

# STATUS OF UNORGANISED LABOUR IN INDIAN ECONOMY

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## ABSTRACT

The Unorganised sector is known with various names as Informal Sector, unregulated sector etc. We can say that the Informal sector is beyond any regulations or legal legislations passed by the government. People working in this sector are called as unorganised labour. The contribution of unorganised labour to Indian Economy is more than compared to organised sector. In India the total number of unorganised labour are about 43.7 crores. Even the numbers are showing a steep increase year by year.

India's Socio-economic condition is over whelming informal covering various aspects of life. This sector also encompasses the treasure of traditional indigenous knowledge. In India the unorganised economic activities are highly diversified.

Informal labour has been viewed as labour engaged in urban small scale enterprises, as self employment, as labour engaged in "traditional activities", as wholly unskilled labour, and as labour whose use is not defined by any rules or norms. However, none of this has any sound conceptual or empirical foundation. Informality does not mean a particular mode or location of labour use; informal labour can be in self-employment, in casual wage employment, in regular wage employment, just as it can be either in urban or in rural areas. There is little reason to think that informal labour must be confined only to 'traditional' and 'modern' activities.

The contribution of unorganised labour more than 90% of the workforce and about 50% of the national product are considered in the informal economy. A large number of socially and economically under privileged section of the society are concentrated in the informal activities. We need a keen attention and recognition towards the contribution of the informal workers in this fast and inclusive growth economy.

**KEY WORDS :** Status, unorganised labour , Indian economy

## INTRODUCTION

The terms „unorganized“ and „informal“ sectors are often used interchangeable. The informal sector broadly characterized as consisting of units engaged in the production of goods or services with the primary objective of generating employment and income to the persons concerned (15 ICLS, ILO, 1993). Unorganised Labour defined as the first National Commission on Labour (1966-69) as those who have not been able to organise themselves in pursuit of common objectives of constraints like nature of employment, ignorance and illiteracy, small and scattered size of establishments and nature of industry etc. These units typically operate at a low level of organization, with no division between labour and capital as factors of production and on a small scale. Labour relations - where they exist - are based mostly on casual employment, or personal and social relations rather than contractual agreements with formal guarantees.

There are different terminologies that are used interchangeably to signify the unorganized sector like informal sector, informal economy, and even informal labour which often highlights the most affected part of the sector, namely, the labour. Informal labour is the labour which is not governed either by state regulations or by collective agreements between workers and employers.

Unorganised or informal sector constitutes a vital part of the Indian economy. More than 90 percent of workforce and about 50 percent of the national product are accounted for by the informal economy. A high proportion of socially and economically under privileged sections of society are concentrated in the informal economic activities. The high level of growth of the Indian economy during the past two decades is accompanied by increasing informally. There are indications of growing interlinked between informal and formal economic activities. There has been new dynamism of the informal economy in terms of output, employment and income. We need a keen attention towards the informal economy in this faster and inclusive growth scenario. Sustaining high levels of growth are also intervened with improving domestic demand of those engaged in informal economy, and addressing the needs of the sector in terms of credit, skills, technology, marketing and infrastructure.

The existing definitions of informal sector emerge from the conceptual framework evolved by the International Conference of Labour Statisticians (ICLS) under the aegis of International Labour Office. The conceptual issues are deliberated and synthesized in two important forums who deal the issues of informal sector in considerable depth. The National Commission for Enterprises in the Unorganized Sector (NCEUS) was set up by the Government of India in 2004, to "review the status of unorganized/informal sector in India including the nature of enterprises, their size, scope and magnitude of employment". The Expert Group of Informal Sector Statistics, generally known as the "Delhi Group", which was set up in 1997 as one of the city groups of the United Nations Statistical Commission to inform various methodological issues involved in the treatment of the informal sector.

## HISTORY

In the mid 1950s, W.Arthur Lewis developed a theoretical model of economic development based on the assumption that there was an unlimited supply of labour in most developing countries and this vast pool of surplus labour would be absorbed as the modern industrial sector in these developing countries. Therefore it was assumed that the traditional sector comprised of petty traders, small producers and a range of casual jobs would eventually be absorbed into the formal economy and disappear. The above argument became less convincing since the 1970s when case studies on informal sector in various parts of the world began to reveal the highly active existence of men, women and children crowding at the bottom of the urban economy in Third World countries. So many studies have revealed the vast number of workers, in the Third World, striving hard to survive on the fruits of their labours outside the formal sector of the economy. The division of formal – informal can be regarded as a new variation on the dualism theories of the past. A contrast was constructed between an invasive western capitalist sector and an opposing eastern non-capitalist people's economy in the colonial era. The concept of dualism in post-colonial development theory was applied to the division of traditional and modern. According to this the rural agricultural order was still predominantly pre-capitalist while the urban-based industrial economy was described as capitalist. In the most recent phase of the dualism doctrine capitalism is the label of only the advanced segment of the urban milieu: the formal sector. The modes of production in the lower economic terrain, rather questionably labeled as non-capitalist, are characterized as the informal sector.

## CONCEPT

Persons employed in unorganized sector are called unorganized workers. It comprises the total number of informal jobs, whether carried out in formal sector enterprises, informal sector enterprises or household during a given reference period. As per recommendations of NCEUS, unorganized workers consists of those working in the unorganized sector or households, excluding regular workers with social security benefits provided by the employers and International Journal the workers in the formal sector without any employment and social security benefits provided by the employers. The Unorganized Workers' Social Security Act, 2008 has defined unorganized workers as a home based worker, self-employed worker or a wage worker in the organized sector who is not covered by any employment and social security benefits provided by the employer. The following can be broadly treated as having informal employment.

1. Self employed workers in their own informal sector enterprises.
2. Employers employed in their self informal sector enterprises.
3. Contribution of family workers, irrespective of whether they work in formal or informal sector enterprises.
4. Members of informal producers and cooperatives.
5. Informal sector enterprises employees holding informal job or as paid domestic workers employed by household.
6. Self employed workers engaged in the production of goods exclusively for own final use by their households.

## ECONOMIC CONTRIBUTION OF UNORGANISED SECTOR

The unorganized sector contributes substantially to the Indian economy. It caters to the wide range of economic requirements of the society. We can discuss the economic contribution of unorganized sector in terms of employment in unorganized sector, its contribution to GDP and Gross Value Added and supplying various goods and services for the society. Unorganized sector is the main sector in India on account of its contribution to total employment. The organized sector has recently lagged behind and on the other hand the unorganized sector has shown improvement in productivity, real wages and employment generation. The Task Force of NCEUS (2007) estimated the unorganized or informal sector workers are comprising about 86 percent of the work force in the Indian economy in 2004-05 and unorganized employment both in the organized and unorganized sector as 92 percent. NCEUS while addressing the status of employment in informal sector noted that employment in India can be meaningfully grouped into four categories. They are (a) formal employment in the formal or organized sector (b) informal employment in formal sector, (c) formal employment in the informal sector and (d) informal employment in the informal sector. Unorganized employment has dominated the employment scenarios of the Indian economy. Unorganized employment is increasing in organized sector also. Unorganized employment in total employment of organized sector was 42 percent which increased to 48 percent in 2004-05 and 54.6 percent in 2011-12. Total unorganised employment is gradually increasing. Total unorganized employment in organized and unorganized sector was 362.8 million in 2000-01 which increased to 420.7 million in 2004-05. It has further increased to 435.7 million by 2011-12. It is significant that informal unorganized sector employment declined by 5.8 million to 390.9 million leading to an increase in informal organized sector employment by 15.2 million during 2004-05 and 2011-12. Consequently the share of unorganized labour declined from 87 percent to 82.7 percent during 2004-05 to 2011-12. (Table 1)

**Table 1:** Share of Formal-Informal Employment across Organized – Unorganized Sector in 2011-12 and 2004-05 (Percent)

	UNORGANISED		ORGANISED		TOTAL	
	2011-2012	2004-2005	2011-2012	2004-2005	2011-2012	2004-2005
FORMAL	0.4	0.3	45.4	52.0	8.1	7.3
INFORMAL	99.6	99.7	54.6	48.0	91.9	92.7
TOTAL	82.7	87.0	17.3	13.0	100.0	100.0

## THE INDIAN SCENARIO

The economy of India is known for the presence of informal or unorganised labour employment to a greater extent. About 85 per cent of the working people (400 million) in India are working in the unorganised sectors, of which, 120 million are females. The Ministry of Labour and Employment, Government of India has classified the unorganised labour force into four groups based on their occupation, nature of job, specially distressed categories and service categories:

### *In terms of occupation:*

It includes small and marginal farmers, sharecroppers, fishermen, fisherwomen, beedi rollers, landless agricultural workers, animal husbandry workers, labelling and packing workers, leather workers, weavers, workers in brick-kilns and stone quarries, building and construction workers, artisans, salt workers, workers in saw mills and oil mills, etc.

### *In terms of nature of job:*

It includes attached agricultural labourers, migrant workers, bonded labourers, contract and casual labourers.

### *In terms of specially distressed categories:*

It includes toddy tappers, scavengers, head load carriers, drivers of animal-driven vehicles, loaders and un-loaders.

### *In terms of service categories:.*

It includes midwives, domestic workers, fishermen, barbers, newspaper vendors, vegetable and fruit vendors, etc.

Along with these four categories, there is also a large population of unorganised labour workforce like cobblers, auto drivers, sericulture workers, handicraft artisans, hamals, power loom workers, handloom weavers, physically handicapped self-employed persons, lady tailors, rickshaw pullers, carpenters, tannery workers and urban poor. Major proportions of the unorganised workers are employed in agricultural sector, construction industry, textile industry and home-based jobs. Approximately 52 per cent of the unorganised workers are in agricultural sector as per the Economic Survey 2007-08. National Sample Survey Organisation (NSSO) reveals that around 30 million workers in India keep migrating constantly and women workforce has increased by 25.94 million since the year 2000. The social security policy covers only 8 per cent of the total workforce. Around 13,000 Indians turn 60 years everyday while only 10 per cent save for old age. The recent report on casual workers in India from 2004 to 2005 and 2009 to 2010 compared to that of the period from 1999 to 2000 and 2004 to 2005 uploaded by NSSO at the end of May 2011 vividly depicts that the number of casual workers show steady rise while there is a decrease in the number of regular workers. A substantial shift is exhibited by this report in the structure of labour force between 1999 to 2000 and 2009 to 2010. The significant transformation in the labour market of India is proved by several NSSO reports. The transformation includes growth in unorganised sectors, employment issues in terms of job security and working conditions, dilution of worker organisation, decline in social security, etc. Most of these factors can be associated with the globalisation process and the employers' aspiration to minimise the cost of production. The outcomes are closely associated and supplement each other. The analysis further reveals that the transformation is mainly initiated by the in-formalisation of labour market and highlights the need to understand the growth of unorganised sector and its consequences in India. Many of them assumed that India's growth would accelerate without any issues while the current situation has revealed that growth is slow, inflation is structural and there are insufficient employment opportunities for growing workforce.

## IMPORTANCE OF UNORGANISED SECTOR IN INDIAN ECONOMY

The unorganised sector plays an essential role by providing job opportunities to a large proportion of workforce and contributing to national product significantly. Its contribution to the net domestic product at present rates is above 60 per cent. The share of household sector in the savings with respect to total gross domestic saving, in particular unorganised sector, is about three fourth. Currently, Indian economy is passing through a process of economic reforms and liberalisation during which, to compete in the world market, merger of various industries and technology upgradation and innovation take place to improvise the output in terms of cost and quality. The less efficient units either move out of business or merge with the better performers.

## PROBLEMS OF UNORGANISED LABOUR

- Lack of Job Security
- Minimum wages are a distant dream
- Working hours are too long.
- High rate of poverty and indebtedness
- Occupational hazards and health issues.



- Lack of Social Security measures
- No proper Physical Environment at work place.
- Job insecurity because of Illness.
- Lack of income during accidents.
- No old age security.
- Migration type of employment.
- No bargaining power.
- No employee – employee relations.
- Due to Natural Disaster job insecurity arises.
- Labour Groups are Vulnerable.

### MEASURES RECOMMENDED FOR UNORGANISED LABOUR

In unorganised sector Non Agricultural sector requires big push as like of agricultural sector to enhance production and productivity of food grain and non food grain crops. The effort has helped to diversify the farming activity. National research institutions established for adoptive and fundamental researches for specific crops have performed well in modernising the agricultural sector. The continuous efforts resulted in increase of food grain production from 55 million tonnes in 1950-51 to 264.0 million tonnes in 2013-14. The Wages of agricultural labour has also increased substantially and booming. But non-agricultural unorganised sector is waiting for such type of big push. The following measures shall be helpful to strengthen the non- farm unorganized sector of the nation.

- In Sept. 2014 'Make in India' programme launched as part of wider set of nation building is aimed to facilitate investment, enhance skill development, foster innovation, protect intellectual property and build best-in-class manufacturing infrastructure. It is designed to transform India into a global manufacturing hub and it also closely associated with skill development programme. Presently thirty one industry/employers led sector skill councils are now operational and these have been aligned with the twenty five industry sectors of 'Make in India'. Make in India campaign, like the slogan Jai Jawan Jai Kisan can change the attitude of the persons engaged in unorganized manufacturing activities.
- The most important requirement for strengthening the unorganized sector is Skill development. Several programmes and policies have been framed for developing skill and also using skills. A dedicated department of skill development and entrepreneurship has been created under the Ministry of Skill Development, Entrepreneurship, Youth Affairs and Sports to accord focused attention in the area. The Deen Dayal Upadhyaya Grameen Koushalya Yojana is a placement linked skill development scheme for poor rural youth. Other New programmes that aim at skill development are Nai Manzil for education and skill development of dropouts, Upgrading Skills and Training in Traditional Arts/Crafts for Development (USTTAD) for traditional artisans and craftsmen belonging to minority communities; Nai Roshani, a leader training programme for women and MANAS for upgrading entrepreneurial skills of minority youths. These programmes shall be helpful to bridge the gap of skill requirement. Now broader aim is to skill one in every four Indians by 2020.
- Cluster approach shall be helpful for the development of unorganized manufacturing enterprises. These enterprises make the same, similar or complimentary product. Cluster approach has many advantages. It helps developing collective efficiency, Market demand production and technology upgradation. In the identified areas or regions clusters of village or town level enterprises can be developed. Ownership and management of these village and town clusters can be in private hands or self-help groups
- Advised the Government have to establish some advance centres for different types of non-agricultural unorganised activities. A large domestic market is essential for unorganised sector products to grow and attain economies of scale. In this endeavour export promotion from unorganised sector should be in policy framework. Needs of the informal sector related to skills, technology, marketing and infrastructure are to be addressed at priority to strengthen the sector.

### SOCIAL SECURITY MEASURES

When India's constitution was drafted, the social security measures were especially included in List III to Schedule VII of the constitution and it was also made as the existing responsibility of the government. Even directive principles of state policy relating to aspects of social security were incorporated in the Indian constitution. The assess in the form of Acts such as the Workmen's Compensation Act (1923), the Industrial Disputes Act (1947), the Employees State Insurance Act (1948), the Minimum Wages Act (1948), the Coal Mines Provident Funds and Miscellaneous Provisions Act (1948), The Employees Provident Fund and Miscellaneous Provisions Act (1952), the Maternity Benefit Act (1961), the Seamen's Provident Fund Act (1966), the Contract Labour Act (1970),

- It reveals that The Payment of Gratuity Act (1972), the Building and Construction Workers Act (1996) etc. Attention given to the organized workers to attain social security and welfare benefits. The contribution of these acts is very negligible to the unorganized workers.
- Fact is that nothing much has been done in providing social security coverage to the rural poor and the unorganized labour force. The central and state governments have framed certain schemes to uplift unorganized workers. This is failed to meet with the needs of the unorganized sector.

- It's clear that National Rural Employment Guarantee Act -2005 (NREGA), also failed in implementation. It doesn't have common wages in different states and limited itself for 100 days work for those registered workers under the Act. What about the rest of the days in a year? The work guarantee applies in rural areas only under this act.
- The Act, actually, suffers from a serious lack of legislative policy and intent. Social security Act is an eye watch which has neither the capacity to address nor the inbuilt provision to provide solutions to the needs of the unorganized sector. Even the provisions and procedure of the Minimum Wages Act (1948) is so vague and futile that different states of India have fixed abysmally meagre wages and that too with so much of variations from state to state.
- In fact 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 corporates and so called investors at the expense and sacrifice of the working class.

## CONCLUSION

It is estimated that the unorganised sector workers constitute 88% of the total labour 47.29 crore, as per the 66<sup>th</sup> round of NSSO survey of 2011-12. Working and living conditions are inseparable for most informal sector workers. Poor infrastructure and lack of basic services results in poor working conditions, improvements in working conditions can be achieved through better infrastructure and better basic services to the informal workers. Organisation among informal workers will help to address problems concerning their working conditions since they are able to take self help initiative. and link between the workers and the institutional structure that provides services with regard to improvement of the chances for the application of labour legislations in the informal sector. Steps should be taken to improve understanding of the temporarily nature of employment relations as well as to make necessary revisions of labour legislations in the line with conditions of the informal sector. In this scenario, the interests of the workers have to be taken care in particular, by providing them training, skill upgradation and various measures that will enable them to find new, jobs productivity improvement in the current field of work, quality and cost-wise enhancement of their products to be competitive in the market which would improve their income thus their socio-economic status. It is well known fact that the formal sectors are not able to provide sufficient employment opportunities to fit in the countries workforce and the informal sector provides the opportunity for their existence. As per the current economic situation, the unorganised sector will further enlarge in the following years. Thus it should be fortified and activated by which it can act as an employment provider and social developer.

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