

Building Informal Workers Agenda: Imagining 'Informal Employment' in Conceptual Resolution of 'Informality'

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ABSTRACT

There are two major theoretical conceptualizations that explain the formal/informal divide – ‘dualism’ and ‘structuralism’. Neither of these theories offers a complete picture of informal economic activities without running the risk of excluding a large section of informal workers from the purview of its analysis. A better theoretical basis of informal economic activities could be achieved by merging the insights from both of these theories. The ‘informal employment’ concept bridges the gap between the ‘dualist’ and the ‘structuralist’ theories in analytically providing a much wider coverage to workers working informally.

KEYWORDS

dualism, ILO, informal employment, informality, structuralism

The majority of the workers globally work under extremely precarious conditions (Decent Work 2002: 1-4, 31-33; Becker 2004: 21; NCEUS 2007; Unni 2001: 2360). Insecurity looms large over every aspect of their work. These workers lack guaranteed regular work, they can hardly secure minimum wages, they do not have any social protection, and the conditions at work defy the notion of dignity of the worker (Decent Work 2002: 2-4, 16-27; Becker 2004: 8-10; NCEUS 2007). These workers are employed in undertakings that do not have a legal existence; or they are part of legally registered businesses but are not part of the regular workforce; or are self-employed mostly because of the exclusion from the regular workforce (Decent Work 2002: 2, 16-25; Becker 2004: 13, 17-18). These workers are part of the informal economy. The expression ‘informal economy’, and its variations, ‘informal sector’ and ‘informal employment’ have been variously defined. At a generic level all these conceptualizations of informal economic activities signify activities and entrepreneurships that are not registered in accordance with the prescribed laws, are not in compliance with labour legislations, escapes monitoring by the state officials, lacks appropriate conditions at work, and mostly temporary and casual in nature. What is important is that the informal economy characteristics are conceptualized on the basis of its differences from the characteristics of the formal economy.

Problems with policy-making in the informal economy are marred by the way informal economic activities are variously defined by differing approaches. Economists and statisticians are interested in measuring the contribution of informal economic activities in the overall economy.

Labour activists are concerned with the improvement of the living standards and working conditions of the workers engaged in informal activities. Amongst these differing perspectives each of the constituents chooses their own definition and terminology to work their way in furthering their objectives. Within these different conceptualizations of informal economic activities one of the primary requirements is to determine the terms of the debate by clarifying the concept and terminology that one would employ and the purpose for which such conceptualization is endeavoured. In pursuance with that requirement this article clarifies the different concepts related to informal economic activities and proposes the use of the terminology that is most relevant for the purpose that this article wishes to address, which is the improvement of the living standards of the workers. Moreover, the concepts used in the informality context have deep foundational and analytical relation to the theoretical premises offered to explain informal economic activities. Therefore, this study also analyses the theories offered to explain informality and relates those theories to one of the concepts used in the informal economic activity context. This demonstrates a continuity and analytical gradualism amongst the theories and their role in offering an adequate conceptual basis for informal activities.

We begin by analyzing the formal/informal divide on the basis of the dominant theories offered to explain the divide. There are two major theoretical conceptualizations that explain the formal/informal divide – ‘dualism’ and ‘structuralism’. The ‘dualist’ theory is based on the rural/urban, agriculture/industry, and non-capitalist/capitalist dichotomy, and delineates the simultaneous but unrelated existence of the formal and the informal sectors. On the contrary, the ‘structuralist’ theory distancing itself from the dualist dichotomy – argue that the formal and the informal economies are inherently related to each other. According to the structuralist viewpoint the informal economy is part of the process of production that the formal economy employs in the modern world. There is a third theoretical position known as the ‘legalist thesis’ propounded by Peruvian economist Hernando de Soto that explains the formal/informal divide (de Soto 1989). The ‘legalist thesis’ argues that the costly, cumbersome and time consuming legal obligations that are required to be complied with to start a formal business compel individuals to operate informally (de Soto 1989: 131-187). The operating costs of formal activities are burdened by the taxation requirements and labour laws (de Soto 1989: 157-158). Although the ‘legalist thesis’ descriptively (and specifically) looks into the (costly and cumbersome) nature of law in promoting informality, analytically the ‘thesis’ is actually a part of the ‘structuralist’ framework. Structuralists argue that because of structural changes introduced in the capitalist mode of production and the market, formal enterprises diversify their operation to reduce their cost of production. Formal enterprises subcontract to reduce costs. The legalist thesis also argues that because of the high cost and cumbersome nature of formal operation, largely induced by law, individual entrepreneurs choose to operate informally to avoid such regulation. It is because of this analytical similarity between the ‘structuralist’ and the ‘legalist’ theories and the much broader analytical purview of the ‘structuralist’ theory (‘legalist’ theory deals only with the cost and cumbersomeness of law, whereas the ‘structuralist’ theory attends to all or any factors that helps a formal establishment remain competitive by cost-reduction) that the article uses the ‘dualist’ and the ‘structuralist’ theories as the theoretical premises explaining the formal/informal divide. Both of these theories exclude a number of informal workers from the scope of analysis. A better theoretical basis of the informal economy could be achieved by merging the insights from both of these theoretical points of view.

Amongst the terminology used in the informal economy context the concept of 'informal employment' could be most beneficially used to characterize insights from both the theories. The concept of 'informal employment' is not only useful in bridging the gap between the different theoretical premises; it also provides a solid conceptual basis for the amelioration of the conditions of informal workers. It is the substandard working conditions and below-par livelihood standards of the workers working in informal economic activities that draw the maximum attention from the policy-makers concerned with improving the plight of the workers. This endeavour to ascertain an appropriate concept with respect to the informal economy is also based on the urge to improve the conditions of the workers engaged in informal activities. A worker-centric policy (rather than an economy-centric policy) in the informal economy (as is pursued by the International Labour Organization [ILO]) is essential to improve the conditions of informal workers. The concept of 'informal employment' provides the conceptual basis for such worker-centric policy. The advantage of the concept of 'informal employment' is discernable from the fact that the concept relates the worker to their 'work', which does away with the necessity of finding a 'definite workplace' or an 'employer-employee relation' as a platform to ameliorate the conditions of informal workers.

The article is divided in six sections excluding the introduction and a brief conclusion. The first section of the article briefly charts the characteristics based on which informal economic activities are distinguished from that of the formal economy. The divergences amongst the different conceptualizations of informal activities and the theoretical basis of such conceptualizations are reviewed. This is followed by a discussion of the dualist theory of conceptualization of informal economic activities. Charting the gradual development of the dualist conceptualization of the informal economy it is argued that the conceptualization is based on the simultaneous but unrelated existence of the formal and the informal economies. In contrast to the dualist conceptualization of the informal economy, the structuralist theory holds that the formal and the informal economies are inherently linked. The third section presents the structuralist theory and points out the basic tenet of the linkages between the formal and the informal economies. The fourth section of the article argues that in a complete conceptualization of informal economic activities the dualist and the structuralist theories need to coexist. Taking help from the studies that observe the coexistence of the formal and the informal economies, it is argued that there is a need to converge the insights from both the theoretical premises for an appropriate understanding of informal activities. The fourth section charts the genesis of the conceptualization of 'informal employment'. It asserts that even if the primary reason of such conceptualization was based on the necessity of measuring the informal economy much more accurately, the concept far exceeds its primary necessity and is capable of providing a new platform for an efficient labour policy. Section five examines the efficacy of the concept of 'informal employment' in providing a new basis for labour policy. With respect to the ILO goal of Decent Work for all, the concept of 'informal employment' is particularly useful for its focus on 'work' rather than employer-employee relation. 'Informal employment' merges the insights from both the dualist as well as the structuralist theories to present a complete picture of informal economic activities.

Conceptualizing the Formal/Informal Divide

Conceptual clarity is a precondition for any efficient and successful policy intervention. The concept of 'informality' largely lacks such clarity. The expression 'informal' is used in different contexts that do not necessarily resemble each other. The expression is used to signify nature of entrepreneurship (sector), type of job (employment), or a section of the 'economy'. Scholars have sought to define informality from diverse perspectives, and it is often difficult to ascertain a converging point in all these conceptual ideas (Sindzingre 2006: 59). Sometimes the theoretical concepts appear to be in conflict with each other (Guha-Khasnobis, Kanbur and Ostrom 2006: 3-4; Sindzingre 2006: 58-59, 62-63, 71; Narayana 2006: 93-94). Thus, some commentators have quite aptly pointed out that the expression 'informality' seems to signify a very subjective opinion based on a scholar's understanding of the issue at a definite point of time (Guha-Khasnobis, Kanbur and Ostrom 2006: 3). At a very general level informal economic activities can be defined as activities that are not regulated, monitored or controlled directly or indirectly by the state.

The idea of 'informality' has come to be associated with adversity – characterized by less productivity, precarious conditions of work, regulatory avoidance (because of the overregulation mandated to operate formally and the resultant costs) and stealthy way of operation (Decent Work 2002: 1-4, 31-33; Becker 2004: 21; NCEUS 2007; Unni 2001: 2360). When the term 'informal sector' first emerged from an anthropological study in Ghana, it did not necessarily have a negative connotation (Hart 1973: 61-89; *Employment, Incomes and Equality* 1972: 5, 224-225, 505). It was rather a picture of self sufficient economic transactions not dependent on organized capital (Hart 1973: 61-89; *Employment, Incomes and Equality* 1972: 5, 224-225, 505). Over the course of time 'informality' came to be identified with undesirable economic transactions and exploitative employment conditions.

Economic activity outside the (regulated and monitored) formal mode of organized production remained unidentified as productive economic activities. Workers who were not part of the formal economy were categorized as unemployed (Hart 1973: 61-89; Guha-Khasnobis, 2006: 1; Hart 2006: 23-28; *Employment, Incomes and Equality* 1972: 3-8). When British anthropologist Keith Hart identified economic activities that were outside of bureaucratic control and state regulation scholars rejected the assumption of the unemployed workforce in favour of 'dualism' of the economy (Hart 1973: 61-89; Guha-Khasnobis, 2006: 1; Hart 2006: 24-26; *Employment, Incomes and Equality* 1972: 3-8). The dual-economy thesis propounded that informal unregulated economic activities exists alongside the formal organized and regulated economic activities (Sindzingre 2006: 60). These two categories of activities were seen in isolation and perceived not to be related to each other (Guha-Khasnobis, 2006: 1-2). Hart named the non-regulated economic activities outside the formal economy collectively the 'informal sector' in his anthropological study in Ghana (Hart 1973). He made no effort to ascertain any link or interaction between the 'informal sector' and the 'formal economy' (Hart 2006: 23-26). The dualist thesis of simultaneous but unrelated existence of the formal economy and the informal sector was accepted as the theoretical premise of informal economic activities.

The 'dualist' assumption came to be challenged during late 1980s. In what came to be known as structuralist theory, Alejandro Portes, Manuel Castells and Lauren A. Benton asserted the inherent linkage between the formal and the informal economy (Castells and Portes 1989; Portes and Benton 1984: 589). They argued that under the competitive pressure of the global

market 'formal' firms engage in 'informal' practices to reduce their cost of production (Castells and Portes 1989: 12-15, 26-31; Benton 1989: 228-230). Thus, they argued, 'formality' and 'informality' are directly linked.

The majority of workers are globally engaged in informal economic activities (*Women and Men in the Informal Economy* 2002: 7-8, 19-30). In most of the Global South (the so called Third World) the 'informal economy' is much larger than the 'formal economy' (*Women and Men in the Informal Economy* 2002: 19-25). By merely looking into the sheer size of 'informality', 'formality' could safely be concluded as an exception and 'informality' the rule. But the issue has been posed quite differently; as some scholars have pointed out (Guha-Khasnobis 2006: 4; Hart 2006: 23, 33; Sindzingre 2006: 60-62) the expression 'informality' is used as a residual expression to denote all economic activities that are not 'formal'. Formal activities are identified with the bureaucratic interference and control of entrepreneurship and employment (Guha-Khasnobis 2006: 6-7; Hart 2006: 22-23). Robert Christensen asserts that the idea of formality lies rooted in the Westphalian form of government where the state interfered in economic activities to perform its distributive role (Christensen 2006: 36-37; Hart 2006: 22). The predominant mode of economic activity (in the West) was regulated by the state (Guha-Khasnobis 2006: 3-4).¹ Whatever activity fell outside the state organized or regulated market would be 'informal' (Breman 1996: 1-3; Beaud 2001).²

DUALISM AND THE FORMAL/INFORMAL DIVIDE

With the spread of capitalism across the non-European world the existing modes of pre-capitalist and feudal production came under increasing pressure. Workers were forced to shift to the industrial wage-work, leaving their respective agricultural and artisanal activities. Independent farmers were increasingly marginalized (Perelman 2003: 120). Because of uneven competition from the capitalist mode of production, the traditional modes of production (and the traditional workers) disintegrated (Szentcs 1988: 36, 50, 72). The independent traditional societies gave way to the newer mode of production and social relation (Szentcs 1988: 36). Even if the traditional modes of production were not closed down they suffered tremendous set backs that resulted in large scale unemployment from the traditional industries (Szentcs 1988: 72). Nonetheless, the pre-capitalist traditional modes of production (however fragile and disintegrated) existed alongside the imported capitalist mode of production, which had a destabilizing effect on the socio-economic conditions in the periphery (Marx: Chapter 20, Part IV, *Capital Vol. III*; Kemp 1993: 40-41).

It is within the context of the relationship between the capitalist mode of production and traditional economic activities in developing countries that W. A. Lewis propounded his two-sector development model. He described the source of surplus labour (because labour is unlimited) in 'agricultural activities', 'petty retail trading', 'domestic servant', 'the workers on the docks', 'the young men who rush forward asking to carry your bag as you appear', 'the jobbing gardener', 'and the like' (Lewis 1954: 141-142) in the developing countries. He argued that the output in these temporary and occasional activities can remain constant even if the number of workers involved is halved (Lewis 1954: 141). He then invoked the concepts of 'capitalist sector' and 'subsistence sector' to suggest the simultaneous existence of capitalist and non-capitalist modes of production (Lewis 1954: 146-147). He argued that the capitalist sector will keep on absorbing surplus labour from the subsistence sector until there is no surplus labour to absorb,

thereby ensuring the development of the capitalist sector and the (national) economy as a whole (Lewis 1954: 151-152). He envisaged that the two sectors ('subsistence' and 'capitalist') run parallel to each other and are only connected to the other on the basis of flow of surplus labour or final product (Lewis 1954: 139-191). The Lewis model did not assert any inherent linkages between the 'subsistence' and 'capitalist' sectors in the production process (Lewis 1954: 139-191).³

John R. Harris and Michael P. Todaro developed the two-sector model further. Unlike the Lewis model, their model explains rural to urban (agriculture to industry) migration even in the absence of labour surplus (Harris and Todaro 1970: 126-142). They applied the two-sector concept in explaining urban migration and resultant unemployment (Harris and Todaro 1970: 126-142).⁴ Their basic thesis is that the rural to urban migration happens because of the rural urban difference in 'expected earnings', which is higher in urban areas and is politically determined (Harris and Todaro 1970). Even though the 'expected earnings' induces rural to urban migration, such migration results in urban unemployment because migration exceeds available jobs in urban industries (Harris and Todaro 1970).

What follows from these two models is that the economy has two sectors – the 'formal' capitalist sector (urban in nature) and the 'informal' non-capitalist (subsistence) sector (mostly rural in nature) (Lewis 1954: 139-191; Sindzingre 2006: 60; Harris and Todaro 1970: 126-142). There is a flow of workforce from the rural 'informal' (non-capitalist) sector to the urban 'formal' (capitalist) sector. When the urban 'formal' sector is saturated and cannot absorb workers anymore urban unemployment is created because of migration from the rural 'informal' sector (Harris and Todaro 1970: 126-142). The unemployed workforce was seen as the residual workforce that did not participate in the industrial production process (Hart 2006: 23-28). It was assumed that large pools of working age people are unemployed because they do not participate in the factory-based production process. But, such an understanding was challenged by the empirical phenomenon in the large parts of the Third World where the working age population (who were excluded from the organized economic process) were engaged in some or other economic activity for their subsistence (Hart 2006: 23-28; Hart 1973). The myriad of activities people were engaged in were described as 'informal' economic activities (*Employment, Incomes and Equality* 1972: 1-8, 223-232, 503-508; Mukherji 2005: 356). These informal activities existed alongside the organized formal capitalist market, thereby giving an impression of a 'dual economy' (*Employment, Incomes and Equality* 1972: 503-506; Mukherji 2005: 356).

It was, however, not until 1971 that the term 'informal sector' was coined by Keith Hart (Hart 1973). The idea of 'informal sector' instantaneously became so popular that the ILO employed the concept to its study of the Kenyan economy (*Employment, Incomes and Equality* 1972: 5, 224-225, 505). The 'informal sector' was described as self-employment activities and small scale entrepreneurship outside the organized capitalist market and free from government interference or support (Hart 1973: 68-70; *Employment, Incomes and Equality* 1972: 6, 503-504). In 1993 the International Conference of Labour Statisticians (ICLS) adopted the definition of informal sector (About the Informal Economy – Definitions and Theories, WIEGO).

The analytical categorization 'informal sector' (developed by ILO) sought to identify the 'informal' self-employment activities and entrepreneurs and promote these activities in reducing the unequal income distribution (Hart 2006: 25-26) resulting from the exclusion from the formal sector. Since the analytical premise of the 'sector'-based description of 'informality' was 'informal activity' it became increasingly difficult to group the varied nature of informal

activities into one definite category for policy purposes. Informal activities range from street vending to outsourcing jobs. The emphasis of sector-specific analysis is on informal entrepreneurship. Such an understanding failed to capture the heterogeneity of the informal economic activities. With the growing understanding of the informal economic activities, it was increasingly perceived that the sector-specific definition was inadequate (Chen 2006: 76-80; Hart 2006: 22). Thus, the 'sector' specific understanding of 'informality' was rejected in favour of the analytical concept of 'informal economy' (Chen 2006: 76-80), which incorporates all activities ('informal employment') and entrepreneurships ('informal sector') that are not part of the 'formal' economy.

The ILO's conception of informality during this period was based on the dual-economy model that was developed by Lewis. The dual-economy model had come under sharp criticism from Immanuel Wallerstein, who argued that dualism is a falsity in a capitalist world (Wallerstein 1974a: 389-390; Wallerstein 1974b: 17-18). Instead, he proposed the concept of a world system that is wholly capitalist in nature (Wallerstein 1974a: 390-391, 398, 403-404; Wallerstein 1974b: 2-11, 347-357). However, he did admit that there may be mini-systems of non-capitalist modes of production within the capitalist economy (Wallerstein 1974a: 390, 398; Wallerstein 1974b: 58, 87-129, 351). It is these mini-systems that are the precursors of the informal economy.

With the further evolution of the political economy, the dual system theory of unlinked coexistence of 'informal' non-capitalist and 'formal' capitalist modes of production came to be refined by structuralist arguments. Structuralist theory was envisaged within the context of increasing globalization of capitalism and *laissez faire* policy.

STRUCTURALISM AND THE FORMAL/INFORMAL LINKAGES

Neo-liberal policies recommend privatization, free movement of capital and goods, re-regulation in favour of capital and restructuring of the state to facilitate these policies (Harvey 2006: 11-25; Harvey 2005: 98). Neo-liberalism became the official version of the international (financial) agencies in the 1980s (Payne 2005: 76-79; Harvey 2006: 23-24). The World Bank (WB) and the International Monetary Fund (IMF) became instrumental in promoting neo-liberalism generally, and in developing countries in particular (Payne 2005: 76-79; Kemp 1993: 90-91; Harvey 2006: 23-24). Erstwhile social democratic states were made to withdraw from capitalist market operations (Harvey 2006: 23-29).

Neo-liberalism facilitated unrestricted export of (accumulated) national surplus capital throughout the globe (Harvey 2005: 94). Capitalists could export capital to profitable locations characterized by low-wage labour or low-cost raw materials (Harvey 2005: 94). The United States and the United Kingdom pioneered (with the help of the international financial institutions) opening up of markets throughout the world by introducing policies with respect to the removal of quantitative restrictions, simplification or removal of tariffs etc. These policies were pursued through the WB, IMF and the World Trade Organization (WTO) (Harvey 2006: 26-29). Such policies at the global level resulted in industrial restructuring of the capitalist mode of production (Castells and Portes 1989: 27-30; Beneria 1989: 173-244). This industrial restructuring promoted intense competition amongst the capitalists globally in exploiting the most efficacious production process.

State withdrawal from the market fundamentally changed the power equilibrium in the market. Enterprises now have virtually unrestricted freedom to determine the policies that would keep them competitive in a free market. In this context, Portes and Benton argued that it was more expensive for the modern industrial sector to generate regular 'formal' jobs within the industry than to generate 'informal' jobs (by shifting such jobs) outside the industrial infrastructure where abundant numbers of low-wage workers were available (Portes and Benton 1984: 595-598). They argued that to reduce the cost of generating regular employment industries began employing temporary and contractual workers (Portes and Benton 1984: 596). Some of these new hirings were monitored by the state bureaucracy, while others were not (Portes and Benton 1984: 596). This new mechanism of industrial employment introduced 'informality' into the 'formal' organized industrial production process. The neo-liberal policy of global trade ensured that this new form of employment (temporary and contractual) could be generated anywhere in the world that provides the best conditions for the economies of scale by an industry situated anywhere in the world in the form of sweatshops, subcontracting etc (McNally 2006: 178-190).

The Portes and Benton argument has been developed further by Castells and Portes in proposing the structuralist understanding of 'informality' (discussed earlier) (Castells and Portes 1989: 11-33). Informality, thus, signifies a production process that is inherently linked to the formal capitalist mode of production, (Castells and Portes 1989: 11-33) and this linkage is an outcome essentially of the neo-liberal globalization process.

Dualists were content to study the individual informal transactions without bothering to explain the expansion of 'informality'. By contrast, the structuralists took upon themselves the task of explaining the reason of gradual expansion of the 'informal sector'. In order to explain the expansion of the informal sector they contextualized the formal/informal distinction against the backdrop of the changes in the formal production process (Castells and Portes 1989: 11-33). Their analysis of the evolution of production process is premised on the ascertainment of the shifting role of the state in mediating the relation between capital and labour (Castells and Portes 1989: 12-15). Thus, it was analytically necessary for them to employ the terminology of 'informal economy' as an overarching expression to denote the heterogeneous 'informal sectors' that are linked to the formal economy.

Even though Castells and Portes acknowledge that the informal economy is heterogeneous in nature, they identify three principal characteristics of informal economy: 'the systemic connection with the formal economy'; 'the special characteristics of labour employed in informal activities'; and the 'government's tolerant attitude toward the non-regulated sector' (Castells and Portes 1989: 25-27). Thus, one of the defining characters of the informal economy, according to the structuralists is its inherent connection to the formal economy. The analytical novelty of the structuralist understanding of the informal economy is its ability to explain the growing 'informality' phenomenon in urban areas (Portes, Castells and Benton 1989). Subcontracted works and sweatshops are increasingly found in cities like New York (Sassen-Koob 1989: 60-77), Miami (Stepick 1989: 111-131), Mexico City (Beneria 1989: 173-244), Madrid (Benton 1989: 228-230) etc. Thus, while the dualist economic model underlies the rural/urban division of informality and formality, the structuralist thesis accounts for the urban informality/formality divide on a national and international scale. They, however, acknowledge the limitations of the etymology of 'informal economy' in its ability to unambiguously signify the varied nature of informal activities (in its all diversity) undertaken in the different parts of the

world (Castells and Portes 1989: 11-33). They observed that even though the expression 'informal economy' falls short in explaining the heterogeneity of informal activities around the globe, each of which has typical historical, social and political origins, the concept is nonetheless analytically useful in absence of a better expression that encompasses the informal activities as a whole (Castells and Portes 1989: 11-33).

Dualists failed to note the inherent linkages between 'formality' and 'informality'.⁵ For them, more often than not, the 'informal sector' is an exclusive characteristic of the rural economy. The problem is that they are unable to account for the linkages between the sectors and the consistent growth of the informal sector. By contrast, the structuralist argument ignores subsistence and own account activities from the analytical purview of the 'informal economy' (Castells and Portes 1989: 12). For structuralists, subsistence activities are analytically relevant for poverty studies, and are essentially a problem of distribution (Castells and Portes 1989: 11-15). The 'informal economy', on the other hand, is a problem of production rather than distribution (Castells and Portes 1989: 11-15). Therefore, even if studies of poverty and subsistence are important, it is not relevant for an analysis of the 'informal economy' (Castells and Portes 1989: 11-15). Thus, structuralists leave out a significant section of informal activity from their analytical purview. Significant numbers of subsistence activities, especially in the Third World, viz. subsistence agriculture, domestic work, street vending etc., are delinked from the 'formal' economy in their production process. An attempt to address this gap is made by some scholars (Guha-Khasnobis 2006: 2-3, 7, 16; Sindzingre 2006: 58, 64-65; Chen 2006: 77, 84-87) in arguing that the formality/informality conundrum needs to be seen as a continuum, rather than disjunctive economic activities. However, even these scholars proposing the continuum postulate did not elaborate with analytical clarity as to how could the subsistence activities be accounted for.

Any study of 'informality' has to account for both subsistence activities unconnected to the formal economy (or 'sector'), as well as subcontracted entrepreneurs linked to the formal economy. If both subsistence and subcontract employments are not accounted for in informality analysis a large section of the workers would perpetually remain outside any analytical category – formal or informal, and be devoid of workers' rights. Even if some of these workers (especially subsistence workers) might be able to receive social protection from the state, they will be devoid of labour rights that arise from their relationship to their work. It is clear from the above account that the theories on the nature of 'informality' are located in definite time and social spaces; since 'informality' is varied across the globe and differs from country to country, it is difficult to explain such 'informality' exclusively by reference to one theory or the other. To lay down a generalized characterization of 'informality' it would be necessary to invoke both the theories offered to explain the nature of 'informality'. Either of the theories by itself only partially explains the 'informality' phenomenon. An overall conceptualisation of the formal/informal divide needs to have insights from both the theoretical premises. The following section draws from empirical observations of the formal and informal economic activities in the modern world and argues for the convergence of the 'dualist' theory with the 'structuralist' theory.

Informal Economic Activities and the Convergence of the Theoretical Premises

Philip Harding and Richard Jenkins bridge the gap between the 'dualist' and 'structuralist' conceptualization of formal/informal divide (Harding and Jenkins 1989: 51). The analytical framework offered by Harding and Jenkins situates 'informality' in a continuum of what they term as 'real life' situations (Harding and Jenkins 1989: 51). They argue that the straight-jacketed dichotomy of 'formality'/'informality' is a myth, not reality (Harding and Jenkins 1989: 51).⁶ They describe the 'real life' situations of 'informality', acknowledging that it is analytically difficult to draw clear boundaries between formal and informal activity (Harding and Jenkins 1989: 103-149). They categorize the varieties of informal and formal activities under the categories of: 'self employment', 'household', 'homework and outworking', 'work and employment', 'on-job informality', 'formal wage-employment', 'corruption', and 'crime' (Harding and Jenkins 1989: 103). While some of these activities are linked both to the informal as well as the formal economy, many others are stand alone 'informal' or 'formal' activity (Harding and Jenkins 1989: 103-149). Thus, in the actual political economy space stand alone informal activities (viz., subsistence agriculture) coexist with exclusive formal economic activities (viz., public company) and formal activities linked to informal activities (viz., outsourcing) (Harding and Jenkins 1989: 103-149).

In the same vein, J. K. Gibson-Graham argues that the non-capitalist modes of production exists side by side the capitalist mode of production, (Gibson-Graham 2006; Gibson-Graham 1996: 241-244, 259-265) especially in the so called Third World (Gibson-Graham 1996: 257; Grindle 1993: 174-187). Even though Gibson-Graham's theoretical framework is not consistent with the Wallersteinian unitary world capitalist system or the Marxian capitalist evolution, it is descriptively useful in identifying the non-capitalist modes of production that coexists with the capitalist system. Gibson-Graham's empirical observation, therefore, descriptively fits within the Wallersteinian 'mini-systems'. Elaborating on the empirical phenomenon of coexistence of capitalist and non-capitalist modes of production, Gibson-Graham charted the major forms of non-capitalist modes of production and exchange: 'noncapitalist production of goods and services in households' (Gibson-Graham 1996: 245) and 'nonmarket exchanges both within households and within corporations' (Gibson-Graham 2006: 53-78). They argue that even the state 'sector' in many countries characterize non-commodity production and non-market exchange (Gibson-Graham 1996). Gibson-Graham suggests that the contemporary economy is in reality a mixed system of coexistence of pre-capitalist and capitalist modes of production:

What haunts the capitalist commodity is not only noncommodity production (those home-cooked meals and made beds, those inputs produced internally within enterprises and transacted there) but noncapitalist commodity production – independent commodity production by the self-employed, slave commodities (what pure and strange moment is this, that slavery is only infrequently imagined to exist?), family-based relations of commodity production and exploitation, commodity production in collective and communal enterprises, to name just a few of the noncapitalist forms for which there are names and therefore histories. How is it that these are often confidently banished from the present – which is thereby rendered purely capitalist – or depicted as relatively marginal and inconsequential? (On this

point the right and the left seem to be in some kind of imperfect but widespread agreement). (Gibson-Graham 1996: 245-246)

Both the arguments offered by Harding and Jenkins and Gibson-Graham chart the reality of the complex modern economy, albeit with a Third World focus. Their analysis is based on the empirical reality of the multifarious nature of economic activities defying a straight-jacketed formal/informal division. It is in this context of empirical reality that we need to juxtapose 'real life' (a phrase used by Harding and Jenkins to describe modern economic activities) economic experience in the background of the theories offered to explain 'informality' to empirically verify the theories. While dualism explains the pre-capitalist and non-capitalist stand-alone subsistence activities outside the bureaucratic monitoring of the state, it fails to address those activities that are related to the formal economy but outside the purview of the bureaucratic control or monitoring. Structuralism, on the other hand, analytically explains activities that are linked to the formal economy but are not monitored by the state bureaucracy, but it does not explain the subsistence and own account activities. Thus, in spite of explaining different facets of 'informality' both theories fall short of explaining the complex reality of the modern informal economic activities that Harding and Jenkins, and Gibson-Graham charts in their respective analytical frameworks. Therefore, while the theories are analytically useful in contextualizing 'informality' in the wider economy, they leave gaps in explaining 'informality' so far as the empirical realities of modern economic activities are concerned. It is therefore necessary to look beyond the confines of each of the theories and seek insights from both the theoretical premises so far as it is attuned to the complexities of the varieties of economic activities – formal and informal. The ILO-initiated concept of 'informal employment' offers a much more complete picture of the formal/informal conundrum that conforms to the 'real life' political economy as charted by Harding and Jenkins, and Gibson-Graham.

'INFORMAL EMPLOYMENT' AND THE INTERNATIONAL LABOUR ORGANIZATION

The analytical inadequacy of the previous conceptions of informal economic activities in promoting a worker-centric conceptualization of informality designed to protect workers' rights propelled the development of the employment-specific definition of informality by the International Labour Conference (ILC) in 2002 (Decent Work 2002: 121-127; Bronstein 1999; Hussmanns 2004: 1; About the Informal Economy – Definitions and Theories, WIEGO). The ILO has been working with the concept of 'informal sector' ever since it employed the concept to study economic activities in Africa in 1972 (*Employment, Incomes and Equality* 1972). An international statistical definition of 'informal sector' was adopted by the International Conference of Labour Statisticians (ICLS) in its 15th Conference in 1993 to enable countries to measure economic activity generated in the informal sector in their national accounts (Hussmanns 2004: 1-2). The 1993 Resolution defined 'informal sector' as household or unincorporated enterprises that may be own-account enterprise, or enterprise of informal employers, irrespective of the nature of the workplace, extent of capital invested or duration of the operation (ILO 1993: 53). The definition was accepted by the international System of National Accounts (SNA) (Hussmanns 2004b: 1), thereby generating the possibility of maintaining separate informal sector statistics in national accounts of individual countries. The

‘informal sector’ was identified in national accounts based on the characteristics of the enterprise, rather than the work performed by the workers (Husmanns 2004b: 1-2; Husmanns 2004a: 3-4).

The sector-based understanding of ‘informality’, however, fell short in explaining the heterogeneity of informal activities. The sector-based concept did not account for some informal activities. It became difficult, therefore, to measure the contribution of all informal activities in the overall economy. Moreover, workers employed in very small undertakings, or self employed workers were excluded from the informal sector (Husmanns 2004a: 1-3). A sector-based definition did not distinguish between the various categories of informal employments, viz., outsourcing, casual jobs, irregular work or precarious employment (Husmanns 2004a: 1-3). Such categorization also did not serve well the borderline cases of informal employments, viz. freelancers, subcontractors etc. (Husmanns 2004a: 1-3) Hence, from the perspective of the ILO, this definition failed to capture the universe of informal workers.

In view of these criticisms against the analytical concept of ‘informal sector’ the Expert Group on Informal Sector Statistics (the Delhi Group, 2001)⁷ proposed the measurement of ‘informal employment’ to complement the measurement of ‘informal sector’ in national accounts (Husmanns 2004b: 1). Accordingly, for the purpose of collecting ‘informal economy’ statistics the ILC (2002) defined ‘informal economy’ as ‘all economic activities by workers [informal employment] and economic units [informal sector] that are not covered or insufficiently covered by formal arrangements’ (Husmanns 2004b: 2) (emphasis added). The ILC definition was based on the ILO Report on Decent Work and the Informal Economy (2002) (Decent Work 2002: 121-127). The ILO Report defined ‘employment in the informal economy’ as employment in ‘informal sector’, and informal employment outside the ‘informal sector’ (Decent Work 2002: 121-127; Husmanns 2004b: 2). Thus, the concept of ‘employment in the informal economy’ was much wider than the scope of the ‘informal sector’ – it covers employment in the informal sector, as well as informal employment outside the informal sector.

This conceptual framework for the measurement of informal employment developed by the ILO Report (Decent Work 2002; Trebilcock 2005: 15) was submitted to the 17th ICLS for its adoption. The 17th ICLS adopted the definition and statistical methodology (albeit with some modification) so proposed by the ILO Report (Trebilcock 2005: 15; ILO 2003). The 17th ICLS did not endorse the phrase ‘employment in the informal economy’ as proposed by the ILO Report (Trebilcock 2005: 14-15). The 17th ICLS endorsed the term ‘informal employment’ instead to signify employment in the ‘informal sector’ and informal employment outside the ‘informal sector’ (Trebilcock 2005: 15, 31-33). In this conceptualization ‘[e]mployment includes paid employment as well as self-employment, including unpaid work in an enterprise owned and operated by another member of the household or family, and the production of goods for own final use by households. The production of services (e.g. housework, caring for family members) for own final consumption by households is excluded’ (Decent Work 2002: 126). The 15th ICLS had adopted an enterprise-approach to statistical definition; the 17th ICLS added labour-approach to the existing enterprise-approach (Decent Work 2002: 121). The labour-approach based concept of ‘informal employment’ is not only necessary in analytical terms so far as the measurement of the ‘informal economy’ is concerned, it is also apt for policy formulation purposes that are concerned with the social protection of workers.

A CONCEPTUAL RESOLUTION

The 'sector' based definition of 'informality' is essentially targeted at measuring the informal entrepreneurship in the economy and ascertaining its contribution in the overall economy. The 'problematic' of the 'sector' based definition is the economy. The concerns that surround the conceptualization of the 'informal sector' are: what is the contribution of the 'informal sector' in the overall Gross Domestic Product (GDP)? How productive is the 'informal sector' in comparison to that of the 'formal sector'? How to enhance the productivity of the 'informal sector'? What is the technological efficiency of the 'informal sector'? How much revenue generation is foregone because of the 'informal sector'? Thus, the purpose of the 'sector' based definition is locating informality within the overall economy.

'Informal economy', on the other hand, is a rather vague expression incapable of exact determination. The expression 'informal economy' is used as an overarching concept to identify all kinds of informality in the economy. The conceptual efficacy of the terminology 'informal economy' lies in its ability to build a thesis of informality around the economy as a whole, rather than being able to measure the 'informal' component of the economy.

The concept of 'informal employment' is devised primarily from the necessity of measuring informal activities in the 'informal sector' as well as informal activities outside the 'informal sector' (discussed earlier). However, the usefulness of the 'informal employment' concept exceeds the immediate purpose of measuring 'informality'. The concept of 'informal employment' surpasses the necessity of measurement and links the informal workers with their work irrespective of the presence of a workplace or an employer. Location of such informal activities can be in an informal entrepreneurship or in a formal enterprise or outside either of these enterprises. The definition of 'informal employment' connects workers to their work. It is, therefore, the site for the ascertainment of working conditions and living standards of informal workers. Thus, for a study concerning the plight of the informal workers it is the concept of 'informal employment' that is analytically the most useful one. It is because of such usefulness that the ILO has opted to use the concept of 'informal employment' for policy-making purposes concerning the amelioration of the conditions of the workers involved in informal employment. Women in Informal Employment: Globalizing and Organizing (WIEGO), the global research-policy network, also heavily relies on the concept of 'informal employment' in its research documents and policy guidelines. Thus the concept of 'informal employment' holds analytical edge over other concepts so far as workers are the focus of policy concern.

The ILO's policy focus is the worker rather than the economy *per se*. Improvement of living standards of the workers globally is the principal concern of the ILO. The ILO promotes adherence to labour regulations to improve the conditions of the workers (Kucera and Roncolato 2008: 322). The ILO Declaration on Fundamental Principles and Rights at Work 1998 declares that even if the ILO member-states have not signed the core ILO Conventions, they would be deemed to have signed because of their membership in the ILO (ILO Declaration on Fundamental Principles and Rights at Work, June 1998). The Declaration is also a part of the ILO's conceptualization of Decent Work agenda. Therefore, the concept of 'informal employment' helps the ILO in concentrating on the workers rather than the enterprise. The concept of 'informal sector' helps ascertain the characteristics of individual enterprises and its contribution to the overall economy; the concept of 'informal economy' assists in establishing relations between the economy and informality; but the concept of 'informal employment' helps identifying the characteristics of individual work and workers' conditions. The 'informal

employment' concept analytically suits the Decent Work agenda of the ILO. 'Work' *per se* is the determining context of 'decency' in the Decent Work agenda. Therefore, the concept 'informal employment', which is a variation of the concept of 'work', is the most suitable concept of 'informality' for the ILO purposes. Additionally, the concept of 'informal employment' fills in the gap left by the structuralist analysis of the 'informal economy'. Structuralists left out subsistence and own account activities outside their analytical scope of the 'informal economy'. An 'informal employment' concept brings in the subsistence activities within the central debate surrounding the informal economy along with the informal enterprises linked to the formal economy, thereby providing a conceptual basis to the 'real life' analytical framework offered by Harding and Jenkins, and Gibson-Graham. Therefore, it is analytically the most complete expression of 'informality' for policy intervention so far as the conditions of the workers are concerned.

Informal employment has country-specific characteristics, so does the economy (Kucera and Roncolato 2008: 124-128; Perry et al 2007; Gerxhani 2004).⁸ Therefore, attempts to link the concept of 'informal employment' to the overall economy have to be premised in a country-specific context so as to arrive at a policy-agenda that is analytically appropriate in that specific country-context.

Conclusion

This article has two objectives: one, to assert that as per empirical evidence of informal economic activities neither of the two leading theories explaining the formal/informal divide could offer a complete picture of the varieties of informal economic activities without running the risk of excluding a large section of informal workers from the purview of its analysis and, second, to analyse the efficacy of the terminology and definitions related to informality for policy-making purposes from the point of view of improving the lives of the workers. Among the competing concepts of informality it is the concept of 'informal employment' that could be most successfully used for policy purposes to ameliorate the conditions of informal workers. The concept of 'informal employment' is not only useful for policy-making purposes for the workers; the concept also bridges the gap between the 'dualist' and the 'structuralist' theories in analytically providing a much wider coverage to workers working informally.

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NOTES

1. The production process was organized in a factory or in closed vicinity; working hours were fixed; rate of wages were predetermined; working conditions were regulated; muster rolls were maintained; unions were formed and promoted by the state; collective bargaining became the order of the day. Economic life was structured, organized, controlled and predictable. Such organized capitalist production with bureaucratic intervention characterized the high point of 'formality' on the formal/informal continuum that Basudeb Guha-Khasnobis, et al, proposes.
2. If the organized capitalist economy was 'formal', it was the pre-capitalist economy that was 'informal'.
3. This is something that has been asserted by later theorists (see Castells and Portes 1989: 27-32).
4. The urban unemployment that the Harris and Todaro model propounds actually results in the creation of urban informal employment outside the organized capitalist mode of production. They themselves, however, did not provide any account of the urban unemployment scenario *per se*. Their model did not touch upon the question as to what these migrant unemployed people did to survive.
5. However, an indirect cursory reference to outsourcing mechanism could be traced in Lewis's arguments when he discusses movement of capital to labour abundant countries. Lewis was not very inclined to develop this issue in terms of linkage between the formal and informal 'sectors'. He maintained the dualism of the sectors (Lewis 1954:176-186).
6. Referring to a study of the Detroit informal economy (conducted by Ferman and Berndt in 1981, in which they term 'informal economy' as 'irregular economy') Harding and Jenkins charted four functions that the informal economy does for the formal economy. They observe that the informal economy is consumer of the goods produced in the formal economy – formal economy is also the source of raw materials for the informal economy; informal economy acts as a mechanism to distribute goods produced by the formal economy; informal economy provides for the economic maintenance services for the formal economy; and the informal economy produces goods and services that are distributed through the formal economy (Harding and Jenkins 1989: 38-40).
7. The Delhi Group on Informal Sector Statistics was established by the United Nations Statistical Commission in 1997 as an international forum to assess the definitions and measurements used in the informal sector, and to suggest improved sophisticated definitions and measurement of the informal sector.
8. Kucera and Roncolato points out (just as with informal enterprise) that 'voluntary informal employment' is also a country-specific phenomenon and is a characteristic of more developed amongst the developing countries – such employment might be a reality in Mexico, but the same

cannot be said of India; also see the World Bank Report, wherein the Bank studies Latin American informality and reports the voluntary nature of informal activities in some Latin American countries. However, the Report acknowledges that such finding might not be true for most countries where informality is a problem (Perry et al 2007).

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BIOGRAPHICAL NOTE

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