

Bdst 2 topic 8: The Service Sector

What is meant by the 'informal service sector'?

- Unregulated
- no taxes paid
- not included in official statistics
- no controls
- no benefits such as holidays
- very low value added activities

What is the informal economy

- Unofficial
- Jobs and activities that are not governed by state and its regulations
- taxes not paid
- usually small scale

examples of jobs in the informal economy.

- Taxi driving/cleaning/personal services/small scale growing and selling produce/making and selling crafts etc
- domestic service as servants, drivers, or cooks,
- shining shoes on pavements, providing haircuts on street corners, selling peanuts or flowers in railway stations or footpaths, operating cycle rickshaws and pushcarts.

Name two specific examples of work in the 'informal sector'

- shoe shining, selling fruit/vegetables on market, repairing clothes, street selling, cleaning cars, etc

Describe the characteristics of employment in the informal sector

- relies on local materials
- family run
- small scale
- no/simple technology

- traditional/life skills - not formal education unregulated/no government controls
- long working hours low wages
- Allow elaboration

Explain why so many people work in the informal sector

- Poverty
- Farms small, so low output
- Lack of formal jobs
- Poor cannot afford to be unemployed / to support family / to live
- Allows employment
- Family tradition
- Lack of qualifications / education
- Lack of skills / training
- Little input / capital / investment required
- No legal formalities / no tax
- Work whenever you want / own boss
- Adaptable employment at different locations, e.g. beach vendor, urban street seller

Explain why the informal service sector is so important in Bangladesh.

- Lack of formal jobs
- open to poor who must work
- lack of finance to start up formal services
- provides jobs to migrants
- qualifications not required
- most informal services are low level

Having a large number of jobs in the informal sector has many benefits for Bangladesh

- means that unemployment is very low in Bangladesh
- allows the poor employment, even if very low income
- service sector requires almost no capital to enter so is a final resort for all those who fail to find work anywhere else
- is a source of dynamism in the economy.
- informal employment is an important part of the economy of many large cities
- provides a wide range of cheap goods and services that would otherwise be out of reach for many people.

- allows average wages to be kept low, this means that TNCs are not persuaded to look elsewhere for cheap labour

What are the disadvantages of the informal sector?

- No protection
- can be exploited
- no security/no taxes paid
- does not contribute to development of Bangladesh
- may be unsafe
- no quality control
- low wages

Having a large number of jobs in the informal sector has many drawbacks for Bangladesh

- represents a wasteful use of human resources that could be more productively employed in higher wage sectors if only jobs were available
- absence of regulation allows the informal sector to pay low wages
- begging, petty crime and prostitution
- informal jobs do not break the cycle of poverty
- many children work from dawn until dusk, earning on average 14 taka a day children work in vulnerable conditions, exposed to hazards including street crime, violence, drugs, sexual abuse, toxic fumes and substances, without adequate safety protection and carrying heavy loads
- insecurity in terms of work and income
- high exposure to work-related risks
- no health, disability, unemployment or life insurance
- uncertain legal status
- few rights or benefits
- lack of organisation
- don't pay taxes
- doesn't contribute to GDP

Is the informal sector important to the people and the economy of Bangladesh? Give reasons for your answer

- helps development
- provides training/skills - carpentry, shoe mending, tailoring

- provides cheap food and market goods
- provides casual work - labouring
- can expand to small businesses - car repairs, furniture making
- provides income/decreases poverty
- decreases unemployment
- **does not help economy – no taxes paid**
- provides income

The informal economy should be encouraged as the best way for Bangladesh to develop

- Allows people to earn money
- not dependant on state or charity
- no great investment required
- meets local needs
- little administration required
- can provide services or goods cheaply
- can help to raise people out of poverty.

The informal economy should not be encouraged as the best way for Bangladesh to develop

- People can be exploited
- no controls on dangerous activities
- no regulations controlling quality
- no controls on working conditions
- very low pay
- not paying taxes means govt has less money to spend on e.g. health and education
- doesn't help boost GDP
- waste of human resource which would be better applied to formal economy

Explain why the financial sector is important for industry in Bangladesh

- need efficient financial sector for long term investment
- loans
- lowest possible cost
- to monitor borrowing and not waste finance in poorly performing industries
- provide equipment, pay wages

Describe how the Grameen bank works.

- Gets group of people together
- agree to provide money for loans to member of the group
- people know who creditors are
- if one person defaults no one else in group can get loan
- high rates of payment

What is meant by 'micro-credit'?

- lending small amounts of money
- to the poor
- especially women
- to set up small businesses/buy goats, etc.

Explain why micro-credit has been successful in Bangladesh

- high repayment of loans
- lends to a group
- has a collective guarantee
- if one person fails to repay loan no-one else in the group gets a loan
- many successes/people lifted out of poverty

How does micro-credit help both the borrower and also the economy of Bangladesh

- Helps improve standard of living
- allows people to use skills and-or initiative
- boosts economy because more is grown or made
- reduces unemployment
- increases food available locally
- some small businesses may expand

Name two possible sources of finance in Bangladesh.

Give one advantage and one disadvantage of each source.

Grameen bank or micro credit:

- open to poor
- no collateral needed etc.

- but only small sums offered
- need to be part of a group

Moneylender:

- money available quickly
- may be available to people who cannot borrow money any other way etc.
- but very high interest rates
- risks if fail to pay on time

Nationalised bank (or just bank):

- could borrow larger sums of money
- but collateral needed
- difficult to get loan

Private bank:

- may be more able than government to lend
- but often for short terms
- high rates
- need collateral