

A STUDY ON EMPLOYMENT AND SOCIAL SECURITY POLICY APPROACHES IN URBAN INFORMAL SECTOR

Dr Addelli Ravinder

Faculty, Department of Economics, University Post Graduate College, Mahabubabad,
Kakatiya University, Warangal.

Abstract

An important feature of labour market situation in India is the predominance of unorganised employment. The dominance is such that since early 80's and even before that more than 90 per cent of the total work force has been engaged in the unorganised sector to earn their income and livelihood. The analysis of trend and pattern of growth in employment shows that, over the years, formal employment growth has always been less than that of total employment, indicating a faster growth of informal employment. The National Commission for Enterprises in the Unorganised sector has recently drafted the Unorganised Sector Workers' Social Security Bill, 2005 proposing a universal coverage, for the unorganized workers, which is a welcome step. Social security is a basic need of all people regardless of employment in which they work and live. It is an important form of social protection. It should be begin with birth and should continue till death. In general social security refers to protection extended by the society and State to its members to enable them to overcome various contingencies of life. The main risks or insecurity to which human life is responsible and in relation to which and organised society can afford relief to the helpless individuals are the incidents occurring right from childhood up to old age and death, which includes mainly sickness, invalidity due to maternity, accident and occupational diseases, unemployment, old age, etc. Thus majority of the workforce in the unorganised sectors are in an urgent need of a comprehensive social security protection which can be achieved by joint efforts of government and non-governmental organizations.

Key words: Informal Sector, Employment, Social Security, Labour, Development.

INTRODUCTION

The urban informal sector workers are literally everywhere, i.e., in fields, in homes, on streets, in small workshops, in forests – everywhere. Over 90% of our labour forces work in this sector. Unlike the organised sector, in urban informal sector workers have not acquired a high profile, tasted the benefits that can be gained from organisation, or derived the advantage following from high visibility. In the urban informal sector, the workers are engaged in a variety of occupations or employments, ranging from those like forest workers, tribals trying to follow traditional vacations within their traditional habitats, and fishermen who venture out to sea in vulnerable canoes, to those who are working in their homes with software or assembling parts for a highly sophisticated product. Many of them are victims of invisibility.

The 'unorganised sector' has been criticised as a low productivity area where the earnings are meagre. But in absolute terms, this sector contributes more to the economy and employment in India. Thus, inspite of their considerable contribution, the urban informal sector lack adequate protection through labour legislation. Workers in this sector do not get social security and other benefits as their counterparts in the organized sector do. In other words it can be said that effective protection and welfare for the urban informal sector is a shade more difficult and complicated, it is only because of the problem of definition and identification of urban informal sector.

HISTORICAL PERSPECTIVE

During 1950s and 1960s, it was felt that with the help of right mix of economic policies and resources the traditional sector could be transformed into capitalist economy (Chen, 2002). After the Second World War, this line of thought was implemented successfully in rebuilding of Europe and Japan by increase in mass industrial production at large scale in Europe and North America during this period. But in middle of 1960s, the perspective of economic growth in developing countries was hindered by the persistent widespread unemployment (Chen, 2002). In 1970s, the International Labour Organization (ILO) while showing concern about the existing problems mounted a series of large number of multi disciplinary employment missions in various developing countries (www.wiego.org). The first mission on employment was introduced by ILO in Kenya in 1972 which was the erstwhile colony of British Empire. A year before this employment mission in 1971, the concept of informal sector was coined by Keith Hart (Hart, 1973). The concept received mixed response in developing countries and various views about the notion of the informal sector were elaborated.

Some scholars were describing it as marginal and peripheral sector outside the formal arrangement or modern capitalist development while some opined that as the process of development will take place in the developing countries this will disappear after achieving the certain level of economic growth. Notwithstanding all these arguments, Hart and Kenya mission team was very optimistic about the informal sector due to its efficiency, creativity and resilience.

During the decade of 1980-90, the informal sector expanded due to various changes occurring in the advanced capitalist economies. During the period, the production was reorganized into small, decentralized and more flexible economic units. Mass production was giving way to 'flexible specialization' or, in some cases, reverting to the sweat shop production (Piore and Sabel, 1984). These new patterns of capitalist development are still associated with the informalization of employment relations. Today production is being contracted to small, informal units and industrial outworkers with hourly wages without any benefits. In this process, the informal economy becomes a permanent, albeit subordinate and dependent feature of the capitalistic development (Portes, Castell and Benton, 1989).

INFORMAL SECTOR: INDIAN SCENARIO

The concept of informal sector was introduced by Keith Hart in 1971 in research study on employment missions in Ghana. Since, then this has been subject matter of research and debate among the scholars, researchers, policy makers at national and international level. Various attempts have been made to find its size, employment potentials and its relationship with the formal sector. Attempts to define the informal sector in clear and specific terminology were not successful as far as universally accepted definition is concerned. Many commissions, groups and agencies had tried to explain the concept of informal sector from time to time. The few of these definitions are as under:

The first National Commission on Labour, under the Chairmanship of Justice Gajendragadkar, defined the unorganized sector as that part of the workforce who has not been able to organize in pursuit of a common objective because of constraints such as:

- a) Casual nature of employment,
- b) Ignorance and illiteracy,
- c) Small size of establishments with low capital investment per person employed,
- d) Scattered nature of establishments and
- e) Superior strength of the employer operating singly or in combination.

The Commission listed 'illustrative' categories of unorganized labour. These are as following Contract labour including construction workers

- A. Casual labour
- B. Labour employed in small scale industry
- C. Handloom/power-loom workers
- D. Beedi and cigar workers
- E. Employees in shops and commercial establishments
- F. Sweepers and scavengers
- G. Workers in tanneries
- H. Tribal labour
- I. Other unprotected labour

The Report (1987) characterizing the unorganized worker by Smt. Ela R. Bhatt, Chairperson of the National Commission on Self Employed Women has defined unorganized sector as:

“One in which women do arduous work as wage earners, piece rate workers, casual labourers and paid and unpaid factory labour. The unorganized sector is characterized by high incident of casual labour mostly doing intermittent jobs at low extremely low wages or doing their own account work at very uneconomical returns. There is total lack of job security and social security benefits. The areas of exploitation are high resulting in long working hours, unsatisfactorily work conditions and occupational health hazards”.

The National Council for Applied Economic Research (NCAER) and Self Employed Women's Association (SEWA) had defined the informal sector in their joint workshop in 1997 as: “The informal sector included all workers in informal enterprises, some workers in formal enterprises, self employed workers and those doing contract work for informal or formal sector enterprises and contractors (Kantor, 1997)”.

The Fifteenth International Conference of Labour Statisticians (ICLS), held in January 1993, eventually adopted a resolution concerning statistics of employment in the informal sector that provides an international statistical standard definition of informal sector. The ICLS describes the informal sector as consisting of those production units which are:

"Typically operate at a low level of organization, with little or no division between labour and capital... and on a small scale.... Labour relations - where they exist - are based mostly on casual employment, kinship or personal and social relations rather than contractual arrangements with formal guarantees" (ILO, 2003).

The ICLS also issued the guidelines based on a Statistical Definition of the Informal Employment and defined informal employment to include the following types of jobs:

- a) Own-account workers employed in their own informal sector enterprises;
- b) Employers employed in their own informal sector enterprises;
- c) Contributing family workers, irrespective of whether they work in formal or Informal sector enterprises;
- d) Members of informal producers' cooperatives;
- e) Employees holding informal jobs, whether employed by formal sector enterprises,
- f) Informal sector enterprises, or as domestic workers employed by household
- g) Own-account workers engaged in the production of goods exclusively for own final use by their household (such as subsistence farming or do-it-yourself construction of own dwellings).

The report of Second National Commission on Labour (2002) has brought out the following general characteristics of enterprises or employment in the unorganized sector:

- a) It is in general a low wage and low earning sector.
- b) Women constitute an important section of the worker in this section.
- c) Family labour is engaged in some occupations such as home-based ones.
- d) Economic activities, which engage child labour, fall within this sector.
- e) Migrant labour is involved in some sub-activities.
- f) Piece-rate payment, home-based work and contractual work are increasing trends in this sector.
- g) Direct recruitment is on the decline. Some employees are engaged through contractors.
- h) If some kinds of employment are seasonal, some others are intermittent. As such, underemployment is a serious problem.
- i) Most jobs are, for the greater part, on the casual basis.
- j) Both employed and self-employed workers can be found in a number of occupations.
- k) Workers are not often organized into trade unions. The self-employed are seldom organized into associations. There is no much recourse to collective bargaining.
- l) There are many co-operatives of self-employed.
- m) Very often, other supply raw materials, productive by self-employed workers, therefore, become dependent, or linked with enterprises or individuals in other sectors.
- n) Debt bondage is very common among the employed as well as the self-employed workers in the unorganized sector.
- o) The self-employed have less access to capital. Whatever capital they manage, is mostly from non-banking and usurious sources, especially from the trade-contractor.
- p) Health hazards exist in a majority of occupations.

There are certain other factors specific to some of the sub-sector in the unorganized sector. Rickshaw pullers, hawkers and vendors face harassment from authorities such as police, traffic police and local self-government. National Commission for Enterprises in the Unorganized Sector (NCEUS) has given their recommendation relating to the definition of the informal economy as following:

Informal Sector: "The unorganized sector consists of all unincorporated private enterprises owned by individuals or households engaged in the sale and production of goods and services operated on a proprietary or partnership basis and with less than ten total workers".

Informal Worker (Employment): "Unorganized workers consist of those working in the unorganized sector or households, excluding regular workers with social security benefits provided by the employers and the workers in the formal sector without any employment and social security benefits provided by the employers". It is clear from all the foregoing discussion that the workers in the informal economy are an unprotected lot, exploited and have a very low quality of living.

Although there is no consensus on arriving at a single definition, however, one thing that is common for all these workers is their poverty and insecurity in their day to day life.

THE CONSTITUTIONAL FRAME WORK

The Constitution of India is custodian of the rights of every citizen of the nation and provides a constitutional framework for their protection and providing livelihood options for each of them. The fundamental rights guaranteed by our constitution gives a mandate to safeguard the interests of each citizen without any discrimination on the basis of caste, colour, creed, sex, religion etc. Article 13 and 14 of the constitution prohibits any form of forced labour (beggary) and child labour in the hazardous occupations or in the factories and mines. Under Article 15 and 16 the constitution also ensures non discrimination by the state while providing equalities of opportunities in matter of public appointments. Under Article 19 of the Indian constitution gives the right to its citizen to form associations and unions for the purpose of their welfare and expression of interest. The Directive Principles of State Policy enshrined in the past four of the Constitution entrusted as, “The State shall within the limits of its economic capacities and development, makes effective provisions for securing the right to work.”

It is worth to mention that right to work is not fundamental right according to the Indian Constitution. On the conditions of work, the Directive Principles of State Policy makes further arrangements as..... “The State shall Endeavour to secure by suitable legislations or economic organizations or by other way, to all workers, agricultures, industrial or otherwise work, a living wage and conditions of work insuring a decent standard of life”.

The issue related to condition of work enshrined in list III of Schedule 7 of the Indian Constitution. Labour is on the concurrent list of the Constitution so Centre and State can enact laws related to the labour in accordance with the size of enterprises, nature of employment, nature of work etc.

INFORMAL WORK FORCE: SOME IMPORTANT LEGISLATIONS

There are various laws which were enacted by the Centre and State Government to protect the rights of workers. These laws can be universally and partially applied to the whole segment of formal and informal sector workers in India according to the type of employment, employment relationship, nature and size of the establishment, number of workers and area of work (NCEUS, 2007).

According to the NCEUS Report on the condition of work and promotion of livelihood in unorganized sector has distributed central laws into three groups as:

- a) Workmen’s Compensation Act, 1923.
- b) Payment of Wages Act, 1936.
- c) Weekly Holidays Act, 1942.
- d) Minimum Wages Act, 1948.
- e) Motor Transport Workers Act, 1961.
- f) The Beedi and Cigar Workers (Conditions of Employment) Act, 1966.
- g) The Maternity Benefits Act, 1969.
- h) The Contract Labour (Regulation and Abolition) Act, 1970.
- i) The Equal Remuneration Act, 1976.
- j) The Bonded Labourer System (Abolition) Act, 1976.
- k) Sales Promotions Employees (Conditions of Services) Act, 1976.
- l) Trade Unions Act, 1976.
- m) The Building and other Construction Workers (Regulation of Employment and Conditions of Services) Act, 1976.
- n) Inter-state Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979.
- o) Dangerous Machines (Regulations) Act, 1983.
- p) Child Labour (Prohibition and Regulation) Act, 1986.
- q) The Employment of Manual Scavengers and Construction of Dry Latrines (Prohibition) Act 1993.

THE UNORGANISED SECTOR WORKERS’ BILL, 2004

The Unorganised Sector Workers’ Bill, 2004 being redrafted to promote well being to workers in unorganised sector. The Unorganised Sector Workers’ Bill, 2004 is broad legislation that covers workers scattered throughout the length and breadth of this country. The Bill focuses more on workers who work for an employer. Sadly, millions of self-employed workers get sidelined in a Bill that is specifically meant for workers belonging to the unorganised sector and to which a majority of self-employment professionals relate.

The Bill provides no social security measures for the self-employed as it does for those employed under someone. The following provision in the Bill exemplifies this clearly. “No worker shall be required to work for more than eight hours in a day with half an hour break” and “every worker shall be paid such wages within such time as may be prescribed but such wages shall in no case be less than the wages fixed under the Minimum Wages Act, 1948”.

UNORGANISED SECTOR WORKERS’ SOCIAL SECURITY BILL, 2005

The National Commission for Enterprises in the Unorganized sector has recently drafted the Unorganized Sector Workers’ Social Security Bill, 2005 proposing a universal coverage, for the unorganized workers, which is a welcome step. The draft of the Bill has come from the National Commission for Enterprises in the Unorganized Sector, set up in the 2004 “to examine the problems of the unorganized sector and suggest measures to overcome them.” This Bill have been formulated after examining the Unorganized Sector Workers’ Bill, 2004 prepared by the Ministry of labour and employment, government of India and the Draft of Unorganized Sector Workers’ social security Bill prepared by the National Advisory Council.

As the name suggest, the Bill attempts to provide Social Security for the unorganised workers. It provides a model by demarcating clear responsibilities of Central and State Governments. Who are covered under the scheme? According to the draft Bill it will cover all workers in the unorganised sector with a monthly income of Rs. 5,000 and below. This category includes self-employed workers (including marginal and small farmers), wage workers including agricultural labourers, and home based workers. It also includes informal workers under the organized sector. It is estimated that around 30 crores workers are eligible under this scheme.

The Bill indicates that there will be a national minimum social security for all eligible workers covering four things: (a) health insurance (b) maternity benefits (c) life insurance and (d) old age pension. Every unorganized sector worker is eligible for registration. The registered worker will get a unique social security card. The existing welfare programmers will continue as before.

THE UNORGANISED SECTOR WORKERS (CONDITIONS OF WORK AND LIVELIHOOD PROMOTION) BILL, 2005

The National Commission for Enterprises in the unorganized sector has recently drafted the Unorganised Sector Workers (Conditions of Work and Livelihood Promotion) Bill, 2005. This Bill has been formulated after examining the Unorganized Sector Workers’ Bill, 2004, prepared by the Ministry of Labour and Employment, Government of India. The aims of the Bill were to ensure the smooth and effective implementation of social security schemes for the unorganized sector workers.

The Unorganized Sector Workers (Conditions of Work and Livelihood Promotion) Bill, 2005 seeks to address the conditions of work for those employed in the unorganized sector with a view to providing a basic minimum standard the hours of work payment of minimum wages and adherence to Bonded Labour Abolition Act and Child Labour Prohibition and Regulation Act. As for self-employed workers, the draft Bill proposes various measures for protection and promotion of livelihood. These relate to the provision of credit, right to common property and natural resources, use of public space to engage in economic activities and encourage the promotion of association of self employed workers. The Bill also recognises some minimum entitlements of the workers such as the right to organise, non-discrimination in the payment of wages and conditions of work, safety at work place, and absence of sexual harassment. The second Bill on conditions of workers is equally important.

SOCIAL SECURITY

Social security is a basic need of all people regardless of employment in which they work and live. It is an important form of social protection. It should be begin with birth and should continue till death. In general social security refers to protection extended by the society and State to its members to enable them to overcome various contingencies of life. The main risks or insecurity to which human life is responsible and in relation to which and organised society can afford relief to the helpless individuals are the incidents occurring right form childhood up to old age and death, which includes mainly sickness, invalidity due to maternity, accident and occupational diseases, unemployment, old age, etc.

Though we have enacted good number of social security legislations to meet the mandate of our Constitution and provide a sort of protection to the people in case of various providential mishaps, the scope and coverage of these legislations is limited to hardly 9.4 per cent of the total workforce, who are in the so-called organised sector, as per 1991 Census. But remaining 90.6% of the persons working in unorganised sectors such as the small marginal farmers, the landless agricultural labours, the rural artisans, the handicrafts men and women, the fishermen and women, the salt workers, the hamals and the building and construction workers, etc. are deprived of protection under many social security legislations of the State. Thus majority of the workforce in the unorganised sectors are in an urgent need of a comprehensive social security protection which can be achieved by joint efforts of government and non-governmental organisations.

NEED OF THE SOCIAL SECURITY FOR THE UNORGANISED SECTOR

The social security needs of the unorganised sector are extensive and varied whereas the funds available for the programmes are necessarily limited. These persons are the uncovered wage earners who work for very small employers. Their needs and characteristics are identical to those of the covered workers in the organised sector. Majority of the working people in the rural areas, especially in agriculture sector are deprived of any of the protections of the existing social security legislation. The small and marginal farmers who are badly hit by drought, flood, crop failures, epidemic diseases and others, such as loss of livestock etc. need some social assistance in the form of earning related programmes in the field of agriculture, animal husbandry etc., and also supply of seeds, pesticides and irrigation facilities. The other basic social security need in the rural areas is health care as they are more prone to various diseases.

The element of income security and social protection food, water, healthcare, childcare, shelter and education need to be treated as basic entitlements of the workers and producers of the economy. They are entitled not only because they are citizens, but also because they are main contributors to the wealth of the nation. Today, even without these entitlements they contribute their labour, skill and entrepreneurship to the economy. When provided with these entitlements, their productivity as well as their purchasing power will grow. They will add to the country's gross national product, strengthen the economy and help fight economies crises. On the other hand if their economic contribution is not recognized and enhanced, if they continue to be treated as the recipients of safety net policies, they will continue to be poor beneficiaries, living constantly on welfare and subsidies. As structural adjustments proceeds, the entitlements of the organised sector are getting eroded, and the need for social security system is becoming more urgent and central to the success of structural adjustment programmes. Social security must contain at least healthcare (including maternity, injury) childcare, shelter and old age support that strengthen productivity and the economic security of the current workforce.

GOVERNMENT INITIATIVES FOR INFORMAL SECTOR WORKERS

India, being the welfare state has a prime responsibility to provide its citizens with various forms of social assistance and social security benefits. The Directive Principles of the State Policy as enshrined in the Constitution of India provide the strength to the state to enact social security legislations. The Constitution of India has not yet recognized Social Security as one of its fundamental rights. The essence of the Constitution of India drives that "the State should strive to promote the welfare of the people by securing and protecting, as effectively as it may, a social order in which justice social, economic and political shall inform all the institutions of national life".

Article 41 of the Constitution requires that the State should within the limits of its economic capacity make effective provision for securing the right to work, to education and to public assistance in case of unemployment, old age, sickness and disablement.

Article 42 requires that the State should make provision for securing just and humane conditions of work and for maternity relief.

Article 47 requires that the State should raise the level of nutrition and the standard of living of its people and improvement of public health as among its primary duties.

The obligations shed on the State in the above Articles constitute Social Security. In India, out of an estimated work force of about 423 million in informal sector in 2004-2005, only about 0.4 percent of the informal / unorganized sector workers receives social security benefits' like Provident Funds (NCEUS, 2007). Endeavors have been made in the history to address the diverse problems faced by the workers in the unorganized sector through lawmaking as well as programme leaning procedures.

Even though these measures have not succeeded in fulfilling the preferred objectives partially with regard to unawareness, illiteracy and lack of bargaining power to protect their rights by the way of organization of workforce at one stage and the lack of resources with the State on the other side. There are few government programmes in the form of social security, social assistance and public initiatives which have raised the prospect and likelihood of the workers in the informal sector considerably.

THE UNORGANIZED SECTOR WORKERS' SOCIAL SECURITY ACT, 2008

Most of the people in the country earn their livelihood by working in the informal sector out of the total work force, only the workers in the formal sector and 0.4 percent of informal sector workers are covered under existing provisions of social security as per NCEUS reports. In these circumstances, these workers do not enjoy the benefits of old age pension, provident funds, maternity benefits, accident claims, medical benefits and many other welfare and social security benefits related to the conditions of work and live. Accessing the gravity of the problem of the unorganized sector workers the government enacted the social security act in the year 2008. This act has provisions to redefine the workers including self-employed, home-based workers, casual, contract etc and also those who do not have fixed employer as unorganized sector workers. This act recommends the state government to identify the workers and give them unique identity number and devise a mechanism for their registration. This act provides with various social security benefits like health insurance, maternity benefit, pension schemes, disability cover and many more different benefits such as housing, child education, skill upgradation and other benefits for the informal sector workers. Under this act there is a provision to create social security boards for unorganized worker at both national and state level for creating a place for representation of these workers.

THE MAJOR OCCUPATIONAL GROUPS IN INFORMAL SECTOR

The informal economy covers a major proportion of the occupational groups e.g. barbers, cobblers, waste recyclers and vendors of vegetables, fruit, meat, fish, snack-foods and a myriad of non-perishable items ranging from locks and keys, soaps and detergents, to clothing. Head-loaders, cart pullers, bicycle peddlers, rickshaw pullers, camel, bullock and horse cart drivers, auto rickshaw drives, and small kiosks or stalls owners. There are workers in small workshops that repair bicycles and motorcycles; recycle scrap metal; make furniture and metal parts; tan leather and stitch shoes; weave, dye, and print cloth; polish diamonds and other gems; make and embroider garments; sort and sell cloth, paper, and metal waste; and so on. There are people who produce or sell goods from their homes, garment makers, embroiderers, incense stick rollers, cigarette rollers, paper bag makers, kite makers, hair band makers, food processors, and others.

The occupational groups of the informal economy include agricultural labor, small farmers, including employers' owned account workers and employees and the informal employment outside the informal enterprises including industrial and home workers, sub-contracted workers by the formal firms and the domestic workers engaged in household activities. Majority of workforce in India as well as at global fora are literate and illiterates, poor, skilled and unskilled workers, vendors and street hawkers, drivers and rickshaw pullers, children and women, youth and old, agricultural and non-agricultural laborers and so on. Thus, it requires a lot of interest and in-depth exposure to learn about those people who play important role in the national and international facets of development.

With regards to proper legal protection, any extra benefits; social security etc, these occupational groups operating in the informal sector are not enjoying any of them, but it still helps in providing livelihood to the millions of poor. Among those groups which are operating informally some are enlisted below:

1. Street Vendors
2. Domestic Workers
3. Home based Workers
4. Waste Pickers
5. Construction Workers
6. Small Farmers and Agricultural Workers.

Table – 1: Distribution of Informal and Formal Sector Workers by Sector and Sex between 2005-2006 and 2011-12 (in millions)

Sector	Sex	Informal Sector		Formal Sector		Total	
		2009-10	2011-12	2009-10	2011-12	2009-10	2011-12
Rural	Male	178.50	197.87	18.24	21.17	196.74	219.04
	Female	98.63	117.21	5.39	6.82	104.02	124.03
	Persons	277.13	315.08	23.63	27.99	300.75	343.07
Urban	Male	51.62	61.94	25.42	28.46	77.05	9.40
	Female	13.89	17.88	5.07	6.12	18.96	148.03
	Persons	342.64	394.9	54.12	62.52	396.76	457.46

Source: Computed from NSSO 55th (2011-2012) and 61st (2005-06) Round Survey on Employment Unemployment

The above Table gives us the distribution of informal and formal sector workers by sector and sex between 2009-2010 and 2011- 12. As mentioned above table the share of informal sector and formal sector workers has increased from 396.76 million in 2009-2010 to 457.46 million in 2011- 12.. According to these estimates, the increase of more than 60 million people is recorded in the total workforce in India. Out of the total 60 million increased workforce, the informal sector accounts for more than 52 million people which accounts for overwhelming proportion of over 86 percent among the increased total labour segments.

Table –2: Informal Employment in India (2006-2011)

Details	Year		
	2004	2004-06	2010-11
Informal workers as% of All workers	91.0	91.9	92.38
Percentage Distribution of Informal Workers by type of Employment			
Self-employment	59.6	56.2	56.1
Casual wage employment	33.5	36.1	33.3
Regular wage employment	6.9	7.7	10.6
Percentage Distribution of Informal Workers by Sector of Employment			
Agriculture	72.4	66.4	58.5
Industry	11.9	14.0	19.0
Service	15.7	19.6	22.5

Source: Ghose, 2011

Workers in the informal sector include the self employed, casual wage workers, regular wage workers and the informally employed in the formal sector. Of a total workforce of 457 million in 2004-05, 420 million or more than 92 percent works in the informal economy and out of this 6 percent works in the formal sector and 86 percent in the informal sector. As far as employment in the informal sector is concerned, a less than three-fifth (56.1percent) of them were working as self employed while 33.3 percent were working as casual wage labourers. Apart from this, a little more than one-tenth (10.6 percent) were employed on regular wages in year 2004-2005.

An overwhelming proportion of the poor and vulnerable section of population depends upon the various activities of the informal economy to earn their livelihood. Among these sectors the foremost is agriculture followed by service and industrial sectors in generating employment for the millions of poor. A little less than three-fifth (58.5 percent) workers in the informal sector earn their livelihood from the agriculture and allied activities while 22.5 percent of the informal sector workers are engaged in service sector. These people provide various services to people at their door steps and are not governed by the legal and regulatory frame work. The hiring of workers on daily basis and out sourcing of the work is a common among the industries. This practice has sharply increased the rate of retrenchment of formal workers and growth of informal labour supply in the industries. This trend is clearly visible from the above table as the percentage of the informal workers working in industries has increased significantly from 11.9 percent in 1983 to 19 percent in 2004-2005.

It is worthy to mention that the rapid urbanization and industrialization, significantly has decreased the percentage of people working in the agriculture and allied activity. A little less than three-fourth (72.4 percent) of the informal sector workers were earning their bread and butter from agriculture sector till 1983 but over the years, i.e. in 2004-2005, the proportion of agriculture sector as declined to 58.5 percent. In agriculture, these workers include farmers and agricultural labourers. Among the farmer households, 84 percent are marginal and small farmers who operate not more than 2 hectares of land. Agricultural labourers are at the bottom layer of the occupational structure, include a majority of workers from Scheduled Castes and Tribes, and they constitute around 89 million workers (NCEUS, 2007). From an occupational point of view this is also the poorest section in the Indian economy. According to the Report on Conditions of Work and Promotion of livelihoods in the Unorganized Sector by National Commission for Enterprises in the Unorganized Sector (NCEUS, 2007) agriculture as a whole contributes to around 19 percent of GDP while the marginal and small farmers contribute 50 percent of the agricultural output.

These informal workers include the self-employed in the informal sector (including those ranging from street vendors to those who operate micro enterprises with less than ten workers), casual workers and those regular workers in the formal sector who are without any employment or social security.

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