

Informality and Development

WIEGO Agenda-Setting Conference on Research on the Informal
Economy

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- Honoured to be present. First visit to South Africa.
- Long-standing links between SEWA and NCAER.
- Participant in EDPs in all three countries: India, South Africa, Mexico.
- Appreciate invitation from WIEGO to attend this Agenda-Setting conference.
- Relevant to both my current affiliations: PMEAC and India Central Programme of the IGC.
- Even more relevant to role as Member, National Statistics Commission

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- Cannot equal quality, commitment, scholarship of presentations yesterday.
- Based on conference, past exposure, will explore two questions:
 - What implications for development strategy?
 - What agenda for research and why?
- Most familiar with Indian context.

Two Quotations

“All happy families are alike, each unhappy family is unhappy in its own way.” Leo Tolstoy, *Anna Karenina*

“I can think of no better expression to characterize these similarities than ‘family resemblances’; for the various resemblances between members of a family: build, features, colour of eyes, gait, temperament, etc. overlap and criss-cross in the same way. And I shall say: ‘games form a family.’” Ludwig Wittgenstein, *Philosophical Investigations*, Aphorism 67.

Informality, Strategy, Policy

- Importance of income levels, “path dependence”, urbanisation for choice of development strategy.
- Should the fact of informality matter as much for India (GNI per capita \$1180, 2008), as South Africa (\$5760) or Mexico (\$8960).
- Is informality as important for India (still a largely rural labour force), as for Mexico?
- Is informality a symptom, or a disease? Or is it neither, but instead the “new normal”? Why?

Informality and India

- Goals of policy:
 - Sustained increases in real labour incomes (wage, self-employed) based on rising labour productivity;
 - Expanding employment, both formal and informal;
 - Facilitating occupational and spatial mobility through provision of enhanced economic security.
- “What’s broke that needs fixing?” :
 - “Missing middle”, increasing capital intensity of formal manufacturing (Harriss-White; Mazumdar, Krueger, Page).
 - Lack of knowledge, transparency of vast services sector.

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- Marty's linkage questions: growth-informality; informality-poverty. Also formal-informal.
- Not sure that informality is the most compelling hook, at least for Indian policy-makers, who are more concerned about rural poverty and aggregate growth.
- Feel little to be gained through more precise measurement of informal sector, domestically or internationally.

Informality and Research

- Instead should focus on richer data-sets that help us understand choices and behaviour of various segments of the labour force, and interventions that assist them increase their life-choices and return to labour. Is there agreed best practice?
- Also a mistake to ignore macro: the real exchange rate matters.
- General equilibrium is seldom persuasive, but may be essential.
- Need better understanding of services sector categories. May be more powerful than assumed in providing a pathway out of poverty

Thank You

