

A Socio-economic Study of Informal Sector Workers of Dhaka City

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Abstract: *Informal sector is a very important area of the economy for any developing country; it is a growing occupational sector for the less skilled people, living both in urban and rural areas. Considerable amount of employment are ensured by this sector. What is specific to the informal economy is the absence of rights and social protection of the workers involved in it. Living in extensive poverty; exploited, with no place to go for protection; lacking access to basic social services; no basic safety conditions at work; holding little or no hope that life can be better; struggling on a daily basis just to survive, they are street vendors, wage labourers working in small enterprises on a regular, casual or contract basis; unpaid workers including family workers and apprentices, home-workers, paid domestic workers and more; and a smaller number are the owners of tiny enterprises. This study concentrates on the workers and their work life and living standards.*

Introduction

When the rural migrants and urban dwellers are not provided enough job opportunities by the modern sector, they find employment in small scale, micro level production and distribution of goods and services in the informal sector. According to the ILO (1998: June), the informal sector consists of “small scale, self employed activities, mostly at a low level of organization and technology with the primary objective of generating employment and incomes”. These activities are usually conducted without proper recognition from the authorities and escape the attention of the administrative machinery responsible for enforcing laws and regulations.

Kith Hart's (1973) introduced the terminology “informal sector”, based on a research in a low-income neighborhood in Ghana. Hart argued that informal sector provided a wide range of low cost, labor intensive, competitive goods and services and recommended that the Kenyan government should promote the informal sector (ILO, 1972: 223-32). Kabra (1995), noted thirty terms including the survival sector, non-structured sector, and transitional activities which have been and/or are currently used to describe the informal sector. Amin (2002), compiled several terms which have been used to represent the informal sector/economy by different authors. Despite the heterogeneity of the informal economy, workers of the informal sector can be grouped into several basic employment categories, (i) Employer (ii) Self-employed and (iii) wage workers (Chan, 2005:20)

In 2003, the International Conference of Labour Statisticians adopted guidelines to expand the definition to include informal employment. Under the new definition, the informal economy is seen as comprised of all forms of “informal employment” – that is, employment without formal contracts (i.e., covered by labour legislation), worker benefits or social protection – both inside and outside informal enterprises (Chan, 2005:23).

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There are many debates about the definition & characteristics of the informal sector. Bryan Roberts (1976) observes two characteristics signifying to the informal activities.

- They are labor intensive;
- They avoid formal state supervision and regulation.

These two characteristics combine to reduce substantially the input costs of goods and services, thereby cheapening the price of the outputs. Long and strenuous hours contributed by the individual owner, by unpaid kin and others, absence of state supervision and regulation, greater ease in avoiding taxation, avoiding rigidities of labor legislation, rare payment of official minimum wage and inadequate access to health insurance, unemployment compensation, and old age pension¹ characterize the sector.

Methodology of the Study

In consonance with the conceptual framework, an in-depth interview schedule was constructed to collect data from the primary sources. In acquiring the accurate story of the relevant cases a checklist was also made as a technique of data collection. Empirical data were collected from field study. This study was conducted in various areas of Dhaka city, where there is an existence of informal sector. The main focuses of this study are the condition of the workers of the informal sector and their life and working condition. Target groups for this study were selected based on the following criteria:

- (1) Age of the young worker and for the adult worker the entering age in the job.
- (2) Workers in various workstations, which are mainly unregulated, family owned, unregistered and unaware of their rights.
- (3) workers who are vulnerable and do not have any kind of facilities such as job security, training, hazards insurance, retirement pension etc
- (4) Workers who lack formal/institutional skill and knowledge\education to be able to enter in a formal job market.
- (5) Socio-economic background of the Workers (lack of education, low social and economical status).

Mixed methodology has been used in this study. Sampling and case study methods have been pursued to collect the data from the field. The study has used a purposive random sampling. Mixed instrument has been used for identifying problems in this study. These include questionnaire, case-study methods and In-depth interviews. A total of 154 samples were drawn from six different areas of Dhaka city, these samples were drawn from six different types of occupation sectors.

Socio-economic characteristics of workers in the Informal sectors in Dhaka city

Workers in the informal economy are the workers of unregulated and unprotected sector – by far the majority of all workers in the world. Because they lack protection, rights and representation, they

¹ http://www.gdrc.org/informal/1is_characteristics.html

remain trapped in poverty; the protection of workers in the formal economy is threatened under the impact of global deregulation, even while the workers in the informal economy remain integrated into global production and marketing chains.

Most of the informal sector workers are very young. The study found, **52 percent** workers belonging to **6-18 age** group and among them **35 percent are 6-13 years** of age. Joining at a very early stage is a common phenomenon for the workers of informal sectors. The average age of joining the labour force by the respondents is **9 years**.

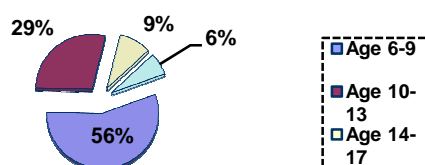


Figure1: Joining age in the work force

As a result of joining at an early age, the level of education is very low for the informal workers; data shows **39 percent** of the respondents have no education at all while **28 percent** attended primary education and **only 6 percent** reported that they attend secondary level of education. Lack of education is the reason of not getting a better job. As **26 percent** reported, they do not have the necessary educational requirements to get a job in the formal sector. The workers were asked about the reason of not going to school and **35 percent** responded said that they needed to work to support their family another **22 answered** that their parents did not send them to school. The main cause for workers to join at an early age in the informal sector was to support their family income (**30%**), for this lone reason drop outs take place in the education system. About **21 percent** started working to serve the family interest another **18 percent** did not have any primary earner.

There is always the question, is the wage of the informal sector enough? The answer is "NO". Income levels are very low and they almost live hand to mouth. In most situations, workers get less than minimum wages, specially the apprentices who work long hours alongside the adult workers but do not receive any wage. The average income of the workers in the informal sector is **Taka 2639** and average monthly savings are **Taka 165** only. With an average family member of **5** people, the income of the workers is not always enough to provide meals but they manage it somehow by living marginally. Thirty-nine percent reported that they take loan from their relatives very often.

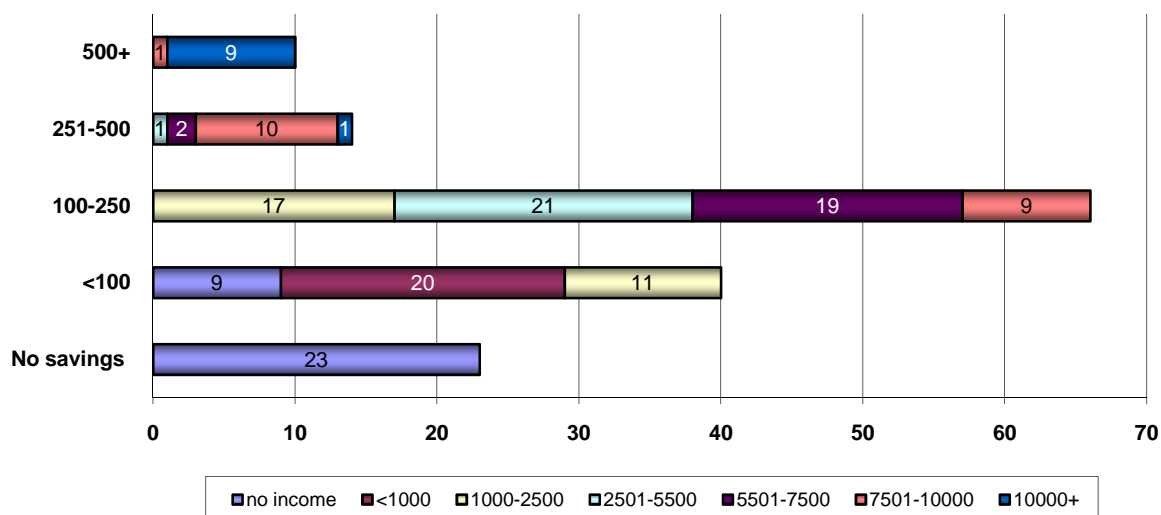


Figure 2: Income and savings of the respondents

Low income and savings associate with the burden of hard work in the life of the informal sectors worker. The study found in most cases they have to work **10+ hours (58.4%)** each and every day, **46 percent** has reported that they work almost 7 days a week, they get only half a day as holiday. If the pressure of work is too much or during business season, then there is no holiday². They only have the opportunities of governmental holidays, however holidays and vacation mainly depends on the temperament of the employer or the owner.

There is no formal training facilities for the workers, 82% claimed that they were trained as apprentices. None of the respondents in this study ever had any governmental or private institutional training (except two car workshop owners). The apprenticeship period in the informal sector is very important in order to gain skill and experience. Endurance of most apprenticeships depends on the employer and the ability of the apprentice. Faster an apprentice learns, the sooner he promotes himself as a paid worker.

This study found that most workers have to spent 5-7 years as an apprentice (**34%**). The minimum period of apprenticeship is 2-3 years. Another common fact, the appointment system in the informal sector is not official. There is no formal contract system, all contracts are based on verbal (informal) or kinship based. Also advance payment sometime becomes the indicator of an ensured job. Due to informal contract system informal sector is an easy entry for the young and underage workers. Respondents were asked the reason for employing children and **47 percent** answered that they are obedient workers and work for less or no money. Twenty-three percent reported that they employ young children because parents make the request.

In general the study found that workers in the informal sector have no training, no safety precaution. They do not get the needed holidays and have to work 10-12 hours every day. The workers of the

² For the car workshop and welding workshop almost every month is business season. They only get half holidays in Fridays.

informal sector are the most exploited and they are not in a position of enjoying any decent work condition.

In terms of the occupational hardship, the workers of the informal sector face all kinds of hardships in their daily life. Low wage, limited occupational mobility, no job insurance, no pensions or medical support for the benefit of the workers. They are the most vulnerable segment of the working society. For a better living, most of the respondents (74%) wishes to go abroad for a better life, 14% wishes to start their own business.

The Living Standard Index (LSI)³ shows the hardships of the workers' day to day life. The study found, only **9 percent** respondents with the high living standard.

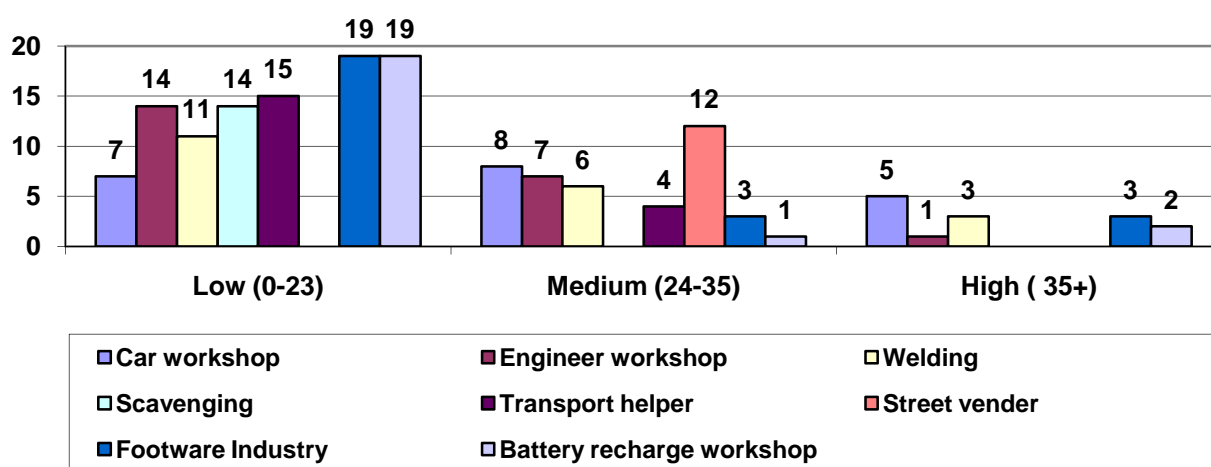


Figure 3: Living standards and occupation category of the respondents

As the government and the labour rights do not affect the informal sectors, the workers also do not get much deserved facilities which are present in the formal sector. The study showed that only **15 percent** respondents were aware of some rights. A worker in the informal sector knows about the trade union and labour rights but they are not in any position of getting those facilities from their owner.

Informal sector workers do not have any decent work⁴. This study follows the seven dimensions of indicators for the measurement of decent work⁵; (i) Labour market security, (ii) Employment security (iii) Job security (iv) Work security (v) Skill reproduction security (vi) Income security (vii) Representation security.

³ LSI indicates the quality of living standards of the people. It measures the living standards. LSI is based on several indicators; education, income, savings, groceries purchasing facilities, frequency of meal taking, food satisfaction, medical treatment facilities, necessary facilities and utensils. For the construction of the index, fixed values have been assigned for each of these indicators.

⁴ The concept of "Decent Work" was defined in terms of four major pillars: Basic labour rights, Employment rights, Social protection and Social dialogue. (Director-General's Report: ILO, 1999).

⁵ Anker, R, I Chernyshev, P Egger, F Mehran and J Ritter (2002): "Measuring Decent Work with Statistical Indicators", International Labour Office, Geneva

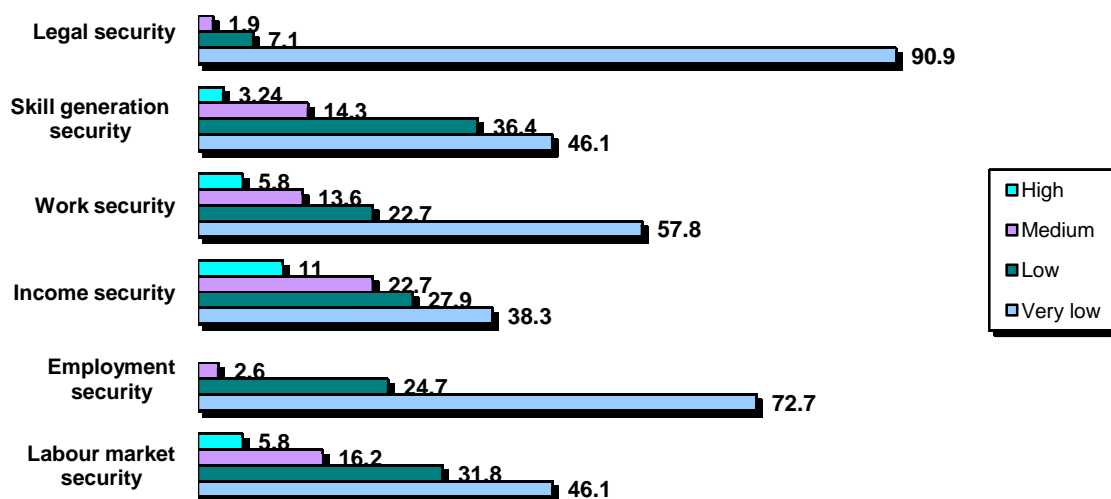


Figure 4: Decent work dimension level

The study found, **54 percent** respondents have low level of decent work dimension score. Only **5 percent** respondents have high level of decent work indicators. These decent work indicators are not only necessary for the adult workers; it is applicable for young and child workers too. However, the study found that child workers are in the lowest segment that has low level of decent work index. Moreover, the worker of the informal sector not only works in unsafe, hazardous environment, but they also do not get any medical treatment other than getting some compensation for accidents. Seventy-eight percent Interviewed respondents complained that if they face an occupational hazard the owner only provides them first aid, after that they have to bear the expenses of treatment by themselves. Sometimes severe accident puts a worker out of duty for several weeks, because of which a worker may lose his job.

This phenomenon is also responsible bringing in the notion of child labour as 39% respondents said that they were forced to enter the labour force because the primary earner had an accident. When medical attention is required, **24 percent** responded reported that they go to local pharmacy/pharmacist, 18 percent goes to charity hospitals and 16 percent attend government hospitals. Shockingly, almost **35 percent** go to traditional healers like hekimi, kabiraji or footpath doctors.

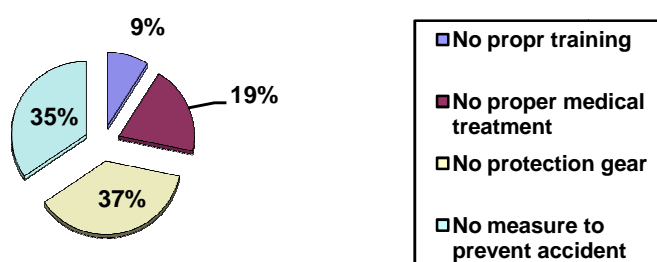


Figure 5: unsafe working environment

About accommodation pattern, 68 percent reported to live in rented house among them 55 percent are semi pacca (walls are made of brick, roof is tin shed), 22 percent live in sublet houses, among which 51 percent live in tin shed (roof and walls) houses. Only 2 respondents reported that they live in their own houses.

Conclusion

The study has presented clearly, the condition of the respondents in the informal sector. It can be concluded that the workers in the informal sector do not enjoy a better life. They lack all the opportunities and facilities a better life can offer. Most workers in the informal economy work in precarious and unsafe conditions, without sanitary facilities, potable water or proper waste disposal. Every year, more than 2 million people die of work-related accidents and diseases. In many developing countries, death rates among workers are five to six times those in industrialized countries. More than 160 million workers fall ill each year as a result of workplace hazards. The poorest and least protected – often women, children and migrants – are among the most affected.

In work they are abused, exploited, in life they are burdened, they have no pension scheme, no retirement policy, no accident insurance, not even a simple formal contract. With the verbal, informal contract and massive supply of labour, there is always a chance of losing the precious job. It is true that the informal economy/sector is the life line for the urban poor and those with less or no skill, but the condition the workers work in is not very comfortable. They lack many of their fundamental rights. Still they can live their lives with the help of informal sector. The informal economy embraces a multitude of dispersed operational units and activities. Key differences between the formal and informal economy can be traced from the letter of appointment, working hours, wage rate and availability of legal provisions. In the informal economy, people work based on verbal contract without a letter of appointment. Workers of the formal economy have fixed wage rate and fixed working hours where as informal economy has uncertain wage rate and uncertain working hours. Non-existent or poor level of legal protection in the informal economy increases the probability of exploitation of the worker.

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