

# THE PERVASIVENESS OF SELF EMPLOYMENT

Errol D'Souza<sup>♦</sup>

**Abstract:** Self employment, the core of the informal sector, is traditionally argued to result from government and other rigidities that segment the labour market. Recently the opposite view has been advanced which sees the informal sector as attractive and this forces firms in the formal sector to pay above market clearing wages to retain workers and not lose the training and recruitment costs incurred. This paper by contrast argues that self employment is due to rationing in the formal sector and that by accessing the resources in the social network opportunism and shirking in the labour market can be reduced which enables self employed enterprises to survive by paying lower wages. The high unemployment rate or high discount rates of individuals induces individuals to accept such a self-employed contract.

---

<sup>♦</sup> Professor, Economics Area, Indian Institute of Management, Ahmedabad 380 015.  
Tel.:(079)632-4866 (O). Email: errol@iimahd.ernet.in Fax:(079)630-6896.

## **The Pervasiveness of Self Employment**

Why is self employment so pervasive in developing countries like India? Table I reports data for the distribution of workers by category of employment in the last 25 years and reveals that the share of self employment currently is as much as 53 per cent of the total workforce. The proportion of self employed workers to total employment in rural areas has declined from 63 per cent in 1977-78 to 56 per cent in 1999-00 but in the past quarter century the proportion in urban areas has remained constant at around 42 per cent.<sup>1</sup> The self employed are engaged in a wide range of economic activities from engagement in high income services such as doctors, lawyers, consultants to engagement in more traditional activities such as artisans, craftsmen, small retail outlets and tiny industries.

The traditional view sees the self-employed as the core of the informal sector (Maloney, 2003) that comprises the disadvantaged residual of segmented labour markets. Above market clearing wages due to government or union induced rigidities including high firing costs and excessive benefits force rationed workers in this view to shift their labour supply to the informal sector where remuneration is lower, work conditions more irregular, and benefits are absent. In contrast to this view of the informal sector as a less preferred employment option that provides meager earnings, it has been argued that people in the urban informal sector are self employed by choice and the proliferation of such employment is not inefficient (Yamada, 1996). Emphasizing that the self employed work for themselves and so receive rewards for their human capital, physical capital and entrepreneurial skills, whereas wage earners get a return only on their human capital, Yamada argues that people with entrepreneurial ability choose self employment as the sum of labour and entrepreneurial income makes them better off than if they sought wage employment.

In another set of papers Maloney (1999) argues that often minimum wages are not binding and unions direct their attention more to the maintenance of employment rather than to wages as firms voluntarily pay wages above the market clearing level so as to deter workers who they find difficult to monitor from shirking or to raise the opportunity cost to workers from leaving so that training and recruitment costs are not lost. Rather than above market clearing wages causing

---

<sup>1</sup> The Task Force on Employment Opportunities attributes this to the decline in the proportion of farmers cultivating their own land due to fragmentation of holdings which has converted marginal cultivators into casual agricultural labour.

Table I  
**Distribution of Workers (Usual Status) by Category of Employment**  
(per cent)

Year	Category of Employment		
	Self Employment	Regular Salaried	Casual
<b>1. Rural Areas</b>			
1977-78	62.6	7.7	29.7
1983	61.0	7.5	31.5
1987-88	59.4	7.7	32.9
1993-94	58.0	6.4	35.6
1999-00	56.0	6.7	37.3
<b>2. Urban Areas</b>			
1977-78	42.4	41.8	15.8
1983	41.8	40.0	18.2
1987-88	42.8	40.3	16.9
1993-94	42.3	39.4	18.3
1999-00	42.1	40.1	17.8
<b>3. Rural and Urban Combined</b>			
1977-78	58.9	13.9	27.2
1983	57.4	13.9	28.7
1987-88	56.0	14.4	29.6
1993-94	54.8	13.2	32.0
1999-00	52.9	13.9	33.2

Source: Government of India, Task Force on Employment Opportunities, July 2001.

informality Maloney argues the reverse – that it is the attractiveness of self-employment that causes firms to pay above market clearing wages. If the cost of benefits is partially passed down to workers in the form of lower wages and workers do not value benefits as much as the fall in wages either because there are weak linkages between benefits and contributions or if the provision of social security and health benefits is inefficient then, they may seek jobs in the informal sector with entirely monetary remuneration. Further, the paucity of openings for promotion may cause workers to seek self-employment. Firms pay efficiency wages to prevent workers from leaving with their training and opening a business in the informal sector. Whilst accepting that high firing costs and non wage benefits may reduce the size of the formal sector, Maloney argues that poor LDC education systems that force training costs on individual firms and low technological progress in the formal sector that

restricts wage and employment growth there probably have a larger impact on the size of the informal sector.

It would be the case that some individuals voluntarily consider the informal sector as a preferred destination for employment especially after they have accumulated sufficient human and financial capital in formal sector jobs that makes it attractive to quit and open their own enterprise. It is also true that individuals with higher entrepreneurial abilities will face a lower cost of production and find it more profitable to be self employed rather than earn a fixed wage. However, given the large proportion of the workforce that is self employed earning meager incomes it is a stretch of the imagination to characterize self employment as a preferred activity that is voluntarily chosen. In the same vein it is difficult to ascertain *ex ante* for an individual as to how good an entrepreneur he actually is until his business is actually running and it is too much to expect risk aversion to be low at low levels of income. The size of the informal sector and low average incomes earned in self employment rather suggest that for a large number of the self employed their presence in this type of occupation is involuntary and as a result of a lack of opportunities to accumulate human capital due to capital market imperfections or poor education systems. Moreover, given the uncertain stream of incomes earned in the informal sector strategies for insuring against risk are often evolved to mitigate the impact of the risk. This involves among other strategies accessing at below market cost the financial or human capital resources available through one's social network such as a brother who is a lawyer or a cousin who has an accounting practice. The causes of the involuntary element and the uncertainty reduction mechanisms in self-employment have often been observed to be prevalent.

Given the high failure rates of enterprises in the informal sector it is common for them to engage in informal strategies for managing risk (Maloney, 2003). Maloney reports sociological work documenting how small informal sector firms are anchored in social networks of family that allow them to enforce implicit contracts and insure against risks. Social capital has long been considered to be a mechanism for alleviating problems of contractual enforcement and imperfect information (Coleman, 1990), and communities are effective monitors of the behaviour of its members and providers of local public goods as their members, not outsiders, have crucial information about other members' behaviours, capacities, and needs. Social capital may be defined as those expectations for action within a collectivity that affect the economic goals and goal-seeking behaviour of its members (Portes and Sensenbrenner, 1993) - the emphasis here being on those social structures that facilitate individual rational pursuits.

Portes and Sensenbrenner emphasize four types of economically relevant expectations – value introjection, reciprocity transactions, bounded solidarity, and enforceable trust. Value introjection refers to the moral character of economic transactions that are guided by value imperatives learned during the process of socialization. It prompts individuals to behave in ways other than naked greed – one’s (duties and) obligation towards the content of his professional activity which cannot be contracted. Reciprocity transactions refers to that aspect of behaviour where selfish ends are pursued rather than the higher group morality of value introjection behaviour. With social life comprising many transactions where favours, information, approval and other such intangible valued items are given and received, the accumulation of such ‘chits’ based on previous good deeds to others that are backed by the norm of reciprocity constitutes the social capital of reciprocity transactions.

Bounded solidarity is a result of situational circumstances that leads to the emergence of principled group oriented behaviour that results in mutual support which is quite different from the introjection of established values or from individual reciprocity exchanges. The lower the chance of exit from a situational circumstance (such as being rationed in the labour market) the stronger is the forging of solidarity amongst members of the group and the higher the appropriable social capital based on this solidarity.<sup>2</sup> A solidary community represents simultaneously “a pool of reliable low-wage labour and a potential source for start-up capital” (Portes and Sensenbrenner, 1993, p.1329). Finally, there is the source of social capital that is enforceable trust where individuals subordinate their present desires to collective expectations or group goals not due to value convictions but to the anticipation of the long term advantages associated with good standing in a collectivity. In this case individuals behave in a more instrumental fashion out of an anticipation of rewards or punishment but unlike reciprocity the behaviour is not oriented to a particular other but to the web of social networks of the entire community. In a community the probability that members who interact today will interact in the future is high and this is a strong incentive to act in socially beneficial ways now to avoid retaliation in the future. Communities monitor the behaviour of their members and render them accountable for their actions. However, as enforceable trust is guided by instrumentalist expectations its strength depends to what extent the community is a source of rewards such as social approval or business opportunities. The greater the economic opportunities available outside than those available through membership

---

<sup>2</sup> Individuals enact emergent sentiments of loyalty towards others like themselves and such behaviour can be independent of reward or punishment.

in the community, the lower is the enforceable trust that it is possible to generate in a community.

Bounded solidarity and enforceable trust foster the development of social capital that can be used by group members. Individuals that belong to communities and groups recognize each other as familiar. People that know each other or about each other can place each other and are able to generate interpersonal trust and understanding. Those already in established networks get easier access to others that recognize these networks. Moreover, being rooted in a network embeds the individual in a cluster of relationships where people share perspectives and resources and feel they are similar, thereby creating ties that help locate suppliers, clients, workers and capital for the enterprise. In self-employment enterprises the hiring contract, the code of conduct, and how the place is run are based on culture. Very often these enterprises are family based (Maloney, 2003) with the family furnishing labour and pooling financial resources. Labour that belongs to a community or network can be trusted to not indulge in opportunism. Also, because they have a greater stake in the success of the business such workers tend to be more productive than others when hourly wages are low. Self-employed enterprises thus hire or work with those with whom they have real or symbolic ties. In such enterprises class interest is downplayed and access limited to those with the recognized background. The employer-employee bond is culturally based and jobs are governed by particularistic rules known to everybody. Rather than well defined job parameters mutuality and helping features are emphasized in whatever tasks are assigned or required to be carried out in the enterprise. This mutuality allows the flexibility of deploying labour and works well in attenuating coordination problems in the enterprise.

From a labour economics perspective this is akin to the posting of a bond to guarantee performance. A self-employed enterprise has a high chance of failure and any person shirking exposes everyone in the enterprise to the possibility of closure. To overcome this it is necessary to create incentives that encourage co-employees to monitor one another so as to prevent failure of the enterprise. Making each person individually responsible for the success of the enterprise is achieved by making their employment serve as collateral against the failure of the organization. This high liability induces individuals to monitor the effort of their colleagues as others actions expose them to the risk of losing their jobs. However, the cost of posting this bond is low as information about others honesty and competence via social networks makes it unlikely that the bond will have to be forfeited. Also given the ties that bind individuals together in a self employed enterprise mutuality is prevalent and this results in individuals preferences being altruistic. Thus individuals do not pursue the satisfaction of their selfish

preferences but take into account the preferences of everyone else in the enterprise but this altruism is at the same time instrumental (bounded solidarity) behaviour given that opportunistic negligent action by others is costly for an individual. The implications of such behaviour and the incentive to accept the joint liability for the success of the enterprise requires further elaboration.

## EFFICIENCY WAGES AND SELF-EMPLOYMENT

In the efficiency wage literature the opportunistic behaviour of a worker is prevented by paying a higher than market clearing wage and by the threat of firing if the worker is detected to be shirking (Shapiro and Stiglitz, 1984). If  $w$  is the wage and  $e$  the level of effort on the job, then the utility function of an individual can be stated as

$$U = \int_{t=0}^{\infty} e^{-rt} \{w(t) - e(t)\} dt \quad \text{---(1)}$$

For simplicity we allow effort to be minimal,  $e = 0$ , or the individual can choose to provide a greater than zero level of effort,  $e > 0$ . The firm can detect with probability  $p$  whether a worker is shirking ( $e = 0$ ). Following Shapiro and Stiglitz (1984) let  $U_i$  be the expected value of discounted lifetime utility from the present onwards of a worker who is in state  $i$  where,  $i = E, S$ ,  $E$  representing positive effort when  $e > 0$  and  $S$  the shirking associated with  $e = 0$ <sup>3</sup>. An assumption we make about  $U_i, i = E, S$ , is that the transitions among states are Poisson processes<sup>4</sup> so that the  $U_i$ 's do not depend on a worker's prior history or on how long he has been in his current state. Also, as we focus on steady states the  $U_i$ 's are constant over time. If we think of the expected present value of lifetime utility as an asset, then, the asset's price is  $U_E$  when the worker exerts effort and is employed and  $U_S$  when he shirks. For this asset to be held by risk neutral investors with required rate of return  $r$ , the return on the asset,  $rU_i$ , must equal the dividend per unit of time plus any expected gains or losses per unit of time. When the worker exerts effort

---

<sup>3</sup> For simplicity we are ignoring state  $i = Q$  where  $Q$  is the unemployed state. We also do not allow for the possibility that there is an exogenous rate at which jobs end.

<sup>4</sup> If the worker begins working at time  $t_0$ , the probability of being detected as a shirker at some later time  $t$  is  $P(t) = e^{-b(t-t_0)}$ ,  $b > 0$ . This implies  $P(t + \tau)/P(t)$  equals  $e^{-b\tau}$  and thus that it is independent of  $t$ .

and is employed, dividends per unit time are  $(\hat{w} - e)$  where  $\hat{w}$  is the efficiency wage. Thus<sup>5</sup>,

$$\begin{aligned} rU_E &= (\hat{w} - e) \\ \text{or, } U_E &= \frac{\hat{w} - e}{r} \end{aligned} \quad \text{--- (2)}$$

For a worker who decides to shirk the dividend is the wage as no effort is provided. To find the capital loss on the asset when he shirks we proceed by denoting by  $p$  the probability that it will be detected that he shirked and he will be fired in which case in the next period he will find employment with probability  $(1 - q)$  giving an expected utility  $p(1 - q)U_S$ . If it is not detected with probability  $(1 - p)$  that he shirked then his next period expected utility will be  $(1 - p)U_S$ . The capital loss associated with shirking will be  $\{1 - [(1 - p) + p(1 - q)]\}U_S$  or  $pqU_S$ . Thus, the expected returns to shirking equals the dividend minus the capital loss as given by

$$\begin{aligned} rU_S &= \hat{w} - pqU_S \\ \text{or, } U_S &= \frac{\hat{w}}{r + pq} \end{aligned} \quad \text{---(3)}$$

The efficiency wage which firms must pay to induce workers to provide a high level of effort is given by the solution to  $U_E \geq U_S$ , or,

$$\hat{w} \geq e \left\{ 1 + \frac{r}{pq} \right\} \quad \text{---(4)}$$

---

<sup>5</sup> Alternatively we could use dynamic programming to derive the same result. Consider a worker who is employed and exerting effort at time 0. If time is divided into intervals of length  $\Delta t$  and a worker who loses his job during an interval cannot begin to look for a new job until the beginning of the next interval, we can write the value of employment at the beginning of an interval,

$$U_E(\Delta t), \text{ as } U_E(\Delta t) = \int_{t=0}^{\Delta t} e^{-rt} (\hat{w} - e) dt + e^{-r\Delta t} U_E(\Delta t). \text{ The first term is utility during the interval } (0, \Delta t), \text{ and the second term reflects utility after } \Delta t. \text{ Thus,}$$

$$U_E(\Delta t) = \frac{\hat{w} - e}{r} [1 - e^{-r\Delta t}] + e^{-r\Delta t} U_E(\Delta t) \quad \text{or,} \quad U_E(\Delta t) = \frac{\hat{w} - e}{r}. \quad \text{Hence,}$$

$$U_E = \lim_{\Delta t \rightarrow 0} U_E(\Delta t) = \frac{\hat{w} - e}{r} \text{ which is the same as equation (2).}$$



Because  $\hat{w}$  will be higher than the market clearing wage there will be unemployment and some individuals will be rationed out of the labour market. In the above set up those who are rationed search for jobs and find one with probability  $(1 - q)$ . However, apart from finding jobs in the formal sector there is the option of taking employment in the informal sector. Prima facie it would seem that the informal sector would also have to pay efficiency wages that satisfy condition (4) above. But this ignores that the informal sector taps into social capital and comprises units where members of the extended family, ethnic group, or social network are employed. Given the ties that bind co-workers as argued above, they maximize their joint utility function given by

$$U = U_i + U_j \quad \text{---(5)}$$

Again for simplicity we presume a two person enterprise, where  $U_k = w_k - e_k, k = i, j$ . The self employed enterprise comprises individuals who behave benevolently by directly considering the interests of others in the enterprise as a result of the social relationships that they are embedded in. For such an enterprise to be viable social capital must be able to provide the benefit that the enterprise finds it profitable to pay efficiency wages that elicit effort but which are less than those paid so as to discourage shirking as given by condition (4). The informal sector enterprise must have an advantage in utilizing the predisposition to cooperation that communities have deployed to regulate their common activities such as solidarity, trust, reputation, personal pride, and reciprocity. The informal sector extracts this advantage by stressing mutual and joint liability for the success of the enterprise in the sense that if one member shirks then all members of the enterprise are affected as joint performance is the strength of the enterprise. The individuals in a self employed enterprise participate in a joint contract that promotes more effort by all as only by reducing the costs of shirking do they have an advantage over individual contracts in the formal sector that pay efficiency wages to deter shirking. By stressing joint liability the self-employed enterprise is able to add value compared to the alternative contracting that targets the individual alone outside his social setting. The utility of the self employed enterprise when both members put in effort and  $w^{SE}$  is the efficiency wage payable is

$$rU_E^{SE} = 2(w^{SE} - e)$$

or, 
$$U_E^{SE} = \frac{2}{r}(w^{SE} - e) \quad \text{---(6)}$$

If one individual finds it convenient to shirk we would expect that the second would also follow suit as the success of the enterprise is

contingent on none shirking. The joint probability of shirking is  $(1-p)^2$  and the associated capital loss of the enterprise will be  $\{1 - [(1-p)^2 + (1-(1-p)^2)(1-q)]\}U_S^{SE} = pq(2-p)U_S^{SE}$  where  $(1-p)^2U_S^{SE}$  is the utility of non-failure of the enterprise and  $[1-(1-p)^2](1-q)U_S^{SE}$  the utility when the self-employed enterprise fails and both get employment in the formal sector. The shirking utility associated with the self-employed enterprise will be given by

$$rU_S^{SE} = 2w^{SE} - pq(2-p)U_S^{SE}$$

or, 
$$U_S^{SE} = \frac{2}{r + pq(2-p)}w^{SE} \quad \text{---(7)}$$

The efficiency wage necessary to ensure no shirking is again  $U_E^{SE} \geq U_S^{SE}$ , i.e.,

$$\frac{2}{r}(w^{SE} - e) \geq \frac{2}{r + pq(2-p)}w^{SE}$$

or, 
$$w^{SE} \geq e \left\{ 1 + \frac{r}{pq(2-p)} \right\} \quad \text{---(8)}$$

Comparing (8) with the wage paid under individual contracting as given by (4), it is obvious that  $w^{SE} < \hat{w}$  provided  $p < 1$ . If  $p = 1$  in both types of organizations there is no advantage of a self employed enterprise with joint liability over individual contracting in a formal sector enterprise. It is possible for  $p = 1$  in the self-employed enterprise and for it to be viable provided the observability in the formal enterprise with individual contracting is imperfect and the probability of detection there is less than unity. In such a case,  $\hat{w} \geq e \left\{ 1 + \frac{r}{pq} \right\}$  and  $w^{SE} \geq e \left\{ 1 + \frac{r}{q} \right\}$  still gives  $\hat{w} > w^{SE}$ .

In a self employed enterprise opportunism by workers is mitigated via the mutualism and joint liability that motivates the members of the enterprise which decreases the costs of shirking. It now needs to be checked if this is profitable for the individuals involved. To do this suppose two persons who are rationed in the formal sector and have access to the same source of social capital decide to self employ themselves by starting an enterprise. If  $U_Q$  is the utility associated with unemployment and  $(1-q)$  is the probability of finding a formal sector job, then,

$$rU_Q = (1-q)U_E - qU_Q$$

$$\text{or, } U_Q = \frac{(1-q)}{(r+q)} U_E \quad \text{---(9)}$$

The total utility of the two individuals when currently unemployed is  $U_{QQ}$  where

$$U_{QQ} = 2U_Q = \frac{2(1-q)}{(r+q)} U_E \quad \text{---(10)}$$

If instead they start their own self-employed enterprise with a lower efficiency wage  $w^{SE}$ , their utility will be

$$\begin{aligned} rU_{EE}^{SE} &= 2(w^{SE} - e) \\ \text{or, } U_{EE}^{SE} &= \frac{2(w^{SE} - e)}{r} \end{aligned} \quad \text{---(11)}$$

Self employment is worthwhile provided  $U_{EE}^{SE} \geq U_{QQ}$ , or,

$$\begin{aligned} \frac{2}{r}(w^{SE} - e) &\geq \frac{(1-q)}{(r+q)} \frac{2}{r}(\hat{w} - e) \\ \text{or, } (w^{SE} - e) &\geq (\hat{w} - e)F(q,r) \end{aligned} \quad \text{---(12)}$$

where,  $F = (1-q)/(r+q) = F(q,r)$ . It can be checked<sup>6</sup> that  $\frac{\partial F}{\partial q} < 0$  and

$\frac{\partial F}{\partial r} < 0$ . This implies that higher unemployment ( $q$ ) and higher discount rates ( $r$ ) will make the individuals more willing to accept the lower wage of the self-employed enterprise.

If the two individuals are both employed in the formal sector and get utility from this employment of  $U_E$  each as given by (2), then, it is never worth their while to go in for self-employment (with utility  $U_{EE}^{SE}$ ) even if they are connected with social ties because in that case they would get lower wages. This is because the total utility of self employment,  $U_{EE}^{SE}$ , is less than the total utility of individually contracting in a formal sector job,  $2U_E$ , as can be seen from examining that  $U_{EE}^{SE} < 2U_E$  implies

---

<sup>6</sup>  $\frac{\partial F}{\partial q} = \frac{-(1+r)}{(r+q)^2}$  and  $\frac{\partial F}{\partial r} = \frac{-(1-q)}{(r+q)^2}$

$$\frac{2(w^{SE} - e)}{r} < \frac{2(\hat{w} - e)}{r}$$

or,  $w^{SE} < \hat{w}$

which is true. If on the other hand, one individual is employed in the formal sector and enjoying utility  $U_E$  and the other is currently unemployed with utility  $U_Q$ , then, their total utility would be<sup>7</sup>  $U_{EQ} = U_E + U_Q$ . It can be verified that  $U_{EE}^{SE} \geq U_{EQ}$  provided  $(w^{SE} - e) \geq (\hat{w} - e) \frac{1}{2}(1 + F)$ . In this case too like when both were unemployed, self employment and the accompanying wage reduction for one of the individuals is worthwhile if the unemployment rate or the rate of discount is appropriately high because the reciprocity that the two individuals bestow on one another allows them to earn a higher joint income and enjoy higher total utility. When unemployment rates or the discount rate is relatively high, we then have the possibility that workers trade off the low chance of finding employment and their high preference for the present with the reduction in the wage that is made possible as due to their social relations they are able to control the costs of shirking.

#### CONCLUSION:

Self-employment is pervasive and the predominant form of employment in India. There are two sets of explanations that have been advanced to explain this. One argues that rigidities in the labour market due to government or union influence segments the labour market into formal and informal segments with the self employed forming the core of the informal sector. Other explanation sees the self-employed as choosing this form of employment so as to earn the return from this entrepreneurial capital as well as their human capital. With the informal sector being more attractive firms pay above market clearing wages in the formal sector so as to retain workers and reap the benefits of the training and recruitment costs incurred.

This paper by contrast argues that given the sheer size of the informal sector and the low average income earned there it makes more sense to consider employment here as a second preference option. Moreover at such low levels of income it is difficult to imagine individuals willing to assume the risk that accompanies entrepreneurship. It is

---

<sup>7</sup>  $U_{EQ} = U_E + U_Q = U_E + \frac{1-q}{r+q}U_E = \left(1 + \frac{1-q}{r+q}\right)U_E = (1+F)U_E$

argued that the accessibility of resources available through one's social network mitigates the risk of entering into self employment and allows the enforcement of an implicit contract where coworkers monitor opportunism and thereby make self employment an economic proposition that can survive by paying lower wages than formal sector firms. These lower wages in the self-employed enterprise are acceptable over queuing up and searching for a formal sector job due to high unemployment rates or high discount rates of individuals. In the presence of high unemployment and high discount rates social capital is a resource that enables individuals to compete effectively by controlling wage costs through imposing joint liability for the failure that goes with opportunism. The resulting self-employment is a second preference and does not earn individuals the high incomes of the formal sector but it cushions them from the third best option facing them which is unemployment and possible destitution. Of course, there are relevant downsides that are important but which in this article we ignore. For instance, workers in self-employment may gain a short term advantage of income but lack recourse to legal protection. Self-employment through social relations survives by maintaining low wages and there is no scope for union organizing. Individuals who depend on social capital for socioeconomic achievement can become caught in a web of obligations and individual sacrifices that interferes with their potential pursuit of economic opportunities which causes them to indefinitely be tied to lower wage self employment rather than to invest in human and financial capital so as to access the high returns of the formal sector. These and other such important issues require more research and consideration.

#### BIBLIOGRAPHY:-

Coleman, J.S. (1990) - "Foundations of Social Theory", The Belknap Press of Harvard University Press, USA.

Government of India (2001) - "Task Force on Employment Opportunities", July, New Delhi.

Maloney, W.F.(2003) - "Informality Revisited", World Bank Policy Research Working Paper 2965, January.

Maloney, W.F. (1999) - "Does Informality Imply Segmentation in Urban Labour Markets? Evidence from Sectoral transitions in Mexico", *World Bank Economic Review*, 13: 275-302.

Maloney, W.F. (1999) – “Self-Employment and Labour Turnovers: Cross-Country Evidence”, Policy Research Working Paper 2102, April, The World Bank.

Portes, A. & J. Sensenbrenner (1993) – “Embeddedness and Immigration: Notes on the Social Determinants of Economic Action”, *American Journal of Sociology*, 98(6), May, 1320-50.

Shapiro, C. & J. Stiglitz (1984) – “Equilibrium Unemployment as a Worker Discipline Device”, *American Economic Review*, 74, 433-444.

Yamada, G. (1996) – “Urban Informal Employment and Self Employment in Developing Countries: Theory and Evidence”, *Economic Development and Cultural Change*, 289-314.

