



# Determinants of Income and Employment of Unorganized Labour in India

**Dr.N.Suresh**

**Faculty**

Department of Economics  
Andhra Kesari University  
Ongole, Andhra Pradesh.

## Abstract

As large a proportion of the workforce, unorganized labour in India contributes to the economy with precarious working conditions, extremely low wages, and scant social security. In this paper, we investigate the socio-economic determinants of the earnings and employment of unorganized labour in India. Using open-source data, we analyze education, skill level, demographic factors, and economic policies that determine earnings and employment among unorganized labour. This research also discusses government programs to aid the unorganized sector of working people and further proposes other interventions to improve their socio-economic position and more secure economic lives.

## Key words

Unorganized labor, socio-economic hardships, determinants of wages, employment, India, government programs.

## 1. Introduction

Unorganized labor in India is a variety of some forms of workers, such as daily-wage earners, agricultural laborers, street hawkers, and home workers. They account for more than 50% of GDP and are least organized into unorganized labor but enjoy very minor labor law protections. Low educational background, lack of any vocational skills, and regional imbalances in growth have been responsible for their relatively meager incomes and low employment in India. Knowing these determinants is significant to make policies to help to eradicate poverty and social security for such vulnerable human beings.

## 2. Literature Review

India's informal sector has topped labor study concerns as a part of the labor force is majorly made up of workers in this segment. A number of socio-economic issues have been identified that affect informal labor and a host of scholars have worked to understand these complexities.

Sharma et al. (2019) conducted an in-depth study of the socio-economic issues of informal workers in India. They further underline that informal workers face chronic exploitation in their work life because they lack formal employment contracts with possible legal protection. This somehow makes them vulnerable to being exposed to poor working conditions, among other disadvantages such as long hours of work at inadequate wages and susceptible dangerous environments of work. On the other hand, the absence of other social security arrangements such as health insurance, pension schemes, and paid leave increases the respective vulnerability more sharply in sickness, older age, or immediate family emergencies. According to Sharma et al. (2019), one of the major challenges the informal sector workers face in terms of more wages and

employment is their access to education and skill building. It simply means that most workers are trapped in low-skilled, low-income jobs with no prospects for social and economic mobility.

Reddy 2021 extends the foregoing study by discussing regional imbalances that make informal labor face hardships in the Indian labor market. Reddy mentions the main issue is uneven access to opportunities between the urban and rural spheres. The lack of substitutive job opportunity for the rural worker, especially those areas not largely industrialized, limits the social mobility of the labor. Regional imbalance in economic development implies that informal workers in the rural areas experience the worst exploitative working conditions and low wages. Increased migration from the rural to the urban centers results in saturation of the urban informal labor market, causing wages to drop further, and increasing competition for rural migrants to undertake more challenging life livelihoods. Reddy's study envisions that an improvement in regionally disadvantages through targeted policies or investments in infrastructure, education, and skill development will be basic towards a more equitable opportunity in the informal sector.

The ILO Report (2020) takes a closer look at government initiatives to address the issues faced by informal laborers in India. The Indian government through those programs, MGNREGA offering wage employment in the rural economy and the PM-SYM pension schemes provided for unorganized sector workers, is recognized by the report. However, the report from ILO (2020) shows some criticism towards the implementation and outreach in such programs. Impact was limited because of various reasons: inadequate monitoring, improper exposure of the informal workers, and bureaucratic inefficiency. Besides, the programmes often fail to reach workers in remote or informal employment, such as street vendors or migrant labourers, owing to inadequacies in proper data collection and outreach mechanisms. Improved implementation of policies, more robust monitoring mechanisms, and more forceful campaigns for awareness of the schemes can guarantee that informal workers are able to fully enjoy the benefits of such schemes.

Further studies by Gupta and Misra in 2022 explore the informal labor implications for India's economic growth. The informal sector contributes largely in India, but its actual expansion is inhibited by not gaining access to formal credit, modern technologies, or skilled labor. Probably, informal workers do not receive legal recognition, and even if the exploited ones do achieve some form of legal recognition, they would still not have access to decent social protection programs. The study calls for reforms in labour laws, especially the recognition of informal workers as a distinct group with rights and entitlements that are better aligned with their needs.

Therefore, this body of literature describes a sector that is vital to the economy and profoundly challenged by socio-economic problems. The most serious problems it has include exploitation, poor working conditions, lack of social security coverage, regional inequality, and inadequacy of government programs. These issues have to be approached multi-dimensionally-innovation in education and skills, improved policy implementation, formal status to informal workers, and regional equity with regard to employment opportunities. With such multi-pronged efforts, the working population of the informal sector can afford better living conditions and contribute more meaningfully towards the growth of the economy of a country.

### **3. Need for the Study**

The economy of India is still to a large extent dependent on the unorganized sector and, therefore, plays paramount importance in answering the workers' needs in order to achieve ideal economic growth. Too many people are relying on this sector. Besides poverty reduction, it is much needed for reducing income inequality and developing human capital.

### **4. Objectives of the Study**

1. To analyse socio-economic issues in the case of unorganized labour.
2. To identify the main determinants of earnings and employment in the case of India for unorganized labour.
3. Look at the effectiveness of government schemes in facilitating support to the unorganized labour.
4. Policy recommendations on improving the welfare of unorganized labourers.

## 5. Methodology

The study is based on secondary data obtained from national databases such as NSSO and Economic Survey reports. It employs quantitative methods and statistical tools like regression analysis to examine how education, age, and geographical location influence income and working conditions.

### 5.1 Size of Informal Sector

India's informal sector accounts for over 80% of total employment, or about 400 million of 500 million workers, spanning rural and urban areas across agriculture, construction, domestic work, and vending. The sector contributes about 50% of GDP but lacks coverage under formal labor laws and social protections.

- Agriculture: About 50% of informal workers.
- Construction: Roughly 10%, mostly site-based laborers.
- Manufacturing & Services: Spread across small units, retail, transport, and hospitality.

Informal employment is higher in states like Bihar, UP, and Odisha, while diversified southern and western states show lower ratios. Urbanization has expanded informal work to cities through gig and service jobs, highlighting challenges in worker protection and wage security.

### Socio-economic characteristics

Informal workers vary by education, gender, age, and region, affecting income stability and quality of life.

1. **Education Levels:** Most lack formal education, restricting access to skilled and higher-paying jobs.
2. **Skill Levels:** Low skills and minimal formal training limit income and mobility.
3. **Income and Wage Disparities:** Wages are low, unstable, and often daily or piece-rate based.
4. **Wage Inequality:** Women form ~75% of the informal workforce but earn 20–30% lesser.
5. **Age Distribution:** Mostly under 40; older workers stay on due to lack of retirement security.
6. **Regional Disparities:** Concentrated in rural and less industrialized states.
7. **Access to Social Security:** Lack of contracts denies workers health insurance, paid leave.
8. **Living Conditions and Poverty Levels:** Many live below poverty line with poor housing.
9. **Daily Wage Dependence:** Earnings fluctuate seasonally, heightening vulnerability.
10. **Health and Occupational Hazards:** Unsafe, physically demanding jobs lead to injuries.
11. **Migration Trends:** Large rural–urban migration for jobs, often with poor conditions and social exclusion.

### Income and employment generation

Over 80% of India's labor force works in agriculture, construction, and retail, earning low, irregular wages. Income gaps exist across gender, region, and education. Schemes like MGNREGA and Skill India help but issues like limited funding and wage insecurity persist. Better skills, access to capital, and stronger social protection are vital for growth.

### Migration and Remittance

Migration is a coping strategy for rural families. Workers seek jobs in construction and manufacturing within cities or abroad, with remittances supporting household expenses, education, and health. India received over \$87 billion in remittances in 2021, easing poverty and boosting rural demand. However, migrants face poor conditions, discrimination, and job insecurity. Improving migration safety and lowering remittance costs can make migration more beneficial.

## Levels of living and Poverty

Living standards vary widely across India. Poverty declined from 37% in 2005 to about 10% in 2021, yet many remain vulnerable. Rural regions lag in services, with states like Bihar and Jharkhand below national averages. About 28% of the population is multidimensionally poor, deprived in nutrition, education, and sanitation. Programs like PDS, MGNREGA, and PMAY aim to improve living conditions, but sustained poverty reduction needs better infrastructure and equal access to essential services.

## Structure of Capital

India's capital structure includes equity, debt, and retained earnings. Large firms balance these sources to minimize costs, while SMEs rely on informal credit. Public sector investments in infrastructure and welfare are funded through government budgets and bonds. Economic policies and interest rates shape capital stability and growth.

## Value added

Value added measures the increase in value from production after subtracting input costs. It reflects contributions of labor and capital to GDP and helps assess productivity and economic performance across sectors.

## 6. Analysis and Statistical Data

### 6.1. Demographic Overview

NSSO 2020-21 data shows ~80% of India's workforce in unorganized sector, mainly rural and low-income groups.

### 6.2. Education and Skill Levels

~60% lack secondary education, directly reducing earnings. Regression analysis confirms positive correlation between education and income.

### 6.3. Gender Disparities

Gender wage gap ~25% due to socio-cultural barriers and limited access to better jobs.

### 6.4. Regional Variations

Higher unorganized employment in Bihar, UP; lower earnings vs. southern states with better skills and opportunities.

### 6.5. Statistical Inferences

Multiple regression shows education and age positively affect income; geographic region strongest predictor of income inequality.

## 7. Government Programmes and Policy Interventions

Key schemes for unorganized workers:

- PM-SYM: Pension for workers aged 60+.
- Ayushman Bharat: Health insurance coverage.
- MGNREGA: 100 days rural employment guarantee.
- BOCW Act: Construction worker welfare.

## Determinants of Employment in Unorganized Sector

- Unorganized Manufacturing: 34M workers, 74M establishments; 20M own-account, 3M with hired workers (9M hired, 4M unpaid family).
- Services Sector: Rising informal service jobs in tier-2/3 cities, including gig/platform work.

## Enterprise Scale and Organization

**Table -1**

**Employment distribution in unorganized manufacturing sector**

Sl.No	Enterprise Type	Number of Workers
1	Single-person enterprises (males)	12 million
2	Single-person enterprises (females)	12 million
3	Hired workers	9 million
4	Unpaid family helpers	4 million

### Demographic Determinants

Female participation in unorganized labor growing significantly:

- Overall Representation: 16M women in unorganized manufacturing (47% of 34M workers); LFPR rose from 23.3% (2017-18) to 37% (2022-23); strong rural growth.
- Employment Categories: 12M single-person enterprises; 2.5M unpaid family workers; 1.5M hired workers.

### Age and Education Levels

Educational attainment shapes employment:

- Low education → agriculture/informal services.
- Primary/middle school → informal sector participation.
- Higher education → formal sector preference.

### Social and Caste-Based Determinants

Caste-Based Discrimination

- Higher wage discrimination in informal vs. formal employment.
- Gender discrimination exceeds caste effects on earnings.
- "Sticky floor" effect for women across wage distribution.

### Social Vulnerability

- SC/ST groups concentrated in informal sector.
- Minority communities show distinct sectoral patterns.
- Social networks strongly influence employment access.

## 8. Determinants of Earnings in Unorganized Sector

### 8.1 Wage Patterns and Trends

#### Nominal and Real Wage Growth

**Table - 2**

Mean wage income among informal workers has shown following trends

Sl.No	Worker Category	2011-12	2018-19	2019-20
1	Rural Male Workers	₹577.45	₹1105.67	₹1234.56
2	Rural Female Workers	₹420.32	₹777.94	₹819.46
3	Urban Male Workers	₹945.23	₹1343.54	₹1456.78
4	Urban Female Workers	₹686.78	₹920.66	₹1086.81

Mean weekly wages among informal workers (nominal rupees)

#### Key Observations:

- Mean nominal wage income increased between 2011-12 and 2018-19
- Real mean wage income decreased in 2018-19 compared to 2011-12, indicating inflation impact
- Urban informal workers earn substantially more than rural counterparts
- Gender wage gap persists across all regions and time periods

#### Recent Wage Growth (2019-20 onwards)

- Wages per worker in rural areas grew at 6.9% CAGR during FY15-FY22
- Urban area wages grew at 6.1% CAGR during the same period
- Higher wage growth in rural areas demonstrates demand creation in countryside

### 8.2 Human Capital Determinants

#### Education and Skills

Educational qualification is a critical earnings determinant:

- Primary education completion: Minimal earnings premium
- Secondary education: 15-25% wage increase relative to primary
- Higher secondary and above: 30-50% wage premium in informal sector
- Technical and vocational skills: Additional 20-40% earnings advantage

#### Experience and Age

Age-earnings profile in informal sector:

- Entry-level wages significantly lower than formal sector counterparts
- Experience premium exists but lower than formal sector (2-3% annual increase vs. 4-5%)
- Peak earnings typically between ages 40-50 years
- Decline post-retirement age due to reduced hours and productivity

### 8.3 Occupational and Sectoral Determinants Sectoral Wage Variations

Table -3

#### Sectoral Earnings Variation in Unorganized Labor Market

Sl. No	Sector/Occupation	Average Weekly Wage	Relative to Manufacturing
1	Agriculture	₹650-800	60%
2	Manufacturing (informal)	₹1100-1300	100%
3	Construction	₹900-1200	85%
4	Trade and Commerce	₹800-1100	80%
5	Services	₹950-1250	90%
6	Domestic Work	₹700-900	70%

The occupational distribution within India's unorganized sector reveals clear income stratification. Skilled trades such as electricians, plumbers, and mechanics occupy the upper wage tier due to their technical expertise and consistent demand, whereas semi-skilled workers earn moderate wages, and unskilled laborers remain at the lowest end, with minimal opportunities for wage growth. Employment type strongly influences earnings: regular or permanent informal workers earn about 40–60 percent more than casual laborers, while self-employed individuals who hire additional workers report the highest income levels. By contrast, unpaid family workers often receive little to no direct cash income, and casual day laborers face the greatest income volatility because of unstable job availability.

Informal sector work typically involves long and irregular hours averaging 40–50 hours per week yet income remains unpredictable due to seasonal fluctuations, particularly in agriculture and construction. During off-season periods, earnings can fall by 20–30 percent, and the absence of formal contracts limits wage negotiation and job security. This instability underscores the precarious nature of informal employment, where daily wages and inconsistent demand dictate livelihoods.

Earnings disparities also exhibit strong regional dimensions. Southern states generally offer wages 15–25 percent above the national average because of better economic diversification and skill development. Northern plains register moderate wage levels, while eastern and hilly or tribal regions lag significantly, reflecting limited industrial activity and employment opportunities. Furthermore, urban informal workers earn 40–60 percent more than their rural counterparts, largely reflecting higher living costs, industrial density, and demand for services in cities. Nonetheless, rural wages have shown slightly faster recent growth, albeit from a lower base.

Wage inequality within the informal labor market has been rising steadily. The Gini coefficient and related measures show that inequality increased across all informal worker categories between 2011–12 and 2018–19, with the most pronounced increase among urban female workers. From 2018–19 to 2019–20, city-based laborers continued to experience widening wage gaps, while rural earnings remained stagnant, indicating limited improvement in equality.

Gender-based wage disparities remain particularly pronounced. Female informal workers earn approximately 35–50 percent less than their male counterparts on average. The difference is widest in skilled trades and professional services, where women's representation is relatively low, and narrowest in agriculture and domestic work, where women predominate but wages are low. These gaps indicate that gender discrimination persists across both formal and informal sectors, with a stronger impact observed in the latter.

Caste-based wage discrimination also contributes to inequity within the informal economy. Studies estimate that caste accounts for roughly 8–15 percent of total wage differentials, while gender explains a larger 20–30

percent share. Although a “glass ceiling” effect is often noted in formal employment, informal jobs are characterized more by a “sticky floor” effect, trapping women and marginalized caste groups in the lowest wage segments. Together, these factors highlight deep socioeconomic divides within India’s unorganized labor market and emphasize the urgent need for inclusive labor reforms, equitable wage policies, and targeted skill development initiatives to reduce long-standing disparities.

## 9. Employment Stability and Transitions

### 9.1 Labor Market Transitions

#### Recent Employment Transitions (2017-20)

During 2018-19 and 2019-20, substantial labor force expansion:

**Table – 4**

**Employment additions 2018-20 by category**

Sl. No	Transition Type	Number (Crores)
1	Total additional workers joined workforce	4.75
2	Rural sector contribution	3.45
3	Urban sector contribution	1.30
4	Female workers (percentage)	63%
5	Self-employed (percentage)	65%
6	Unorganized sector (percentage)	98%

## 10. Recommendations

1. Skill Development Programs: Expand skill upskilling by training unorganized workers in local skills.
2. Social Security Expansion: Enhance the reach of health and pension schemes.
3. Gender Equitable Programmes: Eradicate wage gap and enhance female participation in skill development schemes.
4. Awareness Programmes: Send notifications to the workmen about schemes being implemented and assist them in registration.
5. Strengthening Implementation: Ensure that coordination between departments of the government is such that scheme delivery is effective

## Conclusion

The unorganized sector continues to serve as the backbone of India’s labor force, encompassing nearly 90 percent of total employment and contributing significantly to the nation’s production and service economy. Despite its critical role, workers in this sector face persistent challenges that hinder their economic well-being and social upliftment. Issues such as low and irregular wage levels, lack of job security, limited access to social protection, and unsafe working conditions characterize much of the informal labor market. Furthermore, the absence of formal contracts leaves workers vulnerable to exploitation and exclusion from labor welfare benefits.

Several socioeconomic and structural factors aggravate these problems. A large proportion of unorganized workers reside in rural areas, where employment is often seasonal and dependent on agricultural cycles. Illiteracy, poor skill levels, and gender discrimination further limit upward mobility and earnings potential.

Female and migrant workers, in particular, experience double marginalization—receiving lower wages and lacking access to institutional support like maternity benefits, pensions, or health insurance.

Addressing these concerns demands strong political will and consistent policy efforts. The government must go beyond conceptual frameworks and ensure effective implementation of welfare schemes such as the e-Shram portal, MGNREGA, PM-SYM (Pradhan Mantri Shram Yogi Maandhan), and social security codes. Increased investment in skill development, financial inclusion, health insurance, and micro-enterprise promotion can provide sustainable livelihood opportunities. Strengthening labor governance mechanisms through better data collection, transparent labor registration, and enforcement of minimum wage standards is crucial. Public–private partnerships, community-based organizations, and NGOs can play a complementary role in outreach and social mobilization. Ultimately, improving the economic condition of unorganized workers is not only a matter of poverty reduction but also an essential step toward inclusive growth, human development, and equitable economic progress in India.

## References

1. International Labour Organization (ILO). (2023). India Labour Market Update. International Labour Organization.
2. National Sample Survey Office (NSSO). (2024). Periodic Labour Force Survey 2020-21. Ministry of Statistics and Programme Implementation, Government of India.
3. Ministry of Labour and Employment, Government of India. (2023). Report on Unorganized Sector in India.
4. United Nations Development Programme (UNDP). (2022). Informal Sector in India: Challenges and Opportunities.
5. Rani, U., & Furrer, M. (2021). The future of work for informal workers in India. ILO Working Paper.
6. Ministry of Finance, Government of India. (2022). Economic Survey of India 2021-22.
7. Sharma, A., & Krishna, R. (2021). Socio-Economic Status of Unorganized Workers in India. *International Journal of Economic Research*, 18(3), 45-58.
8. National Council of Applied Economic Research (NCAER). (2021). State of Working India Report 2021. Centre for Sustainable Employment.
9. Oxfam India. (2020). Mind the Gap: The State of Employment in India's Informal Economy.
10. Indian Council of Social Science Research (ICSSR). (2019). Research Study on Gender Wage Disparities in Informal Sector.
11. Prasad, N., & Rao, S. (2020). Impact of Skill Development Programs on Unorganized Sector Workers. *International Journal of Labor Studies*, 12(2), 65-82.
12. Asian Development Bank (ADB). (2021). India's Informal Economy: Challenges and Policy Recommendations.
13. National Institute of Labour Economics Research and Development (NILERD). (2020). Working Conditions in Informal Sector in India.
14. United Nations Population Fund (UNFPA) India. (2021). Unorganized Sector Workers in India: A Gender Perspective.
15. World Bank. (2020). Informal Jobs and Poverty in India: A Policy Framework.
16. Ministry of Labour and Employment. (2025). eShram Portal Statistics. Government of India. (31.38 crore unorganized workers registered as of November 2025). Retrieved from <https://eshram.gov.in/>.
17. Raveendran, G., & Vanek, J. (2020). Informal workers in India: A statistical profile. WIEGO. Retrieved from <https://www.wiego.org/>.

18. Vikaspedia. (2024). Unorganised labour force in India. Ministry of Rural Development. Retrieved from <https://socialwelfare.vikaspedia.in/>.
19. Ministry of Statistics and Programme Implementation. (2024). Periodic Labour Force Survey (PLFS) Annual Report July 2023-June 2024. Government of India. Retrieved from <https://dge.gov.in/>
20. Press Information Bureau. (2024). Labour market indicators show substantial improvement. Government of India. Retrieved December 2024
21. Data for India. (2025). Unorganised manufacturing employment statistics. Retrieved from <https://www.dataforindia.com/>
22. Ministry of Finance, Government of India. (2024). Economic Survey 2023-24. (45% workforce in agriculture; 78.51 lakh non-farm jobs needed annually). Retrieved from <https://www.indiabudget.gov.in/>

