syndrome, compared to the formal sector. Crisis is a standard feature in the lives of the urban poor. The other prominent characters of problems of the sector are [12]:

- Omnipresent
- Scattered and fragmented
- Lower real wages
- Lack of credit facilities
- Poor health access
- Poor working / living conditions.
- Excessive seasonality of employment
- Casual and contractual employment
- Lack of potential growth
- Atypical production organizations and work relations



- Absence of social security measures and welfare legislations
- Negation of social standards and worker rights
- Denial of minimum wages
- Poor human capital base (in terms of education, skill and training)
- Lower mobilization status of the work force etc

Thus, over the decades, informal sector has become a competitive and low cost device to absorb labour, which cannot be absorbed elsewhere, therefore making any attempt to regulate and bring it into more effective legal and institutional framework sound to be impairing the labour absorbing capacity of the sector.

## 7. Effects

Urbanization in India has occurred more slowly than in other developing countries & the pace of urbanization is now set to accelerate as the country is onto a more rapid growth [13]. Urban India today is “distributed” in shape with a diverse range of large and small cities spread widely around the nation. Key drivers for the growth of the urban poverty and informal economy include: Urbanization, Migration, Illiteracy, Improper training, slow job growth and limited absorption of labour. It also include excessive cost, regulatory barriers of entry, corruption, weak institutions, lack of education and training opportunities, lack of appropriate infrastructure, social exclusion etc.

Needless to say, due to these factors (problems) the urban poor have been forced to feed themselves by working in the informal sector [14]. However, one cannot winkle off or ignore the increased vulnerability of poor, women & children especially. The urban life of women & children is pathetic and distorting. They forcibly pushed by the economic needs to gain employment in the informal economy. The number of children begging or selling toys or gadgets on the urban streets is a common view. An increased number of men & children are found to be involved in varied crimes such as robbery, kidnapping, murder, etc., thereby contributing to the increasing rate of crimes.

**Reverse Migration:** A recent Crisil Report suggested the prospect of reverse migration, with diminishing employment opportunities outside of agriculture along with rising urban living costs, people are being forced to move back to farms. The rating cum Analytics Company has projected additional employment creation in industry and services between 2011-12 and 2018-19 at only 38 million. This will result in about 12 million more people being re-absorbed in agriculture, putting pressure on farm wages, thereby reversing the earlier trend that contributed to declining rural poverty levels. The above projections may be a tad alarmist. For people acclimatised to urban life are reluctant to return to farms, unless driven by strong desperation. But the prediction highlights the dangers of a protracted slowdown [15].

## 8. Efforts

Since independence, eradication of poverty has continued to be the target of most of the policies framed in India. Only from the Seventh Plan (1985-90) onwards were the issues related to urban poverty being discussed. It lay down that poverty could be reduced only by generating employment, skill formation and improvement of the slum dwellers. The interest in addressing urban poverty peaked when the Planning Commission allocated a separate section to urban poverty in the Ninth Five Year Plan (1997-2002), putting an unprecedented focus on urban development and urban poverty alleviation. NREP, Swarna Jayanti Shahari Rozgar Yojana (SJSRY), Jawaharlal Nehru National Urban Renewal Mission, Twenty point programme etc are few of the many Governmental programmes in fulfillment of this task [16].

Apart from this, various Acts such as the Workmen's Compensation Act (1923), the Industrial Disputes Act (1947), the Minimum Wages Act (1948), The Employees Provident Fund and Miscellaneous Provisions Act (1952), the Maternity Benefit Act (1961), National Rural Employment Guarantee Act -2005 (NREGA) etc. reveal the attention being given to the alleviation of urban poverty [17].

NGO's efforts: - NGOs are steadily growing in prominence. They are contributing to various socio-economic purposes through their independent voluntary efforts to promote globally significant values and vivid aspects of country's overall development. Several NGO's like SEWA, Pratham, Goonj, Sammaan, LEPRO, etc are working for the upliftment of the poor, under-privileged, and neglected sections of the urban India [18].

## 9. Conclusion

India an abode to 1.2 billion people and the world's fourth-largest economy, exhibiting the recent growth and development has been one of the most significant achievements of our times. After six and half decades since independence, she has brought about a landmark agricultural revolution transforming the nation from chronic dependent on grain imports into a global agricultural powerhouse as a net exporter of food. Life expectancy has doubled, literacy rates have quadrupled, health conditions have improved, and an expanding middle class has emerged. India has made her mark globally in the fields of pharmaceuticals, steel, information and space technologies.

Indian urban population in 2001 was 27.8% of the total population. It is projected that by 2041, India's urban population will be 50%. India is ranked the country at a low 136 among 186 countries by the Human Development Report 2013 released by the United Nations Development Programme (UNDP) [19]. Being a signatory to the Millennium Development Goals (MDG's) set in 2000 with timeline of 15 years (up to 2015), India's progress report is as follows:

- Goal 1- Poverty: Slow on indicators for poverty and hunger; targets won't be met

- Goal 2- Universal Primary Education: Performance mixed. Primary enrollment and completion on track but slowly on last grade completion.
- Goal 3- Promote Gender Equality: Gender parity in education achieved in primary and secondary education; but in employment-lagging behind.
- Goal 4- Reduce child mortality: Slow on both infant and under 5 mortality
- Goal 5- Improve maternal health: Slow on all maternal health indicators
- Goal 6 -Combat HIV / AIDS, TB, Malaria and other diseases: Early achiever on HIV, on track on TB incidence but regressing on prevalence
- Goal 7 -Ensure environmental sustainability: On track on all indicators except on basic sanitation where it is slow

This shows that India still has lots to achieve and achieve faster. Unfolding, unleashing are a host of new opportunities to forge the India of 21<sup>st</sup> century, which, will soon have the largest and youngest workforce the world has ever seen. At the same time, a massive wave of urbanization is sweeping across the country as some 10 million people move to towns and cities each year in search of jobs and opportunity.

The historic changes have placed India at a unique juncture. How India develops its significant human potential and lays down new models for the growth of its burgeoning towns and cities will largely determine the shape of the future for the country and its people in the years to come.

Massive investments will be required so as to create secured jobs, housing, and infrastructure to meet soaring aspirations and make towns and cities more livable and green. Generating growth will be key. Inequity in all dimensions, including between region, caste and gender, need to be addressed. Disadvantaged groups will need to be brought into the mainstream to reap the benefits of economic growth. Women, who “hold up half the sky”, need to be empowered to take their rightful place in the socio-economic fabric of the country.

Fostering greater levels of education and skills will be critical to promote prosperity in a GLUE world. However, while primary education has largely been universalized, learning outcomes remain low. Less than 10 percent of the working-age population has completed a secondary education, and too many secondary graduates do not have the knowledge and skills to compete in today’s changing job market.

Facilitating health care will be equally important. Although India’s health indicators have improved, maternal and child mortality rates remain very low; of particular concern is the nutrition of India’s children whose well-being will determine the extent of India’s much-awaited demographic dividend. India’s infrastructure needs are massive. An estimated 300 million people are not connected to the national electrical grid, and those who are face frequent disruptions. And, the manufacturing sector i.e. vital for job creation continues to be small and underdeveloped.

Nevertheless, a number of Indian states with bold new initiatives are pioneering to tackle many of India’s long-standing challenges and are making great strides towards inclusive growth. India now has that rare window of opportunity to improve the quality of life for its 1.2 billion citizens and lay the foundations for a truly prosperous future—a future that will impact the country and its people for generations to come [20].

“The test of our progress is not whether we add more to the abundance of those who have much; it is whether we provide enough for those who have too little.” - Franklin D. Roosevelt; bearing this in mind, India must march inclusively forward to realize its dream of “**DEVELOPED INDIA**”.

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