

## **A Study on Unorganized Workers in India: An Analysis**

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### **ABSTRACT**

The Indian economy is characterized by the existence of a vast majority of informal or unorganized labour employment. In India nearly 92.38% of workers are still engaged in informal employment and 7.46 per cent are engaged in formal sector enterprises. However, the employment has increased in informal sector, where in wages; salaries are quite low and working conditions deplorable as compared to those in the organized sector, while the contribution of unorganized sector to GDP is about 50 per cent as per National Commission for Enterprises in the Unorganized Sector.

### **1. INTRODUCTION**

The informal sector plays a central role in economic development of all the countries. Particularly, developing countries one third of national income comes from this informal sector only. The informal sector reduces the unemployment problems. The entrepreneurs are in this sector for their livelihood, not for making more profit. Some informal entrepreneurs are earning more than the formal employees in our country, like vegetable vendors, agents, brokers, foot-path traders etc. Majority of the entrepreneurs are community based in this sector. In India, each community has their own business. Rural, urban and city side also community based entrepreneurs are more. For example, foot wears and beauty parlor etc. The informal sector develops the Indian economy invisibly. Most of the rural and urban people are continuing their family business, because of lack of employment opportunity, In India most of the family businesses are in the informal sector. The earned income from this sector has utilized for the purpose of their children education, family commitments, personal savings, etc. So the government should take necessary steps to convert this sector into formal.

About 370 million workers constituting 92% of the total workforce in a country were employed in the unorganized sector as per NSS Survey 1999-2000. It plays a fundamental role in terms of providing employment opportunity to large segment of the working force in the country and contributes to the national product significantly. The contribution of the unorganised sector to the net domestic product and its share in the total NDP at current prices has been over 60%. In the matter of savings the share of household sector in the total gross domestic saving mainly unorganised sector is about three fourth. The informal sector constitutes largest portion of the economy in terms of value addition, savings, investments etc. The share of formal sector is around 12 -14 percent in our national income while that of informal sector is more than 30 percent. In the case of United States, the share of corporate business is nearly 70 percent.

India is experiencing a demographic dividend as more than 50 per cent of the population is in the working age group which can make India the skill capital of the world. It is estimated that by 2020, the average Indian will be 29 years of age compared to average age of 37 years in China and US

and 45 years in Europe and 48 years in Japan. However, skilling this youth bulge constitutes a challenge particularly when there is preponderance of informal/unorganised sector. ILO defines “informal sector” as consisting of units engaged in the production of goods or services with the primary objective of generating employment and incomes to the persons concerned. The units operate at low level of organisation, with little or no division between labour and capital as factors of production and on a small scale. Labour relations— are based mostly on casual employment, kinship or personal and social relations rather than contractual arrangements with formal guarantees. In India, the National Commission for Enterprises in the Unorganised Sector (NCEUS) made an important distinction between organised or formal and unorganised or informal employment - “Unorganised workers consist of those working in the unorganised enterprises or households, excluding regular workers with social security benefits, and the workers in the formal sector without any employment/ social security benefits provided by the employers.”

## **PROBLEM OF INFORMAL SECTOR**

- Work in the informal sector is less remunerative and the conditions are inferior to the organised sector.
- They lack economic security and legal protection. Therefore there is much greater vulnerability of workers who are outside the reach of labour legislation or trade union organisation due to absence of workers’ rights and social protection.
- Women workers in particular, are in vulnerable position than their male counterparts.

About 7 per cent of the 400 million-strong workforces were employed in the formal sector (comprising government and corporate) in 2000 contributing 60 per cent of the nominal GDP of the nation. The Trade Unions Act 1926 provided recognition and protection for a nascent Indian labour union movement. The number of unions grew considerably after independence, but most unions are small and usually active in only one firm. In 1997, India had about 59,000 trade unions registered with the government of India. Of these only 9,900 unions filed income and expenditure reports and claimed to represent 7.4 million workers. The state of Kerala at 9,800 trade unions had the highest number of registered unions, but only few filed income and expenditure reports with the government of India. The state of Karnataka had the fastest growth in number of unions between the 1950s to 1990s.

In 1995, India had 10 central federations of trade unions, namely (arranged by number of member unions in 1980): INTUC, CITU, BMS, AITUC, HMS, NLO, UTUC, AIUTUC, NFITU and TUCC. Each federation had numerous local trade union affiliates, with the smallest TUCC with 65 and INTUC with 1604 affiliated unions. By 1989, BMS had become India's largest federation of unions with 3,117 affiliated unions, while INTUC remained the largest federation by combined number of members at 2.2 million. The largest federation of trade unions, INTUC, represents about 0.5% of India's labour force in organised sector and unorganised sector. In 2010, over 98% of Indian workers did not belong to any trade unions and were not covered by any collective bargaining agreements.

## **LABOUR RELATIONS DURING 1990-2000**

Union membership is concentrated in the organised sector, and in the early 1990s total membership was about 9 million. Many unions are affiliated with regional or national federations, the most important of which are the Indian National Trade Union Congress, the All India Trade Union Congress, the Centre of Indian Trade Unions, the Hind Mazdoor Sabha, and

the BharatiyaMazdoorSangh. Politicians have often been union leaders, and some analysts believe that strikes and other labour protests are called primarily to further the interests of political parties rather than to promote the interests of the work force.

The government recorded 1,825 strikes and lockouts in 1990. As a result, 24.1 million workdays were lost, 10.6 million to strikes and 13.5 million to lockouts. More than 1.3 million workers were involved in these labour disputes. The number and seriousness of strikes and lockouts have varied from year to year. However, the figures for 1990 and preliminary data from 1991 indicate declines from levels reached in the 1980s, when between 33 and 75 million workdays per year were lost because of labour disputes. In 1999, the government of India recorded about 927 strikes and lockouts, or about half of those for 1990. The numbers of lost man-days were about the same for 1999 and 1991, even though Indian economic output and number of workers had grown significantly over the 1990s.

The composition of employment in the organisedvsunorganised sector was in the proportion 13:87 in 2004-05 and 17:83 in 2011-12 (Table-1) indicating an increase in organised sector employment from 13 per cent in 2004-05 to 17 per cent in 2011-12. But this increase in organised sector employment was informal in nature (48 per cent in 2004-05 increased to 55 per cent in 2011-12) while the share of organised formal employment decreased (52 per cent in 2004-05 decreased to 45 per cent in 2011-12). But in the unorganised sector the share of formal employment marginally increased from 0.3 to 0.4 per cent and that of informal employment declined marginally from 99.7 to 99.6 per cent. On the whole the number of formally employed increased from 33.41 million in 2004- 05 to 38.56 million in 2011-12 , while informally employed ers in the formal sector without any employment and social security benefits provided by the employers”. The present article uses the NCEUS definition to identify the spread of formal / informal employment across organised-unorganised sectors increased from 426.20 million to 435.66 million during this period.

**Broad Sectoral Distribution of Employment** In agriculture sector which is the main contributor of employment, nearly 97 per cent of the employment is informal in nature (Table-2). But the share of agriculture in total employment has decreased from 58.50 per cent in 2004-05 to 48.90 per cent in 2011-12 which is indicative of the structural transformation of the sector. In manufacturing sector the increase in share of employment was accounted for by the organised sector which showed an increase in both formal and informal employment. In non-manufacturing which comprises of the construction sector there was an increase in employment across both the organised and unorganised sector as well as in the formal and informal sector, though the share of informal employment was higher. The same trend was observed in the services sector also.

**Trends in Informal Employment in Non-Agricultural Sector** in Table-3 the sector-wise distribution of informal employment in the non-agricultural sector are captured. The distribution of informal employment both in the organised and unorganised sector shows that manufacturing, construction and trade, hotel & restaurant are the main employment generating sectors. Informal employment in the non-agricultural sector increased from 160.83 million in 2004-05 to 204.03 million in 2011-12, an increase of 27 per cent.Informalisation almost doubled in the construction sector where the informal employment increased from 24.94 million to 48.92 million during this period, with the increase being concentrated in the unorganised sector. In the manufacturing sector the increase in informal employment was mainly in the organised sector, while in the trade and transport sector the increase in informal employment was evenly spread among both sectors.

Reasons for Informalisation of Workforce Literature indicates labour market rigidities, poor skill levels, increasing competition from imports as the factors inducing creation of informal employment and decline of formal employment opportunities. Labour market rigidity is blamed on the multiple labour legislations that deters the hire and fire policy. But is labour laws a hindrance? In Table-5, a comparison was made between State-wise distribution of informally employed in the manufacturing sector vis-à-vis the labour reform index which shows that even when the labour reform index is high indicating that even in States like Gujarat where the stringency of labour regulations was lowered by procedural changes, simplifying compliance and limiting scope of regulations, the jobs that were created in the manufacturing sector were informal in nature. Similar is the case with Uttar Pradesh and Andhra Pradesh. Irrespective of labour reforms being a hindrance or otherwise, extent of informal employment was more than 90 per cent in the major industrial States. These findings only indicate that labour reforms alone will not reduce informalisation. In Table-6 the skill set of the informal workforce in the non-agricultural sector was looked at. Nearly 23 per cent of the workforce was found illiterate both in 2004- It is surprising that skill levels has not seen any noticeable change between the two NSSO Rounds (2004-05 to 2011-12) except among the diploma holders and graduates where the share of the informally employed has come down from 2.30 per cent to 1.46 per cent and from 9.13 per cent to 8.88 per cent respectively. This Though the self-employed accounted for a major share of the informal employed, there was a decline in their share by 4 percentage points (Table-7). The share of informal employed in the regular wage & salaried category increased from 8.5 per cent in 2004-05 to 11 per cent in 2011-12. The share of the casual employed increased marginally during this period. Thus out of the total informal workforce, almost 90 per cent are either self-employed or casual. Increasing imports as a result of trade liberalization is 05 and 2011-12. Almost 48 per cent of the workforce had basic education only up to secondary.

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informally employed shows that majority are working as self-employed or casual workers which in turn keeps them outside the purview of the labour legislations also a factor for increase in informal employment. An attempt was made to compare the trend in imports in labour intensive industries such as textiles, food processing, leather, gems & jewellery, basic metals, transport appliances and the corresponding increase in informal employment for the period from 2004-05 to 2011-12. As maybe seen in Table-8 in the manufacture of basic metals where there was a 2.43 per cent increase in imports in real terms, the corresponding increase in informal employment was to the extent of 76 per cent.

**Table1**  
**Percentage of Unorganized Workers by gender across the States 2013-2014**

S.No	Name of the Status	Unorganised workers		
		Male	Female	Total
1	Andhra pradesh	92.5	96.1	94.0
2	Arunachal pradesh	83.9	94.4	88.9
3	Assam	89.8	91.4	90.2
4	Bihar	97.1	99.2	97.5
5	Goa	71.9	75.0	72.8
6	Gujarat	88.6	97.6	91.6
7	Haryana	87.4	96.6	90.2
8	Himachal pradesh	85.5	95.8	90.2
9	Jammu&Kashmir	85.7	96.3	88.5
10	Karnataka	90.0	95.3	91.9
11	Kerala	82.0	79.6	81.3
12	Madhya Pradesh	93.1	98.2	94.8
13	Mharashtra	86.6	95.0	89.6
14	Mnipur	84.8	95.5	88.8
15	Meghalaya	88.4	91.1	89.6
16	Mizoram	81.0	92.9	83.9
17	Nagaland	76.0	94.7	94.5
18	Odisha	92.9	97.7	90.9
19	Punjab	89.5	94.3	95.2
20	Rajasthan	93.0	98.5	84.8
21	Sikkim	82.2	90.5	89.9
22	Tamil Nadu	87.2	94.3	89.4
23	Tripura	89.5	88.5	84.8
24	Uttar Pradesh	94.6	98.8	95.8
25	West Bengal	90.5	93.8	91.2
26	Delhi	94.6	98.8	95.8
27	West Bengal	990.5	93.8	91.2
28	Chhattisgarh	92.7	98.6	95.2
29	Uttaranchal	87.0	97.1	91.0
30	All India	90.7	95.9	92.4

**Source:** NCEUS

Table-1 shows the details of the unorganized workers by gender across the states in the year 2013-2014. The male workers are 90.7 and female workers are 95.9% in unorganized workforce. The female workers are more than male workers in unorganized sector as well as unorganized workers. The unorganized workers of male and female are higher in Bihar. It is very low in Goa state.

**UNEMPLOYMENT SITUATION IN INDIA**

Unemployment in India is not a straightforward issue that can be either estimated directly with a single measuring rod or addressed with a single policy initiative. Even if a person is not reported to be unemployed on a particular point of time, he/she may be actually unemployed/under employed. Poor and weaker sections of society, particularly those who are engaged in subsistence agriculture and low income earning self-employment activities frequently face this situation as they do not get employment round the year. Hence, various approaches are used to measure different dimensions of unemployment in the country. The estimates for 2004-05 varied from 10.8 million (as per usual status - widely referred to as „open unemployment“) to 35 million (as per daily status which includes both open unemployment and underemployment). Hence, addressing underemployment along with open unemployment is important for policy initiatives, particularly, from the point of view of „inclusive growth“. As far as the question of „open unemployment“ is concerned, it has to be tackled by creating new employment opportunities in the labour market. The issue of underemployment, however, may require a variety of policy measures ranging from creation of new job opportunities to measures related to social security for workers, introducing innovative technology etc. Promoting rural nonfarm employment is considered as an important policy measure to address under- employment in the rural areas. Another crucial issue relates to the youth unemployment. Analysis of unemployment data for the year 2004-05 reveals that unemployment rates are very high in urban areas, particularly, in the age group of 15-24 years (Figure 3). Further, female unemployment rate in the age group of 20-24years is the highest at approximately 27%. Among males, the highest unemployment rate is reported in the 15-19 years age group both in rural as well as urban areas. However, in the 20-24 years age group, male unemployment rates are 12% and 16% in rural and urban areas respectively. Overall, in rural areas unemployment among youth (age 15-24 years) is approximately 12 to 15%. This highlights the need for the policy to focus on youth in the labour force, particularly to reap the benefits of „demographic dividend“.

**Table 2**  
**Growth Rate (%) of Employment in India**

<b>Employment growth</b>	<b>1986-1995</b>	<b>1995-2005</b>	<b>2005-2014</b>
<b>Rural</b>			
Male	1.93	0.80	2.20
Female	1.37	0.03	3.61
Persons	1.73	0.51	2.71
<b>Urban</b>			
Male	3.23	2.86	3.28
Female	3.78	1.50	5.41
Persons	3.34	2.58	3.71
<b>Total</b>			
Male	2.52	1.35	2.51
Female	1.67	0.19	3.90
Persons	2.06	0.98	2.95

**Source:** Based on NSSO Employment & Unemployment Survey Reports

Highlight the percentage of Indian employment growth rate during three decades is not so significant. It is because of population growth rate. India's journey on the path of economic reforms has transformed it to one of the world's fastest growing economies. Its large and growing population is its best asset and can quadruple GDP and catapult India to the league of developed economies over the next decade. All this if a billion could be transformed into a productive workforce. For over half a decade now, India has been chanting the demographic mantra with little real progress. Because, with opportunities come challenges. The services sector needs many million knowledge workers. Lack of employability is endemic. India's large labour force has been stubborn in transition. Over 90% of the labour force is inadequately trained.

## **2. CONCLUSION**

In fact a comprehensive Act, catering to the security needs of the unorganized sector such as Food, Nutrition, Health, Housing, Employment, Income, Life and accident, and old age remains a dream in India. Still the cries of the unorganized sector goes unattended with the governments laying red carpets for the corporate and so called investors at the expense and sacrifice of the working class.

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