

AN ECONOMIC SOCIOLOGY OF INFORMAL WORK: THE CASE OF INDIA

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ABSTRACT

Purpose – This chapter illustrates how an economic sociology of work exposes the deeply embedded nature of the informal economy and the social and political lives of its growing mass of unprotected workers under globalization. In particular, the premises of economic sociology offer a comprehensive definition of the informal economy that I term, “relational.” In contrast to definitions based on modernization and neoliberal assumptions of isolated economies, relational definitions of the informal economy expose the structures, networks, and political institutions that intertwine informal workers with the formal economy, society, and the state. Operationalizing the relational definition in labor surveys ensures the inclusion of previously invisible informal workers, especially those who operate at the intersection of the informal and formal economy. As well, it ensures the collection of data on the precise ways in which informal workers are socially and politically embedded, including their collective action efforts, the meaning they attach to their labor, and the social networks that determine their life chances.

Methodology – To illustrate this point, I apply a relational definition of informal labor to the case of India, using the National Sample Survey on

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Employment and Unemployment, as well as findings from interviews with organized informal workers.

Findings – By doing so, I provide an internationally comparative measure of India's informal workforce, illustrate informal workers' social conditions relative to those of formal workers, highlight the expansion of the informal workforce since the government enacted liberalization reforms, and expose the unique political action strategies Indian informal workers are launching against the state.

Implications/Originality – These findings help us understand Indian informal workers in an internationally comparative context, yielding empirical insights on their social conditions and political organizations for the first time. As well, they call for an important refinement to existing definitions of the informal economy that to date have relied only on Latin American and African experiences.

Economic sociologists have shown how market structures and economic behavior are intricately tied to states and societies through culture, institutions, and social networks (Block & Evans, 2005; Polanyi, [1944] 2001; Smelser & Swedberg, 2005; Granovetter, 1985). Applying these premises to the study of work enables scholars to move beyond assumptions of purely market-determined wages and of labor as an entirely commodified entity, to instead expose workers' collective action efforts to decommodify labor, the meaning workers attach to their labor, and the social relations or networks that determine workers' life chances. In other words, pointing an economic sociology lens toward work offers deep and important insights into the socially and politically embedded actors that make our economies run.

This chapter explores such an endeavor in the informal economy. While unprotected, informal workers have long existed, their share of the global labor force has increased since the 1980s as governments have turned away from the interventionist models of Fabian Socialism and the "Keynesian Consensus" to liberalize their economies and integrate them into a global market (Singer, 1997). As a result of these state reforms, employers in both rich and poor countries have survived growing global competition by relying on a more decentralized, informal workforce that is flexible and cheap; after all, informal work is not bound by the costly regulatory and protective state legislations that define formal work (Benton, 1990; Held, McGrew, Goldblatt, & Perraton, 1999; Harvey, 2005; Kundu & Sharma, 2001;

Portes & Schauffler, 1993; Sassen, 1994). In addition to employment, informal workers provide the cheap goods and services that low-wage workers have come to rely on for their reproduction. Today, informal workers represent the majority of the world's labor force – accounting for over 40% of urban labor in Latin America, and over 80% in Asia and Africa (ILO, 1999; Portes & Haller, 2005; UN, 1995). These workers include the self-employed (such as street vendors), informal entrepreneurs and their employees (in small, unregistered retail shops or restaurants), and casual or contract workers who operate through subcontractors for formal enterprises (such as branded clothing companies or construction companies). Contrary to early development theories that predicted the demise of the informal economy with economic growth (Harris & Todaro, 1970; Lewis, 1954), informal workers remain central to modern economies – growing and selling our fruits and vegetables, providing us cheap hot lunches, building our roads, sewing our jeans, assembling our computers, cleaning our office buildings, and planting our trees.

The entrenched presence of these unprotected, informal workers (variously known as “precarious,” “contingent,” or “flexible”) is often highlighted in the expanding literature on globalization and work. Yet our understanding of these workers' social and political lives and their work conditions is thin, because economic sociologists have allowed studies of informal work to remain in the margins of the subdiscipline, and labor scholars have focused nearly exclusively on formal work. As a result, insights have been lost as to why the informal labor force continues to expand despite urban and industrial modernization; how the informal economy is connected to other market structures and to the state; and how these connections affect informal workers' unique collective action strategies, networks, and class identities.

On one hand, this lack of attention to the informal economy among economic sociologists is surprising given that scholars have shown that the informal economy is substantially embedded (Granovetter, 1985), that it is “a unique instance of how social forces affect the organization of economic transactions” (Portes & Haller, 2005, p. 403), and that it may even be “dependent on social ties for its effective functioning” (Portes & Haller, 2005, p. 407). On the other hand, the lack of attention paid to informal labor can be understood given the absence of a global consensus on the definition of the informal economy. Conceptual understandings of the informal economy fundamentally shape the design of national labor force surveys that count the informal workforce. More importantly, a clear definition of the informal economy shapes how labor surveys are utilized in empirical

examinations of informal labor. A lack of consensus on the meaning of the informal economy across regions has, therefore, undermined globally comparative empirical work on informal workers' lives.

In this chapter, I argue that an economic sociology of work yields important insights into a comprehensive, globally applicable definition of the informal economy. This definition, which I call "relational," highlights the complex web of personal networks, structural interdependencies, and institutions that intertwine informal economies with formal economies, civil societies, and the state. In turn, these insights help inform a deeper understanding of the embedded nature of contemporary shifts in structures of production. To illustrate this point, I apply a relational definition of informal labor to the case of India, a demographic billionaire and the world's largest democracy, where 93% of the labor force is informally employed. India's massive informal workforce has grown even larger since the government launched its liberalization reforms in 1991 (Kundu & Sharma, 2001; Oberai & Chadha, 2001). By applying a relational understanding of the informal economy to the Indian context, I begin to yield empirical insights on the social conditions facing Indian informal workers and their political organizations. As well, the Indian case calls for an important reformulation of existing definitions of the informal economy, which to date have relied on Latin American and African experiences. Future studies should aim to yield similar insights in varying regional contexts. It is only through such globally comparative studies on the economic sociology of informal work that we may refine our theoretical frameworks on the world's informal labor force and deepen our empirical understanding of the increasingly integrated economies in which these workers operate.

THE INFORMAL ECONOMY: A RELATIONAL CONCEPT

Scholars have long debated the meaning of the informal economy and the reasons for its existence.¹ Over time, the debates have highlighted various subsets of the informal economy, including the self-employed, informal entrepreneurs, and eventually contract workers for formal companies. At the crux of these debates has been a question about the relationship between the unregulated, informal economy and the formal economy, which has come to typify advanced, regulated, industrial modernity. Not surprisingly,

therefore, theories of industrialization and development have heavily influenced prevailing definitions of the informal economy, which in turn have affected the operationalization of informal work in empirical examinations. As I argue below, economic theories of industrial development that idealize unfettered markets separated from social and political influences, have distorted our conceptualization of the informal economy. In particular, they have limited which workers are included in the informal economy and blurred important empirical insights into informal workers' social and political lives. In contrast, development theories based on the premises of economic sociology enable what I call a "relational" understanding of the informal economy, which includes the entire range of informal workers and is more theoretically and operationally relevant to the current era of liberalization and globalization.

Economic Conceptualizations of the Informal Economy

As national independence movements spread through the 1950s, development prescriptions under the rubric of "modernization theory" examined newly independent economies in isolation from the social relations and the institutions of power that linked them to their previous colonizers (Inkeles, 1969; Nurkse, 1952; Rostow, 1960; Theodorson, 1953). Drawing from the dualism of modernization theory, labor scholars ignored the relations and institutions that embed informal economies into modern societies, states, and formal economies. Instead, they conceptualized the informal economy as an isolated, temporary remnant of a feudal, rural past that would automatically disappear with urban, formally regulated modernity.

To this end, scholars urged developing countries to facilitate rural–urban migration with the expectation that surplus informal, rural labor would migrate to cities in search of greater wealth and spur unabated economic growth in the modern, urban formal economy. The market forces of urban growth would absorb informal, rural labor until wages between the rural and urban sectors were equalized (Lewis, 1954). No attention was paid to the role that social networks or political forces play in shaping the informal economy or migration and labor decisions. Rather, the informal economy was viewed as a temporary phenomenon delinked from modern societies and economies, and its precise definition remained vague. Informal workers' lives were rendered invisible as they were not counted in national labor force surveys, analyzed in labor scholarship, or considered in state labor policies.

By the end of the 1960s, the concept of the informal economy was extended to include rural and urban sectors, which increased attention to one subset of informal workers – the urban self-employed. However, scholars continued to theorize the informal economy as delinked from modern society and thus lost important insights on the socio-political lives of self-employed workers. Despite modernization predictions, rates of poverty, unemployment, and underemployment in third-world cities rose.² Yet urban migration continued. In response to this puzzle, Harris and Todaro (1970) famously argued that people came to the city to cash in on the possibility of a higher wage, and were willing to bear “wait unemployment” in the meantime. While waiting to be formally employed, new migrants remained unemployed or did odd, informal jobs in the city.

In 1973, Keith Hart expanded this thesis using data from Accra, where he argued that urban migrants who could not attain jobs in the formal economy were not sitting on the margins of the cities or starving in unemployment lines. Rather they were creating new opportunities to generate income in informal, self-employed capacities (Hart, 1973). These works pushed institutions, such as the International Labor Organization (ILO), to incorporate urban self-employed workers into their poverty-alleviation programs. However, because the informal economy continued to be viewed as a temporary phenomenon, with no relationship to the formal economy and polity, ILO programs targeted self-employed workers without addressing the embedded structures and power bases that shaped their lives.

In the late 1980s, the rising current of neoliberalism further entrenched an economic theorization of the informal economy as isolated from the formal economy and state. The continuing growth of the informal economy in rural and urban sectors pushed scholars to no longer deem it a temporary remnant of a feudal past, but rather a beacon of hope for modern, unfettered markets. This view raised attention to another subset of the informal economy – informal entrepreneurs. Drawing from data on Lima’s housing, transport, and petty trade sectors, Hernando De Soto (1989) popularly argued that the informal economy was a creative way for the majority of workers to utilize their entrepreneurial skills by acting outside the government’s mercantilist regulations. These regulations, De Soto argued, were suboptimal as they enabled self-serving, Latin America bureaucracies to secure support by disempowering the masses and granting privileges to ruling classes. The structural reasons for the continued growth of the informal economy were overshadowed by assumptions of natural, individual penchants for market efficiency. De Soto thus defined the informal economy as that which operates outside government regulations and, most

importantly, is productive and creative; the formal economy operates within government regulations but is inefficient and not creative. Informal workers by definition were assumed to have no relations with the state *or* the state-regulated formal economy.

This neoliberal understanding of the informal economy as a reflection of productive, free markets launched substantial interest in informal workers, especially in the self-employed and informal entrepreneurs. Even institutions, such as the World Bank, which earlier focused solely on the formal economy, now explicitly promote self-employment as a beneficial option for those squeezed out of the labor market (World Bank, 2003). In 1993, participants of the 15th International Conference of Labor Statisticians (ICLS) marked an historic turning point by agreeing at long last that informal workers must be counted in labor force surveys to improve analyses on the modern global economy. An internationally consistent, operational definition of the informal economy was viewed as a first step toward collecting and analyzing data on the subject. The absence of such a definition until then had yielded case studies that offered vastly different, sometimes conflicting, conclusions about the causes and effects of informal work (Rakowski, 1994). To address this issue, ICLS participants drafted a definition that was subsequently incorporated into the 1993 System of National Accounts (SNA).³

The 1993 ICLS definition, however, was limited by the underlying economic theorization of the informal economy that ignored its social and political relations with the formal economy. The ICLS defined the informal economy as enterprises that have a low level of organization, little or no division between capital and labor as factors of production, and labor relations consisting of social relationships, not formal contracts. Under this definition, the informal economy comprised only of unregistered or unincorporated enterprises owned by households that produce goods and services to generate employment (ILO, 1993).⁴ Ironically, by relying on neoliberal premises that ignore the embeddedness of the informal economy, this definition omitted, and thus undermined the ability to empirically examine, the subset of informal workers that is most crucial to the neoliberal agenda – i.e., unregulated contractors working for formal companies.

Economic Sociology Conceptualizations of the Informal Economy

As I argue below, the premises of economic sociology yield a more comprehensive definition of the informal economy that I term “relational.”

This definition includes more groups of informal workers and can be operationalized to yield deeper insights into the socio-political forces shaping all informal workers' lives.

Prior to the rise of modernization theories that delinked the informal economy from modern societies, Vladimir Lenin (1939) and Rosa Luxemburg (1951) asserted its embedded nature by exposing informal workers as an integral part of the modern working class in a capitalist system. They showed how Europe's economic growth relied on imperialist power structures that enabled the articulation or interaction of modern, capitalist modes of production for manufactured goods in Europe with alternative modes of production (such as precapitalist, artisan, feudal, and petty-bourgeois modes) for raw materials in the colonies. In addition to cheap agricultural products, class struggles that increased European wages forced European capitalists and workers to rely on colonies' cheap, flexible, informal workforce for low-end manufactured goods and services. Far from being a remnant of a feudal past, the informal economy was defined as a necessary subsidy to the growth of modern, formal capitalist economies. Political and social institutions ensured that informal workers absorbed the formal economy's cost of low-end production and labor reproduction by not receiving benefits or minimum wages. By working at home, informal workers mitigated employers' overhead costs.

Drawing from these insights in the 1970s and 1980s, neomarxist and structuralist scholars of labor used vivid empirical case studies from Latin America and Africa to detail the intricate relations that linked informal and formal economies within developing capitalist systems even after independence (Bromley & Gerry, 1979; Moser, 1978). This work enabled scholars to expose additional groups of informal workers, especially informal contractors working for formal companies. Peattie (1980), for example, showed that in Bogotá, informal workers in the shoe-making industry worked as subcontractors for formally regulated firms in Colombia. Similar to the imperialism era, formal economy accumulation in newly independent countries relied on social networks to supply cheap informal labor that absorb costs of production and labor reproduction, *even* at the cost of efficiency. In addition, scholars revived Hart's original emphasis on the self-employed workers' crucial role in Ghana's development as a source of employment and of essential, cheap goods and services that low-wage urban residents relied on for their survival (Hart, 1973; Portes & Benton, 1984). Such social and political links between the informal and formal economies were found to help formal employers and states by constraining the expansion of the relatively costly, protected formal working class (Portes & Walton, 1981).

The premises of economic sociology enabled scholars in the late 1980s to articulate informalization as an *embedded production relationship* between the state, the formal and informal economies, and civil society. By exposing the interdependencies of these forces, scholars uncovered the structural reasons for the continued growth of the informal economy under modern capitalism. Based on these insights, Portes et al. (1989) famously defined the informal economy as units that produce legal goods and services, but engage in operations that are not registered or regulated by fiscal, labor, health, and tax laws. Informal workers under this definition include rural and urban sectors in traditional and capitalist systems. Unlike earlier definitions, this one accommodates the structural interdependencies that link informal and formal economies by including not just the self-employed and informal entrepreneurs, but also the growing group of contractors who work through chains of subcontractors for formal enterprises. Moreover, it makes no subjective claims on the informal economy's traditionalism (as in modernization) or creativity (as in neoliberalism). Despite their different work conditions, all three groups of informal workers are shorn of labor protections and avoid regulation by working in the privacy of their homes or unregistered workshops. As Portes and Haller (2005) argue, the paradox of the informal economy under this definition is that both strong and weak states force all informal workers to become embedded in social networks for their survival (either to avoid heavy state regulation or manage without any state enforcement or protection).

Incorporating a Relational Concept into the Count

It is this relational definition of the informal economy that must be operationalized in national labor surveys to ensure that empirical studies on work capture all informal workers and their linkages to the formal economy, states, and societies. At the end of the 1990s, some scholars critiqued the 1993 ICLS definition for failing to include the growing group of informal workers operating in formal enterprises, as well as workers who move back and forth between, or work simultaneously in, informal and formal employment. As well, the ICLS definition excluded the vast numbers of (often women) workers who are especially dependent on informal social networks, because they work alone at home or in multiple locations (such as street vendors); these workers are excluded because their workplaces are not counted as "enterprises" (Satpathy, 2004).

These criticisms spawned a new operational definition of informal workers in terms of their employment status (i.e., casual, self-employed, or regular worker) and the characteristics of their enterprises (i.e., legal status and/or size of the enterprise). In 2001, Ralph Hussmanns (2002) of the ILO presented the matrix reproduced in Table 1 to outline this broader definition that ensures the inclusion of informal workers in both informal and formal enterprises, as well as regular workers in informal enterprises. By including these workers, this definition incorporates the premises of economic sociologists' relational definition of the informal economy. Although this newer definition has not yet been incorporated into the SNA, in 2003, the 17th ICLS began using the term "informal economy," rather than "informal sector," to capture informal workers in both informal and formal enterprises.

THE CASE OF INDIA

Despite the massive size of India's informal economy, India has been strikingly absent from international discussions on the subject. During the 1950s and 1960s, analyses of the informal economy in India embraced the assumptions of modernization theory. As in Latin America and Africa, India's informal workers were viewed as a temporary remnant of a feudal past, delinked from modern society, and not counted or analyzed for decades.

India's first Prime Minister, Jawaharlal Nehru, channeled large-scale state investments into growing a modern, urban sector staffed by a formally employed, capitalist urban workforce.⁵ He urged urban migration with the expectation that natural market forces would absorb the country's massive informal, rural workforce. Although India's rate of urbanization and migration is often said to be lower than that of Latin America and Africa, Indian rates in the early 1960s were higher than those of other countries and of subsequent decades in India (Becker, Williamson, & Mills, 1992). While Nehru also continued to support small-scale industries (such as handloom weaving) and cooperatives (as in dairy production), for informally employed rural labor, this support was viewed as a symbolic tribute to Mahatma Gandhi, the leader of the Indian independence movement. Its necessity was expected to diminish with urban growth (Corbridge & Harriss, 2000).

Despite India's economic growth, however, informal workers continued to operate as self-employed workers, informal entrepreneurs, and unregistered contractors in formal companies. Their impact today can be felt

Table 1. Hussmanns Matrix to Define Informal versus Formal Workers.

Production Units by Type	Jobs by Status in Employment								
	Own-accountworkers ^c		Employers		Contributing family workers	Employees		Members of producers' cooperatives	
	Informal	Formal	Informal ^d	Formal	Informal	Informal	Formal	Informal	Formal
Formal economy enterprises					1	2			
Informal economy enterprises ^a	3		4		5	6	7	8	
Households ^b	9					10			

Note: Table reproduced from Hussmanns (2002).

^aInformal enterprises are distinguished from formal enterprises based on (1) size of employment and/or (2) registration status of the enterprise and employees. These limits are defined on a national basis. In India, enterprises with fewer than 12 employees are defined as informal. Informal enterprises exclude households employing paid domestic workers.

^bHouseholds producing goods for their own final use and households employing paid domestic workers.

^cOwn-account workers own and operate an enterprise alone or in partnership with members of the same or one additional household. They may employ contributing family members and employees on an occasional basis, but not on a continuous basis.

^dInformal employers may employ one or more employees on a continuous basis.

- Jobs that by definition do not exist: Cells shaded in dark gray.
- Jobs that exist, but are not informal: Cells shaded in light gray.
- Employment in the informal economy: Cells 3–8.
- Informal employment: Cells 1–6, 8–10.
- Informal employment outside the informal economy: Cells 1, 2, 9, 10.

everywhere – in the traditional and modern sectors of rural and urban areas. Self-employed street vendors, for example, wake up each morning to supply growing urban neighborhoods with fresh fruits and vegetables, kitchen utensils, and light bulbs. “Rag pickers” walk from their squatter settlements to middle class homes and factories to collect, sort, and recycle garbage – a function that few municipal governments can afford to sponsor. Entrepreneurial own-account workers have turned their slum alleys into small-scale factories that churn out cheap leather goods, processed foods, and paper for low-income urban residents. Women migrants join their husbands to live on construction sites in make-shift shacks, serving as casual “helpers” carrying bricks and cleaning cement to build roads and modern office buildings. Young village girls sit with their mothers in the privacy of their mud homes rolling handmade cigarettes, known as *bidis*, which will eventually be labeled with a formal brand and sold in urban retail shops.

Drawing from the insights of economic sociology, the continued prevalence of informal work in India is hardly surprising. Scholars have cogently documented the exploitative social and political institutions of imperialism that enabled British textile and jute industries to reap the benefits of India’s cheap, flexible, informal workforce in rural and urban sectors (Chandavarkar, 1994; Fernandes, 1997; Herring, 1983). The Indian independence movement was intricately intertwined with a labor movement that called for a fully formalized workforce protected by an independent Indian state. Under colonialism, a minority of workers was given such protections by the British crown. In contrast, the independent Indian government promised to strive for “secure, state-protected employment for *all* Indian men” (NCL, 1969). Despite its fair intentions, however, the Indian government has never had the capacity to regulate all economic activities. In this sense, India can be classified under Portes and Haller’s (2005, p. 410) state typology as an “enclave” state that “naturally leads to an enclave of formal capitalism and legal enforcement of contracts and a largely self-regulated economy on the outside.” Such states are typical of developing countries. Moreover, India’s massive and heterogeneous population that has survived centuries of foreign rule has given rise to a highly networked society that is “accustomed to relying on their own devices for survival...and view informal enterprise as a normal and justified part of life” (Portes & Haller, 2005, p. 411).

In addition to these state and society conditions, I would add that the continued presence of India’s massive informal economy can be attributed to the Indian government’s failure to address the structural and relational reasons for its existence within a capitalist system (be it colonial or

independent). As in Latin America and Africa, in India self-employed workers, employees in informal enterprises, and contractors in formal companies supply the cheap labor, goods, and services that capitalists, rural and urban families, and the Indian state have come to depend on in an economy that fails to guarantee secure, minimum wages and benefits for all workers.

By the early 1970s, notable Indian activists highlighted the significant role informal workers played in the nation's modernizing economy under the independent Indian state.⁶ These activist efforts to protect informal workers, however, made few dents in the government agenda, and Indian labor force surveys continued to ignore informal workers. As well, Indian scholars failed to engage in the theoretical discussions that Latin American and African scholars at the time were using to expose the social and political relations that linked informal and formal economies.

In 1991, the Indian government launched neoliberal policy reforms that expanded the informal economy and finally inspired state and scholarly interest in informal labor. Indian liberalization policies lifted industry subsidies, trade and quota regulations, and license restrictions, thereby pushing firms to be more competitive by minimizing costs and increasing labor flexibility. To help meet these needs, the Indian government enabled firms to retrench formal factory workers and hire informal workers. By definition and by law, firms are not required to extend benefits, minimum wages, or job security to informal workers. Significantly, these trends can be seen in the private and public sectors. In addition to increased demand for informal labor, supplies have increased. As more people join the informal labor force, more household members are pushed into the labor market, because informal wages by a single breadwinner are seldom sufficient to sustain a family. These new members of the labor force are turning to contract or self-employed work, because that is where most employment growth is occurring (Oberai & Chadha, 2001).

As in many nations attempting to compete in the global market through the use of low cost, flexible labor, the Indian government is encouraging informal employment even though it operates outside state jurisdiction. In contrast to its earlier commitment to formal employment, in 2002 the government promoted informal employment as "the primary source of future work for all Indians" (NCL, 2002). Recent government reports, stress "the important role informal labor plays in ensuring the success of India's reforms" (Ahluwalia, 2002; Gupta, 2002; NCL, 2002). By the end of the 1990s, the informal economy was estimated to account for over 60% of gross domestic product (Kulshreshtha & Singh, 1999). In 2004,

the Indian government appointed a high-profile committee to examine ways to increase productivity in the informal economy.

In 1998, as part of the Indian government's newfound interest in informal labor, the Department of Statistics incorporated the 1993 ICLS enterprise-based definition of the informal economy into Indian labor surveys. As a result, the theoretical discussions on the informal economy that focused on Latin America and Africa in the 1970s and 1980s, began to influence Indian discussions. The ICLS definition, however, was based on a neoliberal definition of the informal economy as delinked from modern states and state-regulated formal economies. Therefore, it limited Indian surveys on informal workers to include only entrepreneurs and employees of small, unregistered enterprises. The mass of Indian contract workers sewing clothing in their homes for formal, branded apparel companies, or the millions of street vendors and domestic servants that work in multiple locations, were left out.

In contrast to many countries where discussions about the informal economy remained in the upper echelons of policy circles, India's activist civil society called on the Indian government to rethink the limited nature of the ICLS definition. In response, the National Sample Survey Organisation (NSSO) of India, a branch of the Indian Ministry of Statistics and Program Implementation that is responsible for conducting the National Sample Survey (NSS) on Employment and Unemployment every five years, field-tested a new version of the survey in 1999.⁷ The 1999 NSS aimed to operationalize a relational understanding of the informal economy that included all informal workers (NSSO, 2001a). To this end, the NSSO conducted a household survey to count home-based and multiple-location workers.⁸ The survey had detailed questions on employment status, location of work, enterprise characteristics, and workers' social and political conditions.⁹ A follow-up survey was conducted on the enterprises identified as informal to better capture the details of output generated (NSSO, 2001b).

Today, the 1999 NSS is viewed in India as one of the best data sources on the informal economy. First, unlike enterprise-based surveys, the household nature of the 1999 NSS captures India's mass of self-employed and home-based contractors in formal enterprises. These workers reflect the embedded nature of the informal economy as they are intricately linked to formal economies through social and political institutions, and they serve as essential pegs in the state's current liberalization project. Second, by capturing more informal workers, the 1999 NSS provides greater demographic variation (by gender, caste, religion, and region) than the Economic Census or the Population Census (Kundu & Sharma, 2001).¹⁰

This is especially crucial for India's heterogeneous population. Finally, the 1999 NSS includes more details on work type, social conditions, and political organization than the Population Census, thereby yielding insight into the precise ways in which informal workers are embedded in states and societies.

APPLYING THE RELATIONAL DEFINITION TO INDIAN DATA

India's recent NSS provides an ideal opportunity to apply the relational definition of the informal economy to data on Indian informal workers. Doing so not only exposes greater empirical detail on the social and political lives of all Indian informal workers, but it also yields important evidence for the need to refine existing definitions of the informal economy. In turn, such contributions bring India into the fold of globally comparative discussions on the informal economy. To date, studies on India's informal economy have not capitalized on this opportunity and have instead focused on the definition and measurement of the Indian informal economy in isolation from the Indian formal economy and from other national economies (Joshi, 2000; Kulshreshtha & Singh, 1999; Kundu & Sharma, 2001; Mahadevia, 1998; Oberai & Chadha, 2001; Sundaram, 2001; TISS and YUVA, 1998; Unni, 1999). As a result, these studies have yielded few insights into the social and politically embedded nature of informal workers' lives, and India has been surprisingly absent from comparative discussions on the subject.

To begin an analysis on the social and political lives of Indian informal workers, I apply the Husmanns Matrix (see Table 1), which operationalizes a relational definition of the informal economy, to the 1999 NSS data (see Table 2). The NSS collects data on employment using usual, current weekly, and current daily status.¹¹ The usual status criterion is the most common approach used in employment studies, and I use it for comparability. In line with common convention, I have included both principal and subsidiary economic activities. All casual workers and self-employed family workers are categorized as informal, regardless of the type of enterprise for which they work. Whether own-account workers, employers, and regular wage workers are categorized as informal depends on their enterprise type. Under this schema, *all* informal workers are included within the substantive definition laid out by economic sociologists – namely they, unlike formal workers in the formal economy, are not protected and regulated under state law (Portes et al., 1989).

Table 2. Adapted Hussmanns Matrix of Informal versus Formal Workers in India.

Production Units by Type	Jobs by Status in Employment				
	Casual workers	Self-employed family workers	Self-employed own-account workers and employers ^c		Regular wage workers
	Informal	Informal	Informal	Formal	Formal
Formal economy enterprises ^a	1	3	5		
Informal economy enterprises ^b	2	4	6		7

Note: This figure draws from the Hussmanns Matrix, but has been adapted by the author to fit the 1999 NSS data.

^aFormal enterprises include: public sector, semi-public, co-operative societies, public limited companies, private limited companies, and other units covered under the Indian Annual Survey of Industries.

^bInformal enterprises include: single proprietaries (male or female) and partnerships (with members from the same household or from a different household).

^cSelf-employed own-account workers have been grouped with employers due to the small number of employer observations in the NSS.

- Employment in the informal economy: Cells 2, 4, 6, 7.
- Informal employment: Cells 1–6.
- Informal employment outside the informal economy: Cells 1, 3, 5.

When we apply the relational definition of the informal economy to the NSS data using the Hussmans Matrix, we first provide *internationally comparative* evidence for the massive size of India's informal economy. In recent years, Indian scholars, activists, and government officials have achieved a near consensus on the claim that informal workers comprise 93% of the Indian labor force (Correspondent, 2002; Kundu & Sharma, 2001; NCL, 2002; Oberai & Chadha, 2001; Times News Network, 2002). This figure, however, was first asserted by Indian informal workers' movements to increase their public salience, and thus includes the nation's massive agricultural workforce that comprises over 60% of the national labor force. Therefore, this figure is not internationally comparative, as studies on the informal economy in Latin America and Africa have been limited to the urban sector (Portes et al., 1989). Moreover, Indian scholars themselves have argued that although most agricultural workers are informally employed, including them in studies on contemporary informal employment

Table 3. Indian Labor Force.

	Male	Female	Total
Total population ('000)	472,784	447,858	920,642
Labor force (% of total population)	54	26	41
Unemployment rate (% of labor force)	2.4	1.7	2.2 ^a
Nonagricultural workers (% of total labor force)	44	23.3	37.4
Nonagricultural workers employed in formal economy (% of nonagricultural workers)	18.6	14.9	17.9
Nonagricultural workers employed in informal economy (% of nonagricultural workers)	81.4	85.1	82.1
Casual worker (% of nonagricultural workers in informal economy)	21.4	18.7	20.9
Self-employed family worker (% of nonagricultural workers in informal economy)	7.2	25.7	10.8
Self-employed own account and informal employer (% of nonagricultural workers in informal economy)	35.3	27.7	33.8
Regular worker in informal enterprise (% of nonagricultural workers in informal economy)	17.5	13.1	16.7

Note: Calculated by author from NSS 1999–2000. Currently, informal workers in India can only be calculated in the nonagricultural sectors.

^aAs in most developing countries, unemployment rates are low in India, because the lack of state support for the unemployed makes it impossible for people to survive without any work.

exaggerates the phenomenon, since agricultural workers have never aimed to be formalized. Moreover, it masks the dynamics of nonagricultural sectors, where the Indian government has aimed – albeit unsuccessfully – to formalize the workforce (Kundu & Sharma, 2001; Satpathy, 2004).

To address these critiques and to examine Indian informal workers in a way that is consistent with global studies, I use the relational definition of the informal economy operationalized in the NSS to articulate the amount of informal workers in the nonagricultural workforce. The numbers remain staggering. As shown in Table 3, 41% of the Indian population, nearly 400 million people, is in the labor force.¹² Over 37% of the labor force, approximately 141 million people, works in the nonagricultural sectors. Of those, 82% is employed in the informal economy. In other words, over 114 million nonagricultural workers in India are unregulated and unprotected by the state.¹³ This population is the size of France and the United Kingdom combined. For comparison, studies using the relational definition of the informal economy in Latin America estimate that approximately 40% of urban workers are informally employed (Portes & Schauffler, 1993).

Second, based on previous studies of informal workers, the 1999 NSS data indicates that since India's 1991 liberalization policies, the informal proletariat has grown. Between 1991 and 2000, informal employment in the public sector increased by 2%, while formal employment decreased by the same amount (NSSO, 2001a). During this period, the number of households in self-employed and casual labor increased, while households engaged in regular wage/salaried jobs decreased (NSSO, 2001a; Kundu & Sharma, 2001). The decline of formal economy employment and subsequent growth in informal employment has been felt most suddenly in the public sector. As the nation's multitude of public sector enterprises are disinvested and sold to the private sector, employees who earlier enjoyed the benefits of formally regulated, government-affiliated employment are being fired and rehired on an informal basis.¹⁴ Others are turning to self-employment or contract work in the private sector. Although private sector production is increasing, new employment in the private sector is almost entirely informal. Again, the trend toward a growing informal workforce under liberalization in India is parallel to what has been found in Latin America, using the same definition of the informal economy (Portes & Hoffman, 2002).

Third, applying the relational definition of informal work on India's 1999 NSS enables us to examine the social conditions that shape the lives of informal workers. Contrary to the claims of De Soto and other neoliberal scholars that the informal economy represents a beacon of hope for creative, unfettered market entrepreneurialism, Table 4 shows that Indian informal workers' life chances are significantly worse than that of formal workers. Informal workers have a larger share of illiterates than formal workers; formal workers, in contrast are more likely to have a graduate education than informal workers. As well, only 4% of informal workers are covered by the Provident Fund, India's social security, while nearly 60% of formal workers are covered under the same program. Consistent with claims that global poverty is becoming increasingly feminized (Standing, 1999), Table 3 shows that the share of female workers employed in India's informal economy is slightly larger than the share of male workers in the informal economy. The relative deprivation that informal workers face compared to formal workers in India bolsters the need for those concerned about development to increase attention to the impact of commodifying growing numbers of informal, unprotected workers. Comparisons of informal versus formal workers' life chances using a relational definition of the informal economy should be analyzed in varying regional contexts to ensure such attention at a global level.

Table 4. Distribution of Education Level and Social Security Coverage by Employment Status.

	Not in Labor Force ('000)	Not in Labor Force (%)	Unemployed (‘000)	Unemployed (%)	Employed in Informal Sector (‘000)	Employed in Informal Sector (%)	Employed in Formal Sector (‘000)	Employed in Formal Sector (%)
Illiterate	152,900	34	467	6	34,169	30	1,626	7
Literate below primary	122,600	28	425	5	14,384	13	1,257	5
Primary	66,008	15	676	8	16,356	14	1,599	6
Middle	52,137	12	1,680	20	20,986	18	3,456	14
Secondary	27,363	6	1,825	22	13,871	12	5,409	22
Higher secondary	14,631	3	1,289	16	6,588	6	3,716	15
Graduate + Provident fund	8,744	2	1,860	23	8,474	7	7,896	32
					5,098	4	14,605	59
Total	444,384		8,221		114,828		24,958	

Note: Calculated by author from NSS 1999–2000. Includes only nonagricultural workers, ages > 5.

Fourth, by applying a relational definition of the informal economy to India's 1999 NSS, we expose the falseness behind the common claim in traditional labor and contemporary globalization scholarship that informal workers cannot organize to decommodify their labor (Arandarenko, 2001; Castells, 1997; Held et al., 1999; Hyman, 1992; Sassen, 1994; Tilly, 1995; Zolberg, 1995). India has had a rich history of labor organization, and today India's union density is comparable to that of developed nations. As shown in Table 5, union density in India is higher than in the United States, and is almost equal to that of Japan, Australia, and Germany.¹⁵ Since the start of liberalization reforms, however, Indian scholars and activists have been predicting the demise of India's union density due to the growth of India's informal workforce (Joshi, 2000). The underlying assumption is that organization among informal workers is impossible. This view is so prevalent in India that the terms "informal and formal sectors" are used interchangeably with the terms "unorganized and organized sectors." Yet, according to the 1999 NSS, 8% of Indian informal workers in the nonagricultural sector are unionized.¹⁶ This is 9 million workers, of whom over 1 million are casual workers working for formal companies, whose organizing strategies we know nothing about.

Elsewhere, I have used this insight from an operationalized relational definition of the informal economy to detail the new forms of class based organizations that informally employed contract workers in India's construction and tobacco industries are launching to decommodify their labor (Agarwala, 2006, 2008). Such analyses expose the precise ways in which the informal economy is so deeply embedded in the state and society.

Table 5. Union Density Figures: India in Comparison to Developed Nations (1999).

Country	Union Density
United States	14
Japan	22
India	23
Australia	26
Germany (1998)	26
United Kingdom	29
France (1994)	31

Note: These figures are drawn from the most recent figures available at ILO (ILO, 2004). Union density is defined as: trade union members as a percentage of total paid employees.

For example, contrary to claims that informal workers cannot organize and have no relation with the state, I find Indian informal workers are indeed organizing and cementing new relations with the state along citizenship lines. To retain their membership and fit the unique conditions of their work, Indian informal workers are creating an altered form of unionism that appeals to the state, rather than employers, for increases in welfare, such as health and education, rather than for work benefits, such as minimum wages and job security. As a result, informal workers' organizations are pulling the state into playing an even more central role than it did in formal workers' movements. To attract the attention of elected politicians, informal workers are using the rhetoric of citizenship rights and the power of their votes. To mobilize the dispersed, unprotected workforce, unions are organizing at the neighborhood level, rather than the shop floor. This strategy enables informal workers to bypass employers, avoid disrupting production, and attain benefits that help all members of their household (many of whom are involved in informal production).

To operationalize their movements, informal workers are launching innovative institutions, known as "Welfare Boards," which are implemented by state governments and receive funds from employers, states, and workers. To receive welfare benefits from these boards, unions must certify workers' informal status. Once they become a member, informal workers receive an identity card with an official state stamp that certifies their employment status, *regardless of their employer*. Informal workers use this card to get their child into a local school, fight for water at the municipal corporation, or avoid police harassment when they are commuting to and from work before sunrise and after sunset. In other words, attaining state recognition for their informal work is expressed in India as a means to social legitimacy (Agarwala, 2008).

Informal workers' unions in India reaffirm the socially and politically embedded nature of the informal economy by showing how informal employment conditions do not preclude a priori labor organization and interaction with the state. In fact, informal and formal workers share the same ultimate goal of attaining a social wage that embodies an expanded notion of citizenship. However, because informal workers by definition are tied to the state in a starkly different way from formal workers, they must form alternative institutions to attain their goals. Informal workers' organizations, therefore, provide important clues about the unique institutional structures that are increasingly relevant to the growing mass of workers who must mobilize in a system with little state regulation and blurred employer–employee relations.

Most importantly, these findings from the Indian experience call for a qualification of the prevailing economic sociology definition of the informal economy. To accommodate informal workers operating in highly networked democracies, the relational definition of the informal economy must specify that the lack of state regulation and protection of informal workers is limited to the conditions of their work and their employer, and does not necessarily apply to their welfare at home or in their family. Informal workers in India continue to be unprotected in their work or by their employer. Yet, they have managed to force the state to take responsibility for their social consumption needs through welfare provisions.

Although there has been far too little analysis on informal workers' organizations to date, the few studies that do exist confirm that informal workers in Mexico, South Korea, and the United States are also initiating alternative organizations to decommodify their labor, be it through symbolism, worker centers, or innovative unions among street vendors and service workers (Chun, 2005; Cross, 1998; Fine, 2006; Milkman, 2006). The Indian case on informal contract workers appears to be unique in its democratic context, use of electoral votes, and institutionalization of Welfare Boards. More studies are needed to yield a deeper global understanding of informal workers' collective action strategies. To draw meaningful comparative insights across regions, these studies must make consistent use of a relational definition of the informal economy, which in turn will include all informal workers and expose the linkages between informal workers and the state.

CONCLUSIONS

An economic sociology of work offers important insights into the deeply embedded nature of the informal economy and the social and political lives of its growing mass of unprotected workers under globalization. In particular, the premises of economic sociology offer a comprehensive definition of the informal economy that I term, "relational." In contrast to definitions based on modernization and neoliberal assumptions, a relational definition does not view the informal economy as an isolated remnant of a feudal past that will automatically disappear under the market influence of industrialization. Rather, it explains the continuing presence of the informal economy in modern capitalist systems by showcasing the structures, political institutions, and social networks that force the formal economy, states, and civil societies to rely on informal workers.

Formal employers rely on networks of cheap, flexible informal workers to lower their production costs and remain competitive; low-wage urban residents (in the informal and formal economies) rely on the cheap goods and services of informal workers to afford the costs of their own reproduction; and states rely on informal workers to subsidize their national systems that do not guarantee minimum wages or security to all workers. Informal economies will continue to grow, therefore, because they are an integral and crucial peg in the continuing project of global capitalism.

Once such interdependencies between the informal economy, formal economy, the state, and civil society are unearthed, the relational definition can be operationalized to include the entire range of informal workers. Unlike neoliberal definitions of the informal economy, the relational definition includes informal entrepreneurs, as well as the self-employed and contract labor in formal companies. Regardless of their varying creativity and productivity, all three groups of informal workers are unprotected and unregulated. In addition, operationalizing the relational definition ensures the collection of data on the precise ways in which informal workers are socially and politically embedded through networks and organizations.

To illustrate this point, I apply a relational definition of informal labor to recent NSS data on informal workers in India. By doing so, we begin to understand Indian informal workers in a comparative context, yielding empirical insights on their social conditions and political organizations *and* offering refinements to existing theories that focus on Latin America and Africa. First, I offer revised figures on the size of the informal workforce in the world's largest democracy. These figures are more useful for cross-national comparisons than those currently used in India, because they are consistent with those used in Latin America and Africa. Second, I provide empirical evidence for the recent growth of India's informal economy under liberalization, thereby underlining the structural reasons for its presence and debunking economic theories predicting its demise under unfettered, expanded markets. Third, I highlight the relative vulnerabilities and reduced life chances that Indian informal workers face relative to formal workers, thereby undermining neoliberal celebrations of reduced states and free markets where labor is fully commodified.

Finally, I undermine the common claim that informal workers cannot and do not organize to decommodify their labor. Although Indian informal workers receive no benefits from either the state or the employer, they remain deeply embedded as they build new institutions that capitalize on their political power to hold the state responsible for their social consumption needs. Such empirical evidence that draws from theoretical

discussions on the economic sociology of informal work calls for a reformulation of the definition of the informal economy to better fit India's active, democratic context. More such analyses must be conducted within India and in other country contexts to deepen our understanding of the socially and politically embedded lives of the world's growing informal workforce.

NOTES

1. For more on this debate, see: Bromley and Gerry (1979), Gerry and Birkbeck (1981), Moser (1978), Portes, Castells, and Benton (1989), and Rakowski (1994).

2. Underemployment accounts for those who are underpaid, not utilizing their full skill set, or working part-time.

3. The System of National Accounts (SNA) is a conceptual framework that sets the international statistical standard for the measurement of the market economy. Most national surveys follow the SNA guidelines to maintain international comparability. It is published jointly by the United Nations, the Commission of the European Communities, the International Monetary Fund, the Organisation for Economic Co-operation and Development, and the World Bank. The first SNA was established in 1953, and it is periodically updated to accommodate new economic phenomena.

4. By focusing on employment, the informal economy is said to enable income and non-income benefits, such as mobility, autonomy, sense of dignity, etc. Production and household expenditures in these enterprises are usually combined, and financial accounts are rarely maintained.

5. Nehru was Prime Minister from 1947 until his death in 1964.

6. For an insightful look at one such movement, see Rose (1993).

7. The NSS is roughly equivalent to the Current Population Survey (CPS) in the United States. However, as noted, the NSS is conducted every five years (as opposed to monthly, as in the case of CPS). Additionally, the NSS uses three reference periods – yearly, weekly, and daily (as opposed to the monthly reference period of the CPS).

8. This survey was conducted from July 1999 to June 2000, based on a sample of randomly selected households. The sample design was a stratified multistage one, moving from rural villages or urban blocks to households. The 1991 Census was used as the sampling frame for the selection of villages, and the latest NSSO lists of blocks was used as the sampling frame for the selection of blocks.

9. The survey spread across 6,208 villages and 4,176 urban blocks, covering 165,244 households and 819,011 persons. The raw data of the survey totals 819,013 persons; however, two pairs of observations are duplicates. In the initial analysis below, I have dropped the duplicates of each pair, thereby totaling 819,011 individual observations.

10. Despite the relative advantages of the NSS compared to other national surveys in India, the NSS still suffers from an undercount of India's workers, especially of seasonal and female workers. Some Indian scholars have advocated time-use surveys

as an alternative. For a comparison of the recent NSS to a pilot time-use survey, see Hirway (2002).

11. "Usual status" asks whether an individual has worked during the 365 days preceding the survey, "current weekly status" uses a reference period of 7 days preceding the date of the survey, and "current daily status" asks questions about each day of the 7 days preceding the date of the survey.

12. Approximately 15% of those not in the labor force is under the age of 5 or above the age of 85. Some have argued that the true size of the labor force is even larger than 400 million, because women workers are so often undercounted in official surveys. For more on this undercount, see Hirway (2002).

13. This figure was calculated by the author using the 55th Round of the NSS.

14. While privatization is not always a part of liberalization, India's attempts to ease control regimes since 1991 (i.e., liberalization) have been tied to getting government bureaucracy out of the economy through the disinvestment of government-owned assets and subsequent selling to the private sector.

15. Union density is the number of trade union members per paid employees. There is no internationally agreed upon definition of "paid employees." ILO calculations for India are based on India's Statistical Abstract. When using the 1999 NSS, however, union density figures are lower. If "paid employees" are defined as regular wage workers and casual workers, union density in India is 10% among all workers and 21% among nonagricultural workers). If the self-employed are included (along with regular wage and casual workers), union density is 6.5% for all workers and 15% for nonagricultural workers. Such discrepancies in union density figures that vary by data source and definition of "paid employees" can be found in other countries as well.

16. This figure, calculated by the author using the 1999 NSS, includes only regular workers (in the case of formal workers) and regular and casual workers (in the case of informal workers). This figure changes only marginally when self-employed own-account workers and employers are included (along with regular and casual workers).

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