



A STUDY OF INFORMAL SECTOR AND INFORMAL EMPLOYMENT IN INDIA

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Introduction

The informal sector in India consists of workers in Micro Enterprises, unpaid family members, casual labourers, home based workers, migrant labours, out of school youth, domestic workers, street vendors etc. As per the 66th round of N.S.S. organization survey (2009-10) approximately 92.8 percent of total workforce in 2009-10 constituted of informal workers. The sector is heterogeneous covering all economic activities both in organized and unorganized sector covering both the rural and urban areas.

In India, the National Commission for Enterprises in the Unorganized Sector (NCEUS) 2009 has also made an important distinction between organized or formal and unorganized or informal employment. "Unorganized workers consist of those working in the unorganized 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."

Objectives of the Study

The main objective of this paper is to study the informal sector and informal sector employment, criteria and its characteristics.

Methodology

The study is mainly based on secondary data collected by National Sample Survey Organization (NSSO), National Accounts Statistics, National Commission on Labour (1966-69) etc.

Definition

The first Indian National Commission on Labour (1966-69) defined 'Unrecognized sector workforce' as "those workers who have not able to organize themselves in pursuit of their common interest due to certain constraints like casual nature of employment, ignorance and illiteracy, small and scattered size of establishments".

Criteria for the identification of unrecognized sector

The National Sample Survey Organisation (NSSO) which has been conducting surveys of unorganized enterprises at periodical intervals generally organized the following criteria for the identification of unorganized sector.

- (i) In the case of manufacturing industries, the enterprises not covered under the Annual survey of industries (ASI) are treated as unorganised sector.
- (ii) In the case of service industries -except those run by the Government (central, State and local body) and corporate sector were regarded as unorganised sector.

The Directorate General of Employment and Training (DGET) "all establishments employing ten or more workers included in organized sector."

Segments of Informal Economy

- ◆ Wage work for informal enterprises
- ◆ Domestic work without a regular contract
- ◆ Casual labour without a fixed employer
- ◆ Unregistered or undeclared work for formal or informal firms
- ◆ Temporary and part time work for formal firms

Informal Employment

Employers are considered in informal employment when, Their employment relationship in law or practice is not subject to

- ◆ National Labour Legislation.
- ◆ Income taxation.
- ◆ Social protection.
- ◆ Entitlement to certain employment benefits, e.g. Paid annual leave, sick leave etc.

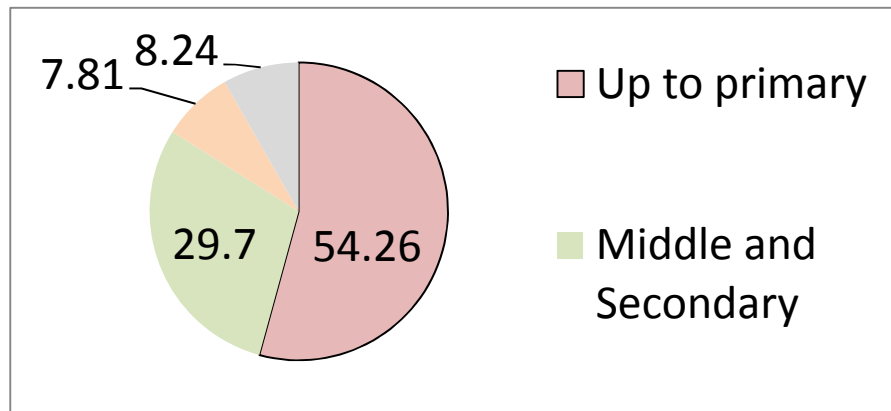


Comparison of Formal and Informal employment in organized and unorganized sectors

Sectors/Years	Employment		Total
	Formal	Informal	
2009-10			Total
Unorganized	2.3	385.1	387.3
Organized	30.7	42.1	72.9
Total	33.0	427.2	460.2
2004-05			Total
Unorganized	1.4	393.5	394.9
Organized	33.4	29.1	62.6
Total	34.8	422.6	457.5
1999-2000			Total
Unorganized	1.4	341.3	342.6
Organized	33.7	20.5	54.1
Total	35.1	361.8	396.7

Source : 12th Plan document Volume III, Planning Commission

Educational Level of Labours working in informal Sector



(54.26% – Up to primary, 29.7% – Middle and Secondary, 7.81% – Higher Secondary and Diploma, 8.24% – Graduate and above)

Source: 12th Plan document, Planning Commission

In India the level of education is low and there is lack of vocational skills in the workers entering the labour force. It is clearly evident from the following pie diagram.

In this pie diagram more than 50% of work force having up to primary level of education.

Findings

- (1) In India more than 80% of workers constitute the informal sector industries and it is in growing stage.
- (2) In the case of informal labourers the level of education is low and there is lack of vocational skills in the workers entering the labour force.

Suggestions

Just like the people working in urban and organized sectors, the people working in unorganized sectors should also be provided with equal rights and suitable working conditions.



Expanding the outreach of skill development activities throughout the country, particularly in the backward areas by setting Skill Development Centers (SDC's) as the sector is heterogeneous and spread across the country.

Provide training facility to the unskilled informal workers like STAR (Standards Training Assessment and Reward), ESDP (Entrepreneurial Skill Development Programme) with the objective of upgrading the existing skill and to create new skill. Adopt various schemes MGNREA, NRLM, PMGEP programmes and thereby providing wage/self employment opportunities.

Conclusion

Informal sector accounts for a sizable number of workers in India across different industry groups and states. As the unorganized sector suffers from cycles of excessive seasonality of employment, majority of the unorganized workers does not have stable durable avenues of employment. Even those who appear to be visibly employed are not gainfully and substantially employed, indicating the existence of disguised unemployment. It is widely acknowledged that the informal sector in India suffers from a low productivity syndrome, compared to the formal sector. Any attempt to regulate and bring it into more effective legal and institutional framework is perceived to be impairing the labour absorbing capacity of the sector. To conclude it is also contemplating a comprehensive social security scheme encompassing, life, health, maternity and retirement benefits to all the unrecognized workers.

References

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