

BLOCK

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URBAN ECONOMY

UNIT 6

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BLOCK 2: URBAN ECONOMY

The Block 2 on Urban Economy, focuses on understanding the intricate dynamics of urban economic systems through 3 units.

Unit 6 explores the dynamic landscape of urban economies through various lenses. It delves into the evolution of approaches in understanding city economics, highlighting the impacts of global economic shifts on urban structures and functions. This unit also examines the changing economic geographies within cities, reflecting on the interplay between industrial transformations and urban development. Moreover, it scrutinises the emergence of the service economy within urban settings and its implications. Additionally, the unit sheds light on the intricate dynamics of the informal economy embedded within cities, recognising its significant role in shaping urban economic activities.

Unit 7 introduces the historical trajectory and theoretical foundations of the basic-non-basic concept. It elucidates the geographic attributes essential to understanding this economic dynamic, providing insight into its application in urban studies. Furthermore, the unit discusses future directions and potential research avenues within the basic-non-basic framework, aiming to deepen comprehension and expand analytical frameworks in urban economic studies.

Unit 8 examines the vital role played by the urban informal economy in shaping urban dynamics. It delineates the key features characterising this sector and explores various schools of thought regarding informality, including the emergence of the inclusionist perspective. Moreover, the unit explores possibilities for fostering local inclusion within the global environmental agenda, emphasising the importance of inclusive policies. It also highlights the significance of inclusive cities in supporting marginalised groups such as home-based workers, street vendors, and waste pickers, underscoring the imperative of addressing their needs within urban economic frameworks.

After studying this block, you should be able to:

- conceptualise and compare the changing approaches of city economics;
- describe basic-non-basic concept and trace its historical;
- apply the basic-non-basic concept in urban studies and perceive its future direction;
- explain the key features of the urban informal economy and differentiate it from associated concepts; and
- discuss various schools of thought on informality.

Our best wishes are with you in this endeavour.

We suggest for any assistance regarding this course, you can contact [satyaraj@ignou.ac.in](mailto:satyraj@ignou.ac.in).

MGG-010 URBAN GEOGRAPHY

BLOCK 1 INTRODUCTION TO URBAN GEOGRAPHY

- Unit 1 Meaning and Scope of Urban Geography
 - Unit 2 Development of Concepts and Approaches in Urban Geography
 - Unit 3 Origin and Evolution of Urban Settlements
 - Unit 4 Classification of Urban Settlements
 - Unit 5 Urban System and Theories
-

BLOCK 2 URBAN ECONOMY

- Unit 6 City Economics
 - Unit 7 The Basic-Non-Basic Concept of Urban Economic Function
 - Unit 8 Role of Informal Sector in Urban Economy
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BLOCK 3 ORGANISATION OF URBAN SPACE

- Unit 9 Urban Morphology and Landuse Structure
 - Unit 10 Evolution of Urban Morphology
 - Unit 11 Functional Morphology of Cities
 - Unit 12 City Region and Urban Sprawl
-

BLOCK 4 CONTEMPORARY URBAN CHALLENGES

- Unit 13 Urban Problems
 - Unit 14 Urban Poverty
 - Unit 15 Urban Informal Settlements
 - Unit 16 Urban Environment
-

BLOCK 5 URBAN PLANNING IN INDIA

- Unit 17 Introduction to Urban Planning
 - Unit 18 Urban Programmes in India
 - Unit 19 Sustainable Urbanisation and the Future of the Cities
-

CITY ECONOMICS |

Structure

6.1	Introduction	6.6	Industrial Change and the City
	Expected Learning Outcomes	6.7	Cities and the Rise of the Service Economy
6.2	Concept of City Economics	6.8	The Informal Economy in Cities
6.3	Changing Approaches to Studying the Economies of Cities	6.9	Summary
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6.1 INTRODUCTION

In the previous units, you have become familiar with the concept of 'urban'. You can also now differentiate and draw comparisons between urban space and processes vis-à-vis rural space and processes. It is in fact undoubted that urban settlements have a distinct evolution as well as typology and that they exist as 'systems'. It is therefore rather difficult to study urban settlements in isolation. In fact, all elements within the urban space like urban economy, urban morphology, urban planning etc. are also deeply interconnected. However, to comprehend the urban system as a whole, it is important to first develop an understanding of each element, such that they can be logically related to understand the system in totality.

Block 2 constitutes of 3 units: Unit 6: Urban Economics, Unit 7: The Basic and Non basic Concept of Urban Economic Function and Unit 8: The Role of Informal Sector in Urban Economy. These 3 units together will help you develop an overall understanding of City Economics. Developing a base for city economics is important as it will facilitate an understanding of urban morphology and initiate an interest towards urban challenges and policies.

This unit specifically deals with City Economics. You will begin by understanding the concept of City Economics through an association of the economic and spatial processes. This will also help you understand the validation of including this topic in Geography and how geographers can lend

their perspective to the city economic challenges and planning. This unit also shows how general geographical approaches can provide explanations to the study of city economics and space becomes an active factor in bringing about changes in global economic orders. The unit ends with the most important urban economic problem of our times, informality, and also paves way for the upcoming units, especially unit 8, that deals with the informal sector in great details.

Expected Learning Outcomes

After completing the study of this unit, you should be able to:

- conceptualise city economics;
- compare the changing approaches to the study of city economics;
- analyse the relationship between Global Economic Change and the New Urban Order;
- map the changing Economic Geographies of the cities;
- establish linkages between Industrial Change and the City;
- evaluate the rise of the Service Economy; and
- conceptualise Informal Economy and comprehend its implications for Cities.

6.2 CONCEPT OF CITY ECONOMICS

Adam Smith who defined economics as an enquiry into the nature and causes of the wealth of nations writes in his seminal work (2007, 313) 'The inhabitants of a city, it is true, must always ultimately derive their subsistence, and the whole materials and means of their industry, from the country. But those of a city, situated near either the sea coast or the banks of a navigable river, are not necessarily confined to derive them from the country in their neighbourhood. They have a much wider range, and may draw them from the most remote corners of the world...A city might in this manner grow up to great wealth and splendour.' This in more ways than one lays down the foundations for a discussion on city economics. To begin with, it is important to point out that the very notion of the urban or the city entails a space that is characterised by non- primary activities, like industries and services. To ensure initiation and continuity of these activities, cities need to position themselves within networks that spread into their hinterlands and remote rural spaces on one hand and spread out into other nations across borders on the other. Therefore, city economics implies engagements of economic factors like labour, capital, raw material, entrepreneurship, trade, market and so on with geographical factors like location, distance, communication and so on. The intersection creates what manifests as city economics, whereby the process gets impacted by the space and in turn impacts the space as well.

6.3 CHANGING APPROACHES TO STUDYING THE ECONOMICS OF CITIES

As you have been familiarised with the changing approaches to the study of urban geography in unit 1, it shall be appropriate therefore, to now develop an understanding of the changing approaches to studying the economics of cities.

Just like its parent disciplines evolved from descriptive explanations to numerical experiments to analytical engagements, similarly, city economics also travelled more or less a similar path. Initially, economic explanations within cities were more **deterministic** in nature, whereby, the physical location of a city, its obvious site-based advantages (as is also evident from the previous section, in the writings of Adam Smith) were directly correlated with its economic possibilities and outcomes. However, since urban geography provided an almost simultaneous explanation of situational advantages and their specific relevance to urban settlements, more than that of the rural, non physical or **possibilist** factors like labour, trade, market related approaches became important. The justifications shifted from cities controlling economics to economics controlling cities. This statement is also validated through a shift from 'an urban morphology based approach to city economics' to the entire notion of 'class controlled cities'.

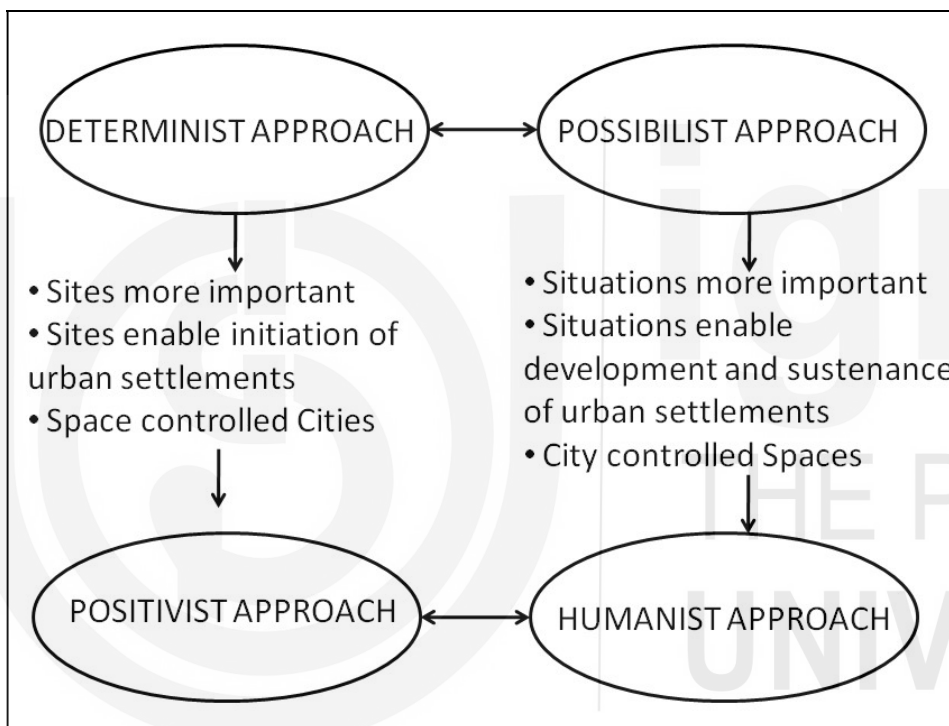


Fig. 6.1: Parallel Journey of the Approaches to the Study of City Economics.

(Source: prepared by author)

The former **positivist approach** explains how the location of a city within the networks of production, distribution and consumption, expanded over geographic space or an individual's location within a particular city is able to scientifically and universally guide with numerical proof, human decisions on production of specific commodities, location of industrial units, access to markets, determination of trade paths, land rent, residential segregation by class and so on. The positivist approach was criticised by the **humanist and behavioral approaches** that argued against the notion of an 'economic man', always making rational decisions towards profit maximisation. They posed humans as satisfiers as well and also questioned the predictability of human behavior by arguing human decisions to be more individualistic than collective. The latter **structural approach**, organically developed from the former, whereby it argued that spatial segregation of urban residents on the basis of their differential economic positions and stakes to the city shall eventually lead

to concretisation of class lines, whereby cities would increasingly become class controlled. This shall mark a shift from the process where the residents worked towards creating a certain city space to an exclusionary city working for a certain section of the residents only. This process was validated with an increased scope of the market manifested through a global economic change and the establishment of a new urban order, as is explained in details in the following section.

SAQ I

- a) What do you understand by city economics?
 - b) What are the different approaches of studying city economics?
-

6.4 GLOBAL ECONOMIC CHANGE AND THE NEW URBAN ORDER

'Quantitative geography was accused of naively ignoring the inherent consequences of the capitalist system particularly the production of inequality. Neo-Marxist geography developed out of a critique of this system (Cloke et al. 1991)' (Hall, 2001, 24). Given the strong city-capital nexus, urban poverty was one of the triggering issues that pushed urban geography towards a neo-Marxist approach during the post quantitative revolution decades. In fact, the relevance of comprehending and incorporating economic processes into the studying of the urban space found maximum validation during these times of crises. 'The two most influential figures within neo-Marxist urban geography have been Manuel Castells and David Harvey and their works demonstrate these tensions well (Bassett and Short 1989: 181). Manuel Castells's two most influential books were *The Urban Question: A Marxist Approach* (translated into English in 1977) and *The City and the Grassroots* (1983). Both of these books were concerned with the relations between economic and social structures and spatial structures...The early work of David Harvey, for example *Social Justice and the City* (1973), represented an attempt to read historical cycles of urban development as a reflection of the resolution of crises of over accumulation within various 'circuits of capital'. This is an approach that attempts to link urban restructuring to wider processes of economic restructuring. It focuses on the built environment as a destination for investment, the profitability of which is linked to the state of the wider economy. Harvey argued that investment in, and hence production of, the built environment occurred when an over-accumulation of capital in manufacturing and commodity production caused returns in this sector to fall. This made land and property an attractive alternative investment. Providing that a framework existed to facilitate it, these conditions caused capital to 'switch' from the former to the latter' (Hall, 2001, 25).

These scholars basically attempted to map the impact of the neo-liberal world order and the dominance of the market forces that eventually invest controls of the city in the hands of the capitalists, who are tuned to take decisions in favour of private interests that find satisfaction at the cost of collective interests. This led to the most visible impacts on the urban land economy, whereby, not only did the city's built environment behaved in ways explained

by Harvey but also spaces of public use were rapidly replaced with privatised ones; eventually it created an impression that the city and the urban life it entails is meant for a certain class of residents only, whereby 'others' experienced an absolute sense of alienation and dispossession to the city space, that increasingly became exclusionary. The vibrant city-society was replaced by a competitive city-economics. The new urban order implied a state of exclusionary existence, with gigantic controls of the market and compromised controls of the State, with dominance of a certain section and claims to rights from another.

SAQ 2

- a) Explain what is implied by 'New Urban Order'
 - b) Briefly discuss the contributions of Manuel Castells and David Harvey to Urban Economics.
-

6.5 CHANGING ECONOMIC GEOGRAPHIES OF THE CITIES

With a global economic change and the consequent emergence of a new urban order, it is but expected that the economic geographies of cities will undergo a change as well. By economic geographies of cities, one implies the spatial arrangement of economic activities, location of economic nodes and flows between the same, within a given unit of city space.

The privatised and multinational corporations of the neo-liberal world order thrive in cities, thereby changing the internal economic geography of cities and also by connecting cities across nations within a global economy. With respect to the first instance, it can be analysed that, within the finite space of a city, a reorganisation of economic activities became evident as private players found a stronghold on the city land and market. This in turn led to negligence and pushing out of indigenous and traditional industries along with increased regional economic disparities, both of which magnified with reduced controls of the State. Cities also behaved like magnets, especially in developing countries like India, in the post global period, attracting streams of rural-urban labour migrants. Thus, an already existing top heavy urban structure paved way for internal crowding, slum extensions, and homelessness and associated issues related to widespread urban poverty. Sub-urbanisation and peri-urbanisation emerged as alternatives that only strengthened the city-capital nexus and provided room for capitalism to thrive within the city space.

With respect to the second instance, Hall (2001, 54) writes, 'The headquarters of large multinational corporations have tended to concentrate in the very largest cities, and have become disproportionately concentrated in a small number of 'world cities' or 'global cities'...The consolidation of corporate headquarters in large urban areas reflects their need for access to regional, national and international markets, a highly skilled labour force and a range of sophisticated, specialist service inputs. Only the very largest and well-connected cities are viable to satisfy these requirements. Corporate headquarters in these cities have become the focus of new, dynamic

economic quarters that have begun to shape both the central areas and the wider economies of these cities based upon the growth of business (producer) services (Sassen 1991, 1994).’ The impact of such processes, as is argued by some, has led to the decay of space, whereby world class cities have functionally and visibly come closer to each other, by virtue of their closeness in the global economy, despite their location across diverse geographies and in the process have got pushed away from relatively smaller urban centres, geographically located in their proximate vicinities, but economically distant. Some, on the other hand argue out the renewed assertion of the notion of space in this very context, thereby re-enforcing the need to understand economic processes from a spatial perspective.

6.6 INDUSTRIAL CHANGE AND THE CITY

The ‘rise of industries within cities’ along with ‘expansion of industrial capital’ had been a major historical force that had contributed to both the emergence (during the mid- nineteenth century) and decay (during the late twentieth century) of cities, especially across North America and Europe (Hall, 2001, 36). If industrialisation caused cities to behave like magnets attracting capital, labour, infrastructure, technology, information and power, deindustrialisation led to unemployment, inequalities, congestion, poverty and the likes. The International Monetary Fund (IMF) defines ‘deindustrialisation...not [as] a negative phenomenon, but a natural consequence of further growth in advanced economies’ (reference no. 7). It further explains that the process occurs owing to a decline of the manufacturing sector, mostly when the service sector is unable to support it and when trade concentrates among advanced economies only and fails to spread out into the developing economies. Consequently, the industrialisation-urbanisation linkage can transform into a deindustrialisation-deurbanisation linkage (Lever, 1991, 983). However, ‘Not all cities in North America and Europe were equally affected by the processes of deindustrialisation. Those cities with diverse economies or without a significant manufacturing component in their economies enjoyed very different economic fortunes during the period of deindustrialisation. It is also difficult to generalise about the impact on different industrial cities’ (Hall, 2001, 44)

However, keeping the discussion entirely American or Eurocentric shall make it extremely limiting, therefore, it is also important to acknowledge the relevance of industrial change and the city in global south as well. For example, post liberalisation, in the early 1990s, the Indian public sector manufacturing units did experience a setback, in fact the nation did experience an overall flow towards the service sector. Schindler et al (2020) explains how this process led to alterations in the internal spatio-economic structure of cities like Mumbai and Bengaluru. The authors (Schindler et al, 2020) conclude ‘deindustrialisation can be driven by state disinvestment in manufacturing and industry, tied to a rebalancing of the economy towards finance and service sectors, and tied up in intricate – and informal – coalitions of rent-seeking state and non-state actors prioritising profit over more equitable development. There is also a clear trend towards spatial transformation that is emerging in these cities that favours particular types of urban development, focusing largely on real estate development’.

SAQ 3

- a) What is meant by economic geographies of cities?
 - b) In what ways can the changing economic geography of cities be analysed?
-

6.7 CITIES AND THE RISE OF SERVICE ECONOMY

The rise of the service economy emerged as a hopeful alternative to the decline of the industrial economy, as is discussed in the previous section. 'Service sector employment rose for a number of reasons in the early 1980s, these included the demands of businesses for specialised financial and legal services, the co-ordination required to orchestrate spatially dispersed economic activities within companies and the increased demands of households for services...However, the rise of services was sectorally, socially and geographically specific...The regional and urban impacts of the rise of the service sector and the broad shift from manufacturing to services within the UK economy, for example, can be interpreted as a complex interplay between social, economic, temporal and sexual dimensions. The broad impacts were an increase in the overall rate of unemployment, the transformation of local labour markets and the spatial decentralisation of the service sector across the UK.' (Hall, 2001, 46-47). The rise of the service economy is often accused of being a failure in terms of adequately compensating for the decline of the manufacturing economy in cities of the advanced nations and in cities of developing economies like India, the service sector in more ways than one had a crippling effect by not allowing an industrial economy to shape up properly. This jump is often criticised for creating misfit urban spaces and an exodus of in-migrants that these cities were unprepared to incorporate.

SAQ 4

What led to the rise of the service economy?

6.8 THE INFORMAL ECONOMY IN CITIES

The International Labour Organisation (ILO) defines 'The expression "informal economy" [as one that] encompasses a huge diversity of situations and phenomena. Indeed, the informal economy manifests itself in a variety of forms across and within economies. Formalisation processes and measures aiming to facilitate transitions to formality need to be tailored to specific circumstances faced by different countries and categories of economic units or workers' (reference no. 8) 'Work in the informal economy is often characterised by small or undefined work places, unsafe and unhealthy working conditions, low levels of skills and productivity, low or irregular incomes, long working hours and lack of access to information, markets, finance, training and technology. Workers in the informal economy are not recognised, registered, regulated or protected under labour legislation and social protection. The root causes of informality include elements related to

the economic context, the legal, regulatory and policy frameworks and to some micro level determinants such as low level of education, discrimination, poverty and, as mentioned above, lack of access to economic resources, to property, to financial and other business services and to markets. The high incidence of the informal economy is a major challenge for the rights of workers and decent working conditions and has a negative impact on enterprises, public revenues, government's scope of action, soundness of institutions and fair competition' (reference no. 9).

The above explanation by ILO clarifies that informality is more of a problem, though apparently it might come across as a solution. This is because informality of occupation leads to informality of inhabitation and other urban issues. In fact, it is undeniable that the inadequacies of the formal sector cause a huge bulk of both the global and the Indian labour force to rely on the informal economy. The consequences of this, in Indian cities, for example include 'subcontracting of jobs', 'ambiguity of contracts', exploitation of workers, 'low technology', 'low productivity' and so on (Kundu, 1999). However, these findings pertain to the manufacturing sector of the informal economy in Indian cities, which Kundu (1999) claims is declining owing the overall recede of the manufacturing sector from Indian cities. However, this automatically pushes the excess labour towards the service sector of the informal economy, whereby more often than not they provide support to the formal economy by taking up the responsibility of menial jobs like waste picking, working as street vendors, domestic helps and so on in Indian cities.

It can thus be concluded with the understanding that the interplay of economic process within the urban space makes city economics both complex and dynamic.

6.9 SUMMARY

In this unit you have studied so far:

- The concept of city economics that refers to engagements of economic factors like labour, capital, raw material, entrepreneurship, trade, market and so on with geographical factors like location, distance, communication and so on. The intersection creates what manifests as city economics, whereby the process gets impacted by the space and in turn impacts the space as well.
- Different approaches to the study of city economics: deterministic, possibilist, positivist, behavioral and humanist, structural.
- The idea of global economic change: as implied through the emergence of neo-Marxist geography during the post quantitative revolution period and is evident from the works of Castels and Harvey.
- The consequent emergence of a new urban order: the impact of the neo-liberal world order and the dominance of the market forces that eventually invest controls of the city in the hands of the capitalists, who are tuned to take decisions in favour of private interests that find satisfaction at the cost of collective interests.

- Changing economic geographies: The privatised and multinational corporations of the neo-liberal world order thrive in cities, thereby changing the internal economic geography of cities and also by connecting cities across nations within a global economy.
- Industrial change and its impacts on the city: If industrialisation caused cities to behave like magnets attracting capital, labour, infrastructure, technology, information and power, deindustrialisation led to unemployment, inequalities, congestion, poverty and the likes.
- The causes and consequences of the rise of the service economy: Though the rise of the service economy emerged as a hopeful alternative to the decline of the industrial economy, it is often accused of being a failure in terms of adequately compensating for the decline of the manufacturing economy in cities of the advanced nations and in cities of developing economies.
- Concept of informal economy: as conceptualised by ILO.
- Its impacts on the city: informality of occupation leads to informality of inhabitation and other issues with respect to the informal labour market and the manufacturing and the service sector within the informal economy.

6.10 TERMINAL QUESTIONS

1. What do you understand by city economics?
2. Compare the different approaches to the study of the economics of the city.
3. Relate Global Economic Change with the emergence of a New Urban Order.
4. Analyse changing economic geographies of cities both internally and externally.
5. Explain the impacts of industrial change on the city with examples from India and the world.
6. Discuss the causes and consequences of the rise of the service economy.
7. What do you understand by 'informal economy'? Discuss its implication for Indian cities.

6.11 ANSWERS

Self-Assessment Questions (SAQs)

1. a) City economics implies engagements of economic factors like labour, capital, raw material, entrepreneurship, trade, market and so on with geographical factors like location, distance, communication and so on. The intersection creates what manifests as city economics, whereby the process gets impacted by the space and in turn impacts the space as well.
 b) Different approaches to the study of city economics are: deterministic (the physical location of a city, it's obvious site-based advantages), possibilist (non- physical factors like labour, trade, market related approaches), positivist (explains how the location of a city within the

networks of production, distribution and consumption, expanded over geographic space or an individual's location within a particular city is able to scientifically and universally guide with numerical proof, human decisions on production of specific commodities, location of industrial units, access to markets, determination of trade paths, land rent, residential segregation by class and so on), behavioral and humanist (argued against the notion of an 'economic man', always making rational decisions towards profit maximisation. They posed humans as satisfiers as well and also questioned the predictability of human behavior by arguing human decisions to be more individualistic than collective) and structural (it argued that spatial segregation of urban residents on the basis of their differential economic positions and stakes to the city shall eventually lead to concretisation of class lines, whereby cities would increasingly become class controlled. This shall mark a shift from the process where the residents worked towards creating a certain city space to an exclusionary city working for a certain section of the residents only).

2. a) The neo-liberal world order and the dominance of the market forces that eventually invest controls of the city in the hands of the capitalists, who are tuned to take decisions in favour of private interests that find satisfaction at the cost of collective interests. This led to the most visible impacts on the urban land economy, whereby, not only did the city's built environment behave in ways explained by Harvey but also spaces of public use were rapidly replaced with privatised ones; eventually it created an impression that the city and the urban life it entails is meant for a certain class of residents only, whereby 'others' experienced an absolute sense of alienation and dispossession of the city space, that increasingly became exclusionary. The vibrant city-society was replaced by a competitive city-economics. The new urban order implied a state of exclusionary existence, with gigantic controls of the market and compromised controls of the State, with dominance of a certain section and claims to rights from another.
- b) Manuel Castells's two most influential books were *The Urban Question: A Marxist Approach* (translated into English in 1977) and *The City and the Grassroots* (1983). Both of these books were concerned with the relations between economic and social structures and spatial structures... The early work of David Harvey, for example *Social Justice and the City* (1973), represented an attempt to read historical cycles of urban development as a reflection of the resolution of crises of over accumulation within various 'circuits of capital'. This is an approach that attempts to link urban restructuring to wider processes of economic restructuring. It focuses on the built environment as a destination for investment, the profitability of which is linked to the state of the wider economy. Harvey argued that investment in, and hence production of, the built environment occurred when an over-accumulation of capital in manufacturing and commodity production caused returns in this sector to fall. This made land and property an attractive alternative investment. Providing that a framework existed to facilitate it, these conditions caused capital to 'switch' from the former to the latter' (Hall, 2001, 25).

3. a) Economic geographies of cities implies the spatial arrangement of economic activities, location of economic nodes and flows between the same, within a given unit of city space.
- b) The privatised and multinational corporations of the neo-liberal world order thrive in cities, thereby changing the internal economic geography of cities and also by connecting cities across nations within a global economy.
4. i. Demands for specialised services for businesses
 ii. Household demand for services
 iii. Co-ordination among dispersed economic activities

Terminal Questions

1. Your answer should contain such points: Brief evolution of the concept drawing explanation from Adam Smith's statements. Then explain in detail connecting spatial and economic processes. Refer to Sec. 6.2.
2. Your answer must explain the deterministic, possibilist, positivist, behavioral and humanist approaches to the study of city economics by interrelating them. Refer to Sec. 6.3.
3. Your answer must contain explanations on the city-capital nexus, concept of unequal spaces and the emergence of a new world order as a response to the inequalities. Answer must include references of the Marxist and neo-Marxist geographies. Refer to Sec. 6.4.
4. Your answer must explain how privatised and multinational corporations of the neo-liberal world order thrive in cities and how they change the internal economic geography of cities on one hand and connect cities across nations within a global economy on the other. Refer to Sec. 6.5.
5. Your answer must be able to connect the process of industrialisation with the eventual in-migration to cities and its resultant consequences on the city economy and also briefly discuss the impacts of the process of deindustrialisation as well. Refer to Sec. 6.6.
6. Your answer must link the rise of the service economy with the decline of the industrial economy and its eventual consequence as a failure and incapacity to be a compensator of the manufacturing industry decline. Refer to Sec. 6.7.
7. Your answer must contain conceptualisation of the informal economy as per explanations of the International Labour Organisation. Impacts on Indian cities must include explanations on subcontracting, ambiguous contracts, exploitations, uncertainties and so on. Refer to Sec. 6.8.

6.12 REFERENCES AND SUGGESTED FURTHER READINGS

1. Smith, A. (2007), *An enquiry into the nature and causes of the wealth of Nations*, edited by Salvio Marcelo Soares, Metalibri, accessed from https://www.ibiblio.org/ml/libri/s/SmithA_WealthNations_p.pdf
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7. <https://www.imf.org/EXTERNAL/PUBS/FT/ISSUES10/issue10.pdf>
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THE BASIC-NON-BASIC CONCEPT OF URBAN ECONOMIC FUNCTION

Structure

7.1	Introduction Expected Learning Outcomes	7.6	Future Direction and Research in Basic-Non-basic Concept
7.2	Basic-Non-basic Concept	7.7	Summary
7.3	Historical Development	7.8	Terminal Questions
7.4	Geographical Qualities of the Basic-Non-basic Concept	7.9	Answers
7.5	Application of Basic-Non- basic Concept in Urban Studies	7.10	References and Suggested Further Readings

7.1 INTRODUCTION

In the previous unit, you have been familiarised with the complex and dynamic concept of city economics explained as the interplay of economic process within the urban space that find implications through both internal economic geographies of cities and global urban networks. In this unit, an associated concept – basic and non-basic non-basic economic urban functions shall be dealt with. It is important to clarify at the very outset that this particular unit is based on John W. Alexander's paper also titled as 'The Basic-Non-basic Concept of Urban Economic Functions' (1954) Alexander's paper arrived during the mid-twentieth century when Geography as a discipline was at an important cross road of paradigms. This was the time when model building and scientific explanations were prominent, but real world relevance of the discipline was also an emerging concern, which went on to become a dominant discourse in the decades that followed. However, the interest in urban space was an uncontested and prevalent domain during this entire stretch of time, along with a simultaneous urge to understand economic processes, which repeatedly emerged as the predominant factor impacting the relevant concerns during those decades like human decision making, mobility, accessibility, inhabitation, inequality, social unrest in cities and the likes. This

called for substantial research on an economic understanding of urban geography. However, for very long the urban-economic interface was largely researched only from a livelihood perspective, thereby completely turning a blind eye to its associations with the urban space as an active actor rather than a passive platform, as has been pointed out by Alexander (1954) in his paper. Therefore, he goes on to introduce the concept of basic and non-basic urban economic functions that precisely addressed this 'space-relationship'.

Expected Learning Outcomes

After completing the study of this unit, you should be able to:

- conceptualise basic-non-basic urban economic functions;
- trace its historical development;
- identify the geographical qualities of the basic-non-basic concept;
- apply the basic-non-basic concept in urban studies; and
- perceive future direction and research in basic-non-basic concept.

7.2 BASIC-NON-BASIC CONCEPT

Drawing references from Mark Jefferson's work, John W. Alexander (1954) explains that urban centres do not evolve organically; in fact they are initiated and maintained by their surrounding rural regions. A city is always analysed and positioned with respect to the countryside, which very often is referred to as its 'market region'. This is directly implicative of the fact that the city-country interrelationship is perceived firstly as economic in nature, at the core of which lies the idea of exchange – exchange of services, sources, characteristics and so on.

The economic existence of a city is thus determined by principally two kinds of services – one, where the city caters to the demands of the non-locals - its exports, which leads to in-flow of money into the city and two, the services that the city performs for its in-house population, which enables the money to circulate within. The former is called the 'basic function' of the city as it substantiates the basis of its existence by allowing in-flow of money, which economically empowers its inhabitants by giving them purchasing power, enabling them to access choice, creating effective demand and so on. The latter is called 'non-basic function' as it simply furthers the process of money exchange after it has already flowed in. Because the economic process of exchange in this case is spatially oriented, the concepts of basic and non-basic functions are of interest to the geographer, explains Alexander (1954).

7.3 HISTORICAL DEVELOPMENT

Though this unit was introduced in the context of the mid nineteenth century developments in the discipline of Geography, that however is not to be mistaken as the initiating point of development of the concept of basic and non-basic urban economic functions. The mentioned time reference was given to situate Alexander's work, on which this unit is largely based. Alexander (1954) himself traces the historical journey of these concepts till about the publication of his paper, as is discussed in this section.

Year	Scholar/Organisation concerned	Terminology
1921	Aurousseau	Primary Occupations: 'directly concerned with the functions of the town' Secondary Occupations: 'concerned with the maintenance of the well-being of the people engaged in those of primary nature'
1927	Frederick L. Olmsted (for the New York's Regional Planning Committee's Regional Survey of New York and Its Environs)	Primary Occupations: 'not confined to use within the community itself' Ancillary Occupations: 'devoted directly or indirectly to the service and convenience of the people engaged in the primary occupations'
1932	Richard Hartshorne (in the <i>Geographical Review</i>)	Internal Functions: 'part of manufacturing' produced 'only for local consumption' External Functions (in all probability since term not mentioned explicitly): part of the manufacturing producing for 'over and above local demands'
Not specified	'Research staff of <i>Fortune</i> magazine'	'city's [Oskaloosa] payment to local creditors' 'to non-local creditors' from 'the rest of the world'
1939	Homer Hoyt	Urban Growth: implying workers engaged in basic functions Urban Service: implying workers engaged in non-basic functions
Not specified	J. H. Jones	Basic Industries: industries 'upon which the town has been built' Non-basic Industries (term not specified explicitly): local industries
1947	Robert E. Dickinson	Regional Market: 'over and above local needs' Local Market: satisfying 'the needs of the urban community'
1954	John W. Alexander	Basic Urban Economic Function Non-basic Urban Economic Function

(Source: This table has been prepared using information and quotations from Alexander, John W. (1954), 'The Basic-Non basic Concept of Urban Economic Functions', *Economic Geography*, Vol. 30, No. 3 (247 -250), Taylor and Francis Limited.)

SAQ I

- What do you understand by Basic and Non-basic Urban Economic Functions?
- List out the terminologies used by various authors whose meanings correspond to basic and non-basic functions.

7.4 GEOGRAPHICAL QUALITIES OF THE BASIC-NON-BASIC CONCEPT

There are four basic implication of the basic-non-basic concept for urban geographers:

1. As has already been discussed in section 7.1, that, moving beyond a limited livelihood based approach, the basic-non-basic concept was able to spatially connect the city to its hinterland. It provided a logical connection on the very initiation, growth and performance of the city through a notion of exchange with its tributary area. Thus, spatial interaction can be stated as the first geographical quality rendered by this concept (Alexander, 1954).
2. The city-country exchange interaction enables one to conceptualise city economics both internally and externally. More often than not the external economy of the city, which is principally built by its interactions with the country comprising of its basic functions determine its position with respect to a region, rather than its internal dynamics. Thus, regional function based city classification can be stated as the second geographical quality rendered by the basic-non-basic concept (Alexander, 1954).
3. The ratio between the numbers of workers in a city engaged in basic services in relation to those engaged in non-basic services can provide geographers an important tool to classify cities, on the basis of number of workers available for basic services per worker available for non-basic services (Alexander, 1954).
4. In the traditional livelihood based approach, individuals may be classified with respect to the occupations they were engaged in without taking into consideration the spatial implications of the same. The basic-non-basic ratio enabled a geographer to classify individual producers on the basis of their produce being targeted either for satisfying internal or external demands (Alexander, 1954).

SAQ 2

What geographical qualities does the basic-non-basic concept have?

7.5 APPLICATION OF BASIC-NON-BASIC CONCEPT IN URBAN STUDIES

The applications of basic-non-basic concept in urban studies are as follows:

Year	Scholar/Organisation concerned	Application
Not specified	Research analysts of <i>Fortune Magazine</i>	Determination of spatial circulation of money flow within and out of a city.
1940	Harris	Determination of the regional importance of a city with respect to an occupation that helps in satisfying both internal and

		external demands.
1944	Homer Hoyt	Based on the basic-non-basic ratio, these studies provided methods for the determination of the gap in the number of basic and non-basic employees, employment, activities. This in turn was used for a spatial analysis of urban versus national demands, firm wise analysis, and sector wise analysis and so on.
1944	Detroit City Plan Commission (Economic Base of Detroit)	
1946	Victor Roterus (Research Director, City Planning Commission, Cincinnati)	
1949	Homer Hoyt	
1949	Federal Bank of Kansas City and the University of New Mexico's Bureau of Business Research	

(Source: This table has been prepared using information from Alexander, John W. (1954), 'The Basic-Non-basic Concept of Urban Economic Functions', *Economic Geography*, Vol. 30, No. 3 (255 -259), Taylor and Francis Limited.)

SAQ 3

Mention the basic applications of the basic-non-basic concept?

7.6 FUTURE DIRECTION AND RESEARCH IN BASIC-NON-BASIC CONCEPT

Further research can be conducted on exploring the validity of the basic-non-basic ratio:

1. In determining the position of a city with respect to a region.
2. In evaluating a city's spatial interactions with its hinterland.
3. In its usage as an urban classification method.
4. In addressing its relationship with settlement size.
5. In addressing its relationship with settlement type.
6. In addressing its relationship with settlement location.
7. In addressing its own variations with time.
8. In understanding its variation with city limits.
9. In understanding its variation with city growth.
10. In further exploring its definitional complexities.

7.7 SUMMARY

In this unit you have studied so far:

- During the mid-twentieth century, Geography as a discipline was at an important cross road of paradigms. This was the time when model building and scientific explanations were prominent, but real world relevance of the discipline was also an emerging concern, which went on to become a dominant discourse in the decades that followed. However, the interest in urban space was an uncontested and prevalent domain during this entire

stretch of time, along with a simultaneous urge to understand economic processes, which repeatedly emerged as the predominant factor impacting the relevant concerns during those decades like human decision making, mobility, accessibility, inhabitation, inequality, social unrest in cities and the likes. This called for substantial research on an economic understanding of urban geography. However, for very long the urban-economic intersectionality was largely researched only from a livelihood perspective, thereby completely turning a blind eye to its association with the urban space as an active actor rather than a passive platform, as has been pointed out by Alexander (1954) in his paper.

- The economic existence of a city is thus determined by principally two kinds of services – one, which the city caters to demands on the non locals, its exports, which leads to in-flow of money into the city and two, the services that the city performs for its in-house population, which enables the money to circulate within. The former is called the ‘basic function’ of the city as it substantiates the basis of its existence by allowing in-flow of money, which economically empowers its inhabitants by giving them purchasing power, enabling them to access choice, creating effective demand and so on. The latter is called ‘non-basic function’ as it simply furthers the process of money exchange after it has already flowed in.
- Through the three decades before the publication of Alexander’s paper, the basic-non-basic concept found several mentions in the works of other scholars through various terminologies that correspond to the same meaning.
- Spatial interaction, regional function based city classification, basic-non-basic ratio based classification of cities and basic-non-basic ratio based classification of individual producers are the four main geographical qualities of this concept.
- Determination of spatial circulation of money flow within and out of a city, determination of the regional importance of a city with respect to an occupation that help in satisfying both internal and external demands, determination of the gap in the number of basic and non-basic employees, employment, activities based on the basic-non-basic ratio facilitating analysis of urban versus national demands, firm wise analysis, and sector wise analysis and so on are the basic applications of this concept.
- The basic-non-basic ratio based method can be used in the future for researching the position of a city with respect to a region, city’s spatial interactions with its hinterland, as an urban classification method, in relation to settlement size, type and location, city limits and growth besides its definitional complexities.

7.8 TERMINAL QUESTIONS

1. Conceptualise basic and non-basic urban economic functions and discuss its relevance in geography as a discipline.
2. Trace the historical development of the basic and non-basic concepts.
3. What are the geographical qualities of the basic-non-basic concept?
4. How has the basic-non-basic concept been applied to urban studies?

5. In what ways in the future the basic-non-basic concept can be applied to urban research?

7.9 ANSWERS

Self-Assessment Questions (SAQ)

1. a) The economic existence of a city is determined by principally two kinds of services – one, where the city caters to the demands of the non-locals, its exports, which leads to in-flow of money into the city and two, the services that the city performs for its in-house population, which enables the money to circulate within. The former is called the ‘basic function’ of the city as it substantiates the basis of its existence by allowing in-flow of money, which economically empowers its inhabitants by giving them purchasing power, enabling them to access choice, creating effective demand and so on. The latter is called ‘non-basic function’ as it simply furthers the process of money exchange after it has already flowed in.
- b. The terminologies used by various authors whose meaning corresponds to basic and non-basic functions are as follows:
 - Primary Occupations: ‘directly concerned with the functions of the town’
 - Secondary Occupations: ‘concerned with the maintenance of the well-being of the people engaged in those of primary nature’
 - Primary Occupations: ‘not confined to use within the community itself’
 - Ancillary Occupations: ‘devoted directly or indirectly to the service and convenience of the people engaged in the primary occupations’
 - Internal Functions: ‘part of manufacturing’ produced ‘only for local consumption’
 - External Functions (in all probability since term not mentioned explicitly): part of the manufacturing producing for ‘over and above local demands’
 - ‘city’s payment to local creditors’
 - ‘to non-local creditors’ from ‘the rest of the world’
 - Urban Growth: implying workers engaged in basic functions
 - Urban Service: implying workers engaged in non-basic functions
 - Basic Industries: industries ‘upon which the town has been built’
 - Non-basic Industries (term not specified explicitly): local industries
 - Regional Market: ‘over and above local needs’
 - Local Market: satisfying ‘the needs of the urban community’
 - Basic Urban Economic Function
 - Non-basic Urban Economic Function
2. The four main geographical qualities of basic-non-basic concept are:
 - Spatial interaction,
 - Regional function based city classification,
 - Basic-non-basic ratio based classification of cities; and
 - Basic-non-basic ratio based classification of individual producers.
3. The basic applications of basic-non-basic concept are:
 - determination of spatial circulation of money flow within and out of a city,
 - determination of the regional importance of a city with respect to an occupation that help in satisfying both internal and external demands,

- determination of the gap in the number of basic and non-basic employees, employment, activities based on the basic-non-basic ratio facilitating analysis of urban versus national demands, firm wise analysis, and sector wise analysis and so on.

Terminal Questions

1. You should start your answer explaining basic and non-basic urban economic functions and then go on to discuss the critical time when Alexander's paper arrived during the mid-twentieth century when Geography as a discipline was at an important cross road of paradigms. Build your answer further explaining the characteristic of those times as that of model building and scientific explanations yet ignoring real world problems, which eventually led to a profound interest in the study of urban space. But that remained extremely narrow for very long turning a blind eye to the associations between urban space and livelihoods. At this juncture came Alexander's (1954) paper where he went on to introduce the concept of basic and non-basic urban economic functions that precisely addressed this 'space-relationship'. Refer to Sec. 7.2.
2. Discuss all relevant concepts along with year and names of propounders from the early to the mid-twentieth century and then connect them with Alexander's concepts. Refer to Sec. 7.3.
3. Your answer must include Spatial interaction, regional function based city classification, basic-non-basic ratio based classification of cities and basic-non-basic ratio based classification of individual producers. Refer to Sec. 7.4.
4. Your answer must contain determination of spatial circulation of money flow within and out of a city, determination of the regional importance of a city with respect to an occupation that help in satisfying both internal and external demands and determination of the gap in the number of basic and non-basic employees, employment, activities. Refer to Sec. 7.5.
5. Your answer must discuss the fact that the basic-non-basic ratio based method can be used in the future for researching the position of a city with respect to a region, city's spatial interactions with its hinterland, as an urban classification method, in relation to settlement size, type and location, city limits and growth besides its definitional complexities. Refer to Sec. 7.6.

7.10 REFERENCES AND SUGGESTED FURTHER READINGS

1. Alexander, John W. (1954), 'The Basic-Non-basic Concept of Urban Economic Functions', *Economic Geography*, Vol. 30, No. 3 (246 -261), Taylor and Francis Limited.

ROLE OF INFORMAL SECTOR IN URBAN ECONOMY

Structure

8.1	Introduction Expected Learning Outcomes	8.4	School of Thought on Informality
8.2	Concept of the Informal Sector	8.5	Summary
8.3	Key Features of the Urban Informal Economy	8.6	Terminal Questions
		8.7	Answers
		8.8	References and Suggested Further Readings

8.1 INTRODUCTION

In the two previous units, you have become familiar with the concept of city economics and its manifestations in present times and the basic and non-basic concept of urban economic function along with future direction of research on the same. The combined knowledge of these units shall be useful in developing an understanding of this unit, which principally focuses on a particular sector of the urban economy, the largest in several cases, extremely complex and certainly most relevant in the present context. This unit not only familiarises the students on the concept of informality but also makes sufficient effort to explain its nature and challenges.

Expected Learning Outcomes

After completing the study of this unit, you should be able to:

- conceptualise the informal sector and differentiate it from associated concepts;
- explain the key features of the urban informal economy;
- describe the schools of thought on informality;
- reason out the emergence of the inclusionist school;
- list out the Possibilities for Fostering Local Inclusion in Global Environmental Agenda; and
- analyse the idea of Inclusive Cities through case studies on Home-Based Workers, Street Vendors and Waste Pickers.

8.2 CONCEPT OF THE INFORMAL SECTOR

According to the International labour organisation:

‘**An informal sector** is an unincorporated enterprise which means that:

- it is not constituted as a legal entity separate from its owners, and
- it is owned and controlled by one or more members of one or more households, and
- it is not a quasi-corporation (it does not have a complete set of accounts, including balance sheets);
- it is a market enterprise: this means that it sells at least some of the goods or services it produces. It therefore excludes households employing paid domestic workers; and
- it has at least one of the following criteria:
 - The number of persons engaged/employees/employees employed on a continuous basis, is below a threshold determined by the country
 - The enterprise is not registered
 - The employees of the enterprise are not registered’ (reference 1).

‘**Workers in the informal economy** comprise all workers of the informal sector and informal workers outside the informal sector.

Employment in the informal sector comprises all persons who, during a given reference period, were employed in at least one informal sector enterprise, irrespective of their status in employment and whether it was their main or a secondary job’ (reference 1).

Therefore, it is important to distinguish between associated concepts like informal sector, informal worker and informal employment. This chapter precisely deals with the concept of informal sector along with references to the others as and when relevant. More specifically, it deals with the informal sector in the urban economy owing to its concentration in cities. Rampant rural-urban migration contributing to the urban unskilled labour force along with inadequate opportunities in the formal sector causes the bulk of the informal sector to be housed within the urban economy (Mehta, 1985). This chapter is therefore dedicated towards understanding the role of the informal sector in the urban economy.

Lastly, the International Labour Organisation further clarifies that just because the informal sector is unaccounted for and is outside the purview of official regulations, it does not mean that it incorporates activities that are illegal (Brown and McGranahan, 2016).

8.3 KEY FEATURES OF THE URBAN INFORMAL ECONOMY

The key features of the urban informal economy include:

- **Non-agricultural engagements:** As has been clarified in the previous section, the informal sector is a characteristic of urban areas. Thus the nature of engagements is consequently non-agricultural like home based

work, cleaning jobs, vending and so on. However, urban agriculture can be incorporated to be a part of the informal sector (Brown and McGranahan, 2016).

- **Large and bulky:** More often than not the share of the informal sector within the urban economy is overwhelming. This is because of the scanty opportunities present in the formal sector and the huge labour force pool in urban areas. The combination causes more and more people to seek informal engagements. Also, people employed in the formal sector can be a part of the informal sector for a secondary source of income. In fact, 'The growing level of informal employment in the formal sector is largely due to the growing use of contract labour and outsourcing of production' (reference 2) all these factors contribute towards making the urban informal economy a large and bulky sector.
- **Work insecurities:** Workers in the informal sector do not get protected through contracts and work rights. As a result, more often than not they enjoy negligible or nil securities in terms of the nature of the work, the amount and nature of pay, in terms of leaves and other allowances, secure work environments and so on.
- **Low and inconsistent wages:** Bulk of research on the informal sector is themed around exploitation and discrimination. The absence of prefixed contracts allows employers to exercise inconsistencies at their will. The most predominant expression of which is low and erratic wages, unequal pays; unstable and haphazard payment methods and so on.
- **Negligible or nil social securities:** Along with insecurities of work and wages, informal sector causes workers to suffer negligible or nil social securities as well. There are no coverages, no rights, no policies and sometime no discussions around all of these. However, there could exist claims to rights to the same.
- **Uncovered by governmental protections:** The claims to rights by the informal workers fall flat as they remain uncovered by governmental protections. Though not illegal, their rights to protections remain outside the purview of enforceable law.
- **Uninformed and rampant firing/evictions:** Insecurities prevail in terms of the work tenure as well. Workers of the urban informal economy can be fired without information due to the absence of a contract. Evictions from places of work and residence, principally slum evictions are widely covered in the research on informality in urban areas.
- **Harassments:** Apart from the overarching insecurities and evictions, harassments by police, officials and the likes are also an integral part of informal existence in cities and have been widely reported by scholars across the globe, especially from developing countries.
- **Biased:** '.....the informal sector is not only critically important to many of the poorest households, but is highly gendered, with important implications for the pursuit of both social and environmental agendas' (Brown and McGranahan, 2016). Also, 'Women are somewhat more likely to be engaged in the informal economy but significantly more likely than men to be working as informal workers in the formal sector' (reference 2).

Therefore, the urban informal economy is characterised by an intersecting class and gender bias.

However, it is important to mention that nations like 'India has undertaken a number of initiatives to address informality, including targeted schemes for promotion of micro, small and medium enterprises and legislative measures such as the Unorganised Workers Social Security Act, Contract Labour (Abolition & Regulation) Act, and Workers' Welfare Boards' (reference 2).

SAQ I

- What do you understand by the informal sector?
- What causes the informal sector to concentrate in urban areas?
- List the key features of the urban informal economy.

8.4 SCHOOL OF THOUGHT ON INFORMALITY

In an article titled, 'The urban informal economy, local inclusion and achieving a global green transformation' by Donald Brown and Gordon McGranahan, published in 2016 in the journal *International Habitat*, Vol. 53, p. 97-105, published by Elsevier, the major schools of thought on the informal economy are tabulated as following:

Key features of the major schools of thought on the informal economy.

School of thought	General view and focus	Causal roots of informal economy	Policy implications	Major influences
Dualist	The informal economy is a pre-modern sector acting as an intermediate space between the mainstream formal system and complete unemployment. Focused on 'survivalist' activities by the working poor with few (if any) links with the formal economy.	Labour supply far exceeding the demand brought about by industrialisation.	More state regulation designed to foster informal productivity and more appropriate forms of access to resources, including capital, in addition to the removal of unnecessary state restrictions.	(Hart, 1973; ILO, 1972)
Legalist	The informal economy is a market-led response by entrepreneurs to excessive state regulation (as opposed to a temporary condition of excess labour supply). Focused on 'plucky' micro-entrepreneurial activity.	Excessive state regulation.	Less state regulation and more free market policies designed to enable/unlock the growth potential of informal entrepreneurs (particularly through the legalisation of informal property rights).	(de Soto, 1989; de Soto, 2000)
Voluntarist	The informal economy is a result of producers and traders who choose to operate informally after weighing the costs and benefits of informality versus formality. Focused on opportunistic informal producers and traders.	Efforts to avoid taxation and costly regulation in the formal economy.	Bringing of informal firms and their workers into the formal regulatory environment in order to increase the tax base and reduce unfair competition to formal businesses.	(Levenson & Maloney, 1998; Maloney, 2004)
Structuralist	The informal economy is an attempt by formal sector wages and enhance flexibility by exploiting unprotected informal workers. Focused on vulnerable workers exploited by formal sector capital.	Capitalist growth in the context of economic crises.	More regulation of commercial and employment relationships between the informal and formal economies in order to address unequal relationships between 'big business' and subordinate producers.	(Castells & Portes, 1989; Moser, 1978)

Source: Derived from Chen (2012: 4–6).

(Source: Brown and McGranahan, 2016, p. 100.)

'While this table focuses on the contradictions between these different schools, the literature associated with each is full of important, if contrasting, insights. The economic reformist school was the first to recognise the importance of the informal economy, and how its presence confounded the conventional rhetoric of planning. The legalist school has emphasised the entrepreneurial potential of parts of the informal economy, identifying some of the negative ways in which the state has inhibited this potential through excessive regulation and failing to provide the legal basis and in particular the property rights for informal producers to compete and accumulate capital. The voluntarist school has emphasised the negative parts of the informal economy, pointing to some of the dangers associated with the failure of the state to

engage constructively with small enterprises and low-income workers. The structuralist school has pointed to those segments of the informal economy with close links to formal enterprises, and the ways in which parts of the informal economy can serve powerful private interests in the formal economy more than informal workers themselves. Whatever school one favours, it is important to recognise that their generalisations tend to apply more to some parts of the informal economy and less to others, and that important research has been undertaken within each school' (Brown and McGranahan, 2016, p. 100-101).

8.4.1 Emergence of Inclusionist School

The reality of economic growth in developing economies like India manifests in very high shares of informality despite high growth rates. During the past two decades, the informal economy in India has accounted for more than 80 per cent of the country's non-agricultural employment (reference 2) that largely occupies the urban space. The prevalence of the informal sector in cities contributes towards the creation and enhancement of urban inequalities and exclusions. Irrespective of overwhelming shares, 'many cities around the world are actively undermining or destroying urban informal livelihoods. Practices that exclude informal workers from participating in cities are the norm in many parts of the world: there are daily reports of slum and street vendor evictions and unreported harassment of informal workers by local authorities, including bribes and confiscation of goods, on a daily basis' (reference 3).

It is needless to point out that in nations like India, streams of rural-urban migration owing to agricultural distress and other factors cumulate towards the process of urban poverty, which finds expressions in the city's slums (residential space) and its informal sector (commercial space). More often than not the unabated growth of the two causes a certain privileged section of the citizenry to perceive and claim the city space as their own and they expect the city to function and serve them as per their needs and demands, which includes for example, clean environment, congestion-free streets, slum-free pavements, de-crowded and rational markets and so on. In fact, this perception of the city works towards making it increasingly exclusionary and only for a certain section. This in turn calls for the concretisation of consciousness from those excluded and a concerted effort towards reclaiming the streets, the pavements, the markets in particular and the city space in general.

As discussed in the previous section, more often than not an informal labourer's rights are seldom protected by governmental policies. Their gross absence from urban policies, despite their overwhelming presence in the urban economy causes non-governmental, self-help and unionised organisations to take up the cause. Therefore, processes of systemic exclusions pave ways for the emergence of an inclusionist school that ensures rights, sustenance and expansions of the urban informal sector within cities of developing economies.

8.4.2 Possibilities for Fostering Local Inclusion in Global Environmental Agenda

Donald Brown and Gordon McGranahan (2016) in their work elaborately explain six principles that can help foster local inclusion in global environmental agenda:

1. 'Strengthen the contribution of formal regulations by recognising their limitations.
2. Collaborate with informal residents and workers to coproduce green outcomes.
3. Recognise and support women's unpaid reproductive labour in coproducing green outcomes.
4. Encourage segments of the urban informal economy that already promote green outcomes, and discourage those that do not.
5. Upgrade informal settlements to be greener.
6. Apply the principles of inclusive urban planning to the urban informal economy'.

8.4.3 Inclusive Cities: Home-Based Worker, Street Vendors and Waste Pickers

The jobs most frequented by workers in the informal sector in cities of developing economies possibly include those of being a home-based worker, a street vendor, a waste picker and the likes. This is possibly because for a city to function smoothly, its formal sector to run unhindered and its citizens to conveniently access goods and services in their vicinities, jobs of this nature emerge essential, though often termed menial. This causes the city to behave as spaces of exclusion to its most essential service providers. Consequently, claims to rights concretise and efforts for inclusion find ways. In an article titled 'The Urban Informal Economy: Towards more inclusive Cities' by Marty Chen published on August 16th 2016, available on www.urbanet.info, the three specified cases have been discussed in detail. The following paragraphs are referenced to this source.

The Case of Home-Based Workers: The critical factor about home-based workers is the coincidence of their work space and home space, which in all probability are urban slums, which, especially if non-notified, exist with nil or negligible infrastructure and public services and with the threat of eviction. Displacement based urban development often causes these precarious and underserved homes to be removed and its residents relocated. Disruption of employment networks along with unaffordability and inconvenience to travel emerge as the inevitable consequence, making cities exclusionary in nature.

Claims to inclusion have shown manifestations 'in many countries in South and South East Asia—including India, Laos, Nepal, Pakistan, and the Philippines [where] organisations of home-based workers have negotiated housing and basic infrastructure services (water, sewage, electricity) for their members. Most notably, in several cities of India through its Mahila (Women's)

Housing Trust, the Self-Employed Women's Association (SEWA) has negotiated public-private partnerships for slum upgrading and otherwise provided basic infrastructure services (water, sanitation, electricity, and roads) to large numbers of home-based workers and other informal workers (see Rusling, 2010)' (reference 3).

The Case of street vendors: The space used by street vendors is public space, commonly used and claimed by all residents in the city. Therefore, occupancy of the same is often rejected by some, so as to prevent congestion and crowding. This leads to threats of eviction and relocation of the vendors besides daily instances of harassments by the police and public. Efforts of inclusion in countries like India include the development of 'a national policy on street vending. Adopted in 2004, the objective of the National Policy on Urban Street Vendors is to promote a supportive environment for street vendors to earn their livelihoods, while reducing congestion and maintaining sanitary conditions in public spaces' (reference 3). In cities like Kolkata, there are examples where street vendors have been provided with a more stable and alternative arrangement in the location used for vending. This allows retention of the market ties which more often than not is lost in case of displacement and relocation.

The Case of waste pickers: Waste pickers are essential for cities to remain clean, climate friendly and sanitised. In many countries, waste picking is formalised. However, informality is also common, making exploitation a rampant practice. In countries like India, the activity is often caste based and calls for discrimination. Needless to say, it is one of the most crucial services that relieve the city of dirt and disease and makes it fit for residence despite congestion.

'Despite progress made in highlighting the contribution of waste pickers to recycling and climate change mitigation, waste pickers in many contexts work in deplorable conditions, receiving little or no support from local authorities and facing continual threats. Waste pickers are often subject to arbitrary pricing by middlemen and to harassment on the streets. Further there is a global trend of privatizing the collection, transport, and disposal of waste and recyclables. At a meeting of waste pickers from 34 countries held in Pune, India in April 2012, privatisation (usually leading to waste-to-energy schemes) was highlighted as the greatest threat to livelihoods' (reference 3).

SAQ 2

- a) Discuss the different schools of thought on informality.
 - b) What do you understand by the inclusionist school? Discuss its emergence.
 - c) Discuss the principles that can help foster local inclusion in global environmental agenda.
-

8.5 SUMMARY

In this unit you have studied so far:

- ❖ 'An informal sector enterprise satisfies the following criteria:

- It is an unincorporated enterprise, which means that:
 - It is not constituted as a legal entity separate from its owners, and
 - It is owned and controlled by one or more members of one or more households, and
 - It is not a quasi-corporation (it does not have a complete set of accounts, including balance sheets);
- It is a market enterprise: this means that it sells at least some of the goods or services it produces. It therefore excludes households employing paid domestic workers
- And at least one of the following criteria:
 - The number of persons engaged/employees/employees employed on a continuous basis, is below a threshold determined by the country
 - The enterprise is not registered
 - The employees of the enterprise are not registered'. (reference 1)
- The key features of the urban informal economy include:
 - Non agricultural engagements
 - Large and bulky activities
 - Work insecurities
 - Low and inconsistent wages
 - Negligible or nil social securities
 - Uncovered by governmental protections
 - Uninformed and rampant firing/evictions
 - Harassments
 - Biased
- ❖ 'The economic reformist school was the first to recognise the importance of the informal economy, and how its presence confounded the conventional rhetoric of planning. The legalist school has emphasised the entrepreneurial potential of parts of the informal economy, identifying some of the negative ways in which the state has inhibited this potential through excessive regulation and failing to provide the legal basis and in particular the property rights for informal producers to compete and accumulate capital. The voluntarist school has emphasised the negative parts of the informal economy, pointing to some of the dangers associated with the failure of the state to engage constructively with small enterprises and low-income workers. The structuralist school has pointed to those segments of the informal economy with close links to formal enterprises, and the ways in which parts of the informal economy can serve powerful private interests in the formal economy more than informal workers themselves' (Brown and McGranahan, 2016, p. 100-101)

More often than not an informal labourer's rights are seldom protected by governmental policies. Their gross absence from urban policies, despite their overwhelming presence in the urban economy causes non-governmental, self- help and unionised organisations to take up the cause.

Therefore, processes of systemic exclusions pave ways for the emergence of an inclusionist school that ensures rights, sustenance and expansions of the urban informal sector within cities of developing economies.

- ❖ Donald Brown and Gordon McGranahan (2016) in their work elaborately explain six principles that can help foster local inclusion in global environmental agenda:
 - ‘Strengthen the contribution of formal regulations by recognising their limitations.
 - Collaborate with informal residents and workers to coproduce green outcomes.
 - Recognise and support women's unpaid reproductive labour in coproducing green outcomes.
 - Encourage segments of the urban informal economy that already promote green outcomes, and discourage those that do not.
 - Upgrade informal settlements to be greener.
 - Apply the principles of inclusive urban planning to the urban informal economy’ (Donald Brown and Gordon McGranahan 2016).
- ❖ The jobs most frequented by workers in the informal sector in cities of developing economies possibly include those of being a home-based worker, a street vendor, a waste picker and the likes. This is possibly because for a city to function smoothly, its formal sector to run unhindered and its citizens to conveniently access goods and services in their vicinities, jobs of this nature emerge essential, though often termed menial. This causes the city to behave as spaces of exclusion to its most essential service providers. Consequently, claims to rights concretise and efforts for inclusion find ways.

8.6 TERMINAL QUESTIONS

1. What do you understand by the informal sector? How is it different from the informal worker and informal employment?
2. Explain the key features of the urban informal economy
3. Discuss the schools of thought on informality.
4. Discuss the emergence of the inclusionist school.
5. Discuss the principles that can help foster local inclusion in global environmental agenda.
6. Explain how the city becomes exclusionary for the home based workers, street vendors and waster pickers and what efforts have been made for their inclusion?

8.7 ANSWERS

Self-Assessment Questions (SAQ)

1. a) **An informal sector** refers to either individually or collectively owned unregistered enterprises which are not expected to have documented balance sheets, accounts etc. Households employing domestic helps are not included within this definition. Lack of clear cut conditions and records create opportunities for exploitative and discriminative practices within the informal sector and among informal workers even within the formal sector like cleaning and security staff of registered enterprises.

b) The informal sector is an important characteristic of the urban economy. Concentration of informal nature of work in general within cities is principally due to large scale unskilled in-migration from rural areas, owing to drawbacks in the agricultural sector and the rural economy at large.

c) Key features of urban informal economy are:

 - Lack of documentations and resultant unstabilities and insecurities
 - Pay disparities
 - No social securities or any form of ancillary support
 - Non-inclusion even within governmental protections
 - Terminations without notice
 - Exploitative behaviour by employers given existent biases.
2. a) The different schools of thought on informality are as follows:
 - i. The economic reformist school that initiated the recognition of the existence of the informal sector.
 - ii. The legalist school that realised the value of this sector and pointed out how stringent state laws can inhibit the same.
 - iii. The voluntarist school that identified the potential dangers of over-dependence on the informal sector and its associated insecurities.
 - iv. The structuralist school which explained the formal-informal sector linkages and the trade-offs therein.

b) Failures of the rural economy, agricultural distress, rural unemployment and poverty cause people to migrate to cities in search of opportunities, especially when investments are continuously being made in urban centres. This leads to the concentration of informal work within urban economies since cities, especially in developing countries are unable to provide of all its rural in-migrants. Another consequence is a sense of divide within cities, whereby a certain section claims the city space and the other is perceived as outsiders. This leads to denial of rights of a certain section of the citizenry and provides scope for the emergence of an inclusionist school that ensures these rights and consequent sustenance and expansions of the urban informal sector within cities of developing economies.

c) The principles that can help foster local inclusion in global environmental agenda are:

 - 'Strengthen the contribution of formal regulations by recognising their limitations.

- Collaborate with informal residents and workers to coproduce green outcomes.
- Recognise and support women's unpaid reproductive labour in coproducing green outcomes.
- Encourage segments of the urban informal economy that already promote green outcomes, and discourage those that do not.
- Upgrade informal settlements to be greener.
- Apply the principles of inclusive urban planning to the urban informal economy' (Donald Brown and Gordon McGranahan 2016).

Terminal Questions

1. Your answer should contain points such as:
 - a. definition of the informal sector, informal worker and informal employment.
 - b. you must indicate that the three terms are related but not overlapping.
 - c. you should clarify that informal workers and informal employment are characteristics of the informal sector but not confined to the same always. Refer to Sec. 8.2.
2. Your answer must be oriented towards explaining the challenging characteristics of the informal economy such as being bulky, unprotected, biased, exploitative, insecure and so on. Also, you must mention that is largely non agrarian and urban in nature. Refer to Sec. 8.3.
3. Your answer must contain the general view and focus, the causal factors, the policy implications of the dualist, the legalist, the voluntarist and the structuralist schools of thought on informally. Refer to Sec. 8.4.
4. Your answer must include causes of expansion of urban informal employment and residence and the city gradually becoming exclusionary in the process, which in turn is followed by a certain sense of concretising consciousness and finally the justifications towards emergence of an inclusionist school of thought. Refer to Sec. 8.4.1.
5. Your answer must contain Donald Brown and Gordon McGranahan's (2016) work that elaborately explain the six principles that can help foster local inclusion in global environmental agenda. Refer to Sec. 8.4.2.
6. Your answer must highlight the overlap of either the home space and work space in case of home based workers or public conveyance space and work space in case of street vendors and menaces of privatisation and caste based activities in case of waste pickers. Your answer must also discuss the efforts made by the government of India through its policies and by non-governmental organisations as well. Refer to Sec. 8.4.3.

8.8 REFERENCES AND SUGGESTED FURTHER READINGS

1. https://www.ilo.org/ilostatfiles/Documents/description_IFL_EN.pdf
2. <https://www.ilo.org/newdelhi/areasofwork/informal-economy/lang--en/index.html>

3. <https://www.urbanet.info/urban-informaleconomy/#:~:text=The%20majority%20of%20urban%20workers,cities%20and%20reducing%20urban%20poverty>
4. Brown, D. and McGranahan, G., 2016, The urban informal economy, local inclusion and achieving a global green transformation, Habitat International, Vol. 53, p. 97 – 105, accessed from <https://www.sciencedirect.com/science/article/pii/S0197397515002325>.
5. Mehta, M., 1985, Urban Informal Sector: Concepts, Indian Evidence and Policy Implications, Economic and Political Weekly, Vol. 20, No. 8, p. 326-332. Accessed from <https://www.jstor.org/stable/4374112>
6. https://www.ilo.org/ilostatfiles/Documents/description_IFL_EN.pdf
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13. <https://www.urbanet.info/urban-informal-economy/#:~:text=The%20majority%20of%20urban%20workers,cities%20and%20reducing%20urban%20poverty>
14. <https://www.urbanet.info/urban-informal-economy/#:~:text=The%20majority%20of%20urban%20workers,cities%20and%20reducing%20urban%20poverty>
15. <https://www.urbanet.info/urban-informal-economy/#:~:text=The%20majority%20of%20urban%20workers,cities%20and%20reducing%20urban%20poverty>

GLOSSARY

- Basic Urban Economic Function** : Which the city caters to demands of the non locals, its exports, which leads to in-flow of money into the city.
- City Economics** : City economics implies engagements of economic factors like labour, capital, raw material, entrepreneurship, trade, market and so on with geographical factors like location, distance, communication and so on. The intersection creates what manifests as city economics, whereby the process gets impacted by the space and in turn impacts the space as well.
- City-Capital Nexus** : An understanding that the city and capital are not only connected to each other but also help each other grow and develop. For example, capital enables expansion urban built environments and urban markets and cities enable capital to circulate and not stagnate, which is crucial for the retention of its value.
- Economic Geographies of Cities** : Economic Geographies of Cities imply the spatial arrangement of economic activities, location of economic nodes and flows between the same, within a given unit of city space.
- Home based worker** : A worker of the informal sector who is carrying out economically gainful work from the premises of his/her home or from a space adjacent to the same.
- Informal Economy** : The International Labour Organisation (ILO) defines 'The expression "informal economy" [as one that] encompasses a huge diversity of situations and phenomena. Indeed, the informal economy manifests itself in a variety of forms across and within economies. Formalisation processes and measures aiming to facilitate transitions to formality need to be tailored to specific circumstances faced by different countries and categories of economic units or workers' (accessed from <https://www.ilo.org/global/topics/dw4sd/themes/informal-economy/lang--en/index.html>)
- Informal Employment** : Comprises all persons who, during a given reference period, were employed in at least one informal sector enterprise, irrespective of their status in employment and whether it was their main or a secondary job' (https://www.ilo.org/ilostatfiles/Documents/description_IFL_EN.pdf)
- Informal Sector** : An unincorporated and unregistered enterprise, with unregistered workers, not constituted as a legal entity separate from its owners, does not have a complete set of accounts and most importantly the number of persons engaged on a continuous basis is below a threshold determined by the country. (https://www.ilo.org/ilostatfiles/Documents/description_IFL_EN.pdf)
- Informal Work** : 'Work in the informal economy is often characterised by small or undefined work places, unsafe and unhealthy working conditions,

low levels of skills and productivity, low or irregular incomes, long working hours and lack of access to information, markets, finance, training and technology'. (accessed from <https://www.ilo.org/global/topics/dw4sd/themes/informal-economy/lang--en/index.html>)

Informal Worker : Comprise all workers of the informal sector and informal workers outside the informal sector.
(https://www.ilo.org/ilostatfiles/Documents/description_IFL_EN.pdf)

New Urban Order : The new urban order implied a state of exclusionary existence, with gigantic controls of the market and compromised controls of the State, with dominance of a certain section and claims to rights from another.

Non-basic Urban Economic Function : The services that the city performs for its in-house population, which enables the money to circulate within.

Street Vendor : Also, a worker of the informal sector who is selling products on the streets of a city, often on the pavements, mostly occupying spaces of common use and thoroughfare.

