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Q4(c)

Critically analyze the sociological significance of informal sector in the economy of developing societies

UPSC Civil Services Mains 2025 · Sociology GS 1 · 10 marks · Sociology

Sociology - The Discipline: Modernity and social changes in Europe and emergence of sociology; Scope of the subject and comparison with other social sciences; Sociology and common sense.

Core demand of the question

- **Define the informal sector after Hart and ILO:** unregulated, small, unregistered work
- **Show sociological significance for developing societies:** livelihood, gender, migration, missing social security
- Critically note exploitation, state's dualism, and links to formal capital
- Use India as the main illustration

Revision summary

Hart and the ILO named unregulated, unregistered work as the informal sector.

It is a relation to the state and to formal firms, not a separate traditional economy.

- **In India most workers remain informal:** vending, construction, home-based and farm labour.

Sociological significance lies in livelihood, gender, migration and incomplete citizenship.

- **Critique:** growth has not dissolved informality; capital often depends on it.

COVID-19 migrants showed the welfare gap inside this structure.

Introduction

The informal sector is the large zone of work that is unregistered or weakly regulated, where labour law, tax and social security barely reach. **Keith Hart** coined the term from urban Ghana; the ILO then made it a development category. In developing societies, including India, it is not a leftover. It is how most people earn, and that fact has sociological, not only economic, significance.

Body

What it is

Informal work includes street vending, home-based piecework, small workshops, domestic service, construction gangs and much of agriculture and allied labour. Alejandro Portes and others stressed that informality is a relation to the state and to formal firms, not a separate "traditional" economy. Formal capital often puts out work to informal units to cut costs. Jan Breman's fieldwork on circular migrants in western India showed footloose labour moving between farm, brick kiln and city without a stable contract. Women are over-represented in the least visible home-based and care work, as SEWA's organising and the NCEUS reports documented. PLFS figures still place the vast majority of Indian workers outside secure formal

jobs.

Sociological significance and critique

- **Significance first:** the informal sector absorbs surplus labour, cushions unemployment, and builds urban livelihoods when industry does not create enough formal jobs. It shapes class without looking like a factory proletariat: self-employment can hide disguised wage labour. It structures gender, because unpaid household work and paid informal work blur. It structures the city: slums, street economies and police discretion. It also limits citizenship: no PF, no paid leave, weak unions, high accident risk.

The critical side is that celebrating "entrepreneurship" can romanticise precarity. Dualist models that expect informality to vanish with growth have been disappointed. Global value chains often need the informal tail. During COVID-19 the migrant crisis made the missing welfare architecture visible. Sociologically, the informal sector is therefore the normal form of labour in many developing societies, a site of both survival and exploitation, and a challenge to theories that still take the Fordist worker as the type.

Flow diagram

Informal sector -> Livelihood absorption
Informal sector -> Gendered home-based work
Informal sector -> Circular migration
Informal sector -> Linked to formal capital
Informal sector -> Weak social security

Conclusion

In developing societies the informal sector is the main organisation of work, not an exception. It matters for class, gender, migration and the reach of the state. A critical view refuses both contempt for street livelihoods and the myth that unregulated work is freely chosen enterprise.

Facts & figures

Keith Hart

Anthropologist who described urban informal income opportunities in Ghana, launching the term's career.

NCEUS / PLFS

Indian evidence that informal and unorganised work covers the bulk of the labour force.

Breman on footloose labour

Circular migrants tied to contractors, illustrating informality as a labour regime, not petty freedom.