

Problems and Prospects of Informal Sector Workers

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ABSTRACT

In India, as per the estimation of the national commission for enterprise in the unorganized sector out of a total of 458 million workers unorganized workers constituted 92.40 per cent of the total workforce accounting for about 4234 million workers. It reveals that informal sector play crucial role in the process of economic development of our country. Human capital can be defined as the body of knowledge possessed by the population and the capacity of the population to use the knowledge effectively. The human resources are solely responsible for transforming traditional economies into modern and industrial economies. The difference in the level of economic development of the country is largely a reflection of the quality of their human resources. The key element in this proposition is that of the values, attitudes, general orientation of the people. According to F.H. Harbison, "human resources are the energies, skills, talent and knowledge of people which are, or which potentially can or should be, applied to the production of goods or the rendering of useful services." Informal sector plays a crucial role in Indian Economy. It is providing employment opportunities for millions of people and also contribute significant share to the nation's output. Informal activities are based on the total resources and indigenous technology. In diversified country like India, informal activities are more suitable for the large population to engage. However economic conditions of people employed in informal activities are worst as compared with that who engaged in formal sector. Lack of skill development initiatives, inadequate training and education to build up entrepreneurial abilities made them to contribute poorly to the total output in the economy.

Key Words: Informal Sector, Employment, Women workers

INTRODUCTION

The human resources are solely responsible for transforming traditional economies into modern and industrial economies. The difference in the level of economic development of the country is largely a reflection of the quality of their human resources. The key element in this proposition is that of the values, attitudes, general orientation of the people. According to F.H. Harbison, "human resources are the energies, skills, talent and knowledge of people which are, or which potentially can or should be, applied to the production of goods or the rendering of useful services."

Human capital formation is thus associated with investment in man and his development as a creative and productive resource. Informal workers consist of those working in the unorganized enterprises or household, excluding regular workers with social security benefits and the workers in the formal sector without any employment/social security benefits provided by the employers. The term human capital formation refers to process of acquiring and increasing the number of persons who have skills, education and experience which are critical for the economic and political development of a country.

In India, as per the estimation of the national commission for enterprise in the unorganized sector out of a total of 458 million workers unorganized workers constituted 92.40 Per cent of the total workforce accounting for about 4234 million workers. It reveals that Informal sector play crucial role in the process of economic development of our country.

Human capital can be defined as the body of knowledge possessed by the population and the capacity of the population to use the knowledge effectively.

By the early seventies, concept of human capital had moved to the centre stage of development priorities .according to Schultz, there are five ways of developing human resources.

- Health facilities and services, broadly conceived to include all expenditure that affect the life expectancy, strength and stamina and the vigor and vitality of the people
- On the job training including old apprenticeship organized by firms
- Formally organized education at the elementary, secondary and higher levels and
- Migration of individual and families to adjust to changing job opportunities.

INFORMAL SECTOR/UNORGANISED

The informal sector is the spine of the Indian economy. This sector absorbs 84 per cent of the total workforce and contributes around 50% towards India's GDP. At present India is an emerging

economy with 459.0 million workers (NSS 66th round, 2009-10), out of which only 387.08 lakh (Economic Survey 2011-12, GOI) are employed in formal sectors (both public and private). Thus large chunks of the workforce are engaged in the informal sector. The informal or unorganized enterprise, basically refers to those enterprises whose activities or collection of data is not regulated under any legal provision or do not maintain any regular accounts. In this sector, in addition to the unincorporated proprietorships or partnership enterprises, enterprises run by cooperative societies, trust, private and limited companies are also covered. Thus unorganized sector has a crucial role in our economy in terms of employment and its contribution to the National Domestic Product, Savings and Capital formation. Broadly, this sector provides income-earning opportunities for a larger number of workers.

The First Indian National Commission on Labour (1966-69) defined unorganised sector workforce as –“those workers who have not been 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”.

“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”.

Indian economy is characterised by the existence of high level of informal or unorganised labour employment. The workers in the organised sector constitute about 7 per cent of the country's total work force and the rest (93 per cent) comprises of subsistence farmers, agricultural workers, fisher folk, dairy workers and those working in traditional manufacturing like handlooms are grouped under unorganised sector. The term unorganised sector or employment is defined as “unorganised workers consist of those working in the unorganised enterprises or households, excluding regular workers with social security benefits and the workers in the informal sector without any employment / social security benefits provided by the employer”

The major characteristics of unorganised workers could be listed as below

- The unorganised labour is overwhelming in terms of its number range and therefore, they are omnipresent throughout India.
- As the unorganised sector suffers from cycles of excessive seasonality of employment, majority of the unorganised workers does not have stable and durable avenues of employment. Even those who appear to be visibly employed are not gainfully and substantially employed, indicating the existence of disguised unemployment.
- The workplace is scattered and fragmented. The workers do the same kind of job(s) in different habitations and may not work and live together in compact geographical areas.
- There is no formal employer-employee relationship between small and marginal farmers, share croppers and agricultural labourers as they work together in situations which may be marginally favourable to one category but may be broadly described as identical.
- In rural areas, the unorganised labour force is highly stratified on caste and community considerations. In urban areas while such considerations are much less, it cannot be said that it is altogether absent as the bulk of the unorganised workers in urban areas are basically migrant workers from rural areas.
- Workers in the unorganised sector are usually subject to lot of fads, taboos, and outmoded social customs like child marriage, excessive spending on ceremonial festivities etc. which lead to indebtedness and bondage.
- The unorganised workers are subject to exploitation significantly by the rest of the society. The unorganised workers receive poor working conditions; especially wages much below that in the formal sector, even for closely comparable jobs i.e., where labour productivity are no different. The work status is of inferior quality of work and inferior terms of employment, both remuneration and employment.
- Primitive production technologies and feudal production relations are rampant in the unorganised sector, and they do not permit or encourage the workmen to imbibe and assimilate higher technologies and better production relations. Large scale ignorance and illiteracy and limited exposure are also responsible for such poor absorption.

- The unorganised workers do not receive sufficient attention from the trade unions.

The informal sector may be broadly characterized as consisting of units engaged in the production of goods and services with primary objectives of generating employment and incomes to the persons concerned.

ROLE OF INFORMAL SECTOR IN INDIA

The informal sector provides income earning opportunities for a large number of workers. In India there is large number of workforces getting their livelihood from the informal sector. The government has to play the role of facilitator and promoter so that the workers employed in the informal sector are able to get requisite level of protection and security to have decent work environment enabling them to express their capabilities necessary for enhancing the competitiveness of their outputs and thereby raising their income and socio-economic status. Unorganized sector has a crucial role in India in terms of employment and its contribution to the national domestic product, savings and capital formation.

It has been experienced that formal sector could not provide adequate opportunities to accommodate the workforce in the country and informal sector has been providing survival. Keeping in view the existing economic scenario, the unorganized sector will expand further in the years to come. Thus it needs to be strengthened and activated so that it could act as a vehicle of employment provider and social development.

The unorganised workers account for about 93 per cent of the total workforce and there is a steady growth in it over years in India. India is the most populous country in the world, next to China. If one looks at the characteristics of Indian population it reveals the interesting dimension about the existence of unorganised sector, which is the dominant sector and could not be properly attend to under the social security measures initiated so far: As per the 2001 census, the total work force in our country is 402 million, of which 313 million are main workers and 89 million are marginal workers. Out of the 313 million main workers, about 285 million is in the unorganised sector, accounting 91 per cent (Economic Survey: 2005-06). The estimates provided by the National Sample Survey Organisation also reveal the similar pattern. As per the NSSO estimates for the year 2004-2005, India had a population of 1093 million, with a workforce of about 385 million. Of these, about 7 per cent belongs to organised and the rest 93 per cent of the workforce include those self employed and employed in unorganised sector.

TYPES OF RECRUITMENT

Since contracting, subcontracting and labour contract were the methods was carried out in the public and private sectors, there was no difference with regard to recruitment modes between public and private sectors. There are broadly two types of recruitment:

- Workers directly recruited by contractor.
- Workers recruited from rural areas by subcontractors or labour contractors on certain norms and conditions by advancing loans.

EMPLOYMENT IN INFORMAL SECTOR

The share of employment (66th Round), the informal sector's employment share of total workers is higher (50.9 per cent), than that of formal sector (49.1 per cent). Secondly, such share of total employment is drastically higher in urban informal sector (94.1 per cent), than the urban formal sector (5.9per cent). However, reverse is the position in the case of rural area where there is a clear domination of workers in the formal sector (63.0 per cent) as against 37 per cent of Informal sector (66th Round). The scenario of male female workers highlights the facts that, percentage of female workers in the formal sectors remained higher than, the male workers. However, the reverse situation is marked in the case of informal sector where percentages of male workers are greater than female workers in both rural and urban areas. Thus taken together, in India:

- It is the urban informal sector which is providing the highest level of employment (94.1 per cent).
- On the contrary the rural informal sector is still lagging behind (37.0 per cent) in providing employment than, that in the rural formal sector (63.0 per cent).
- It is also not a happier situation to note that over the two rounds of data, the share of workers in the formal sector is going down as against the increasing share of workers in the informal sector.

Employment Department have undertaken various schemes for informal workers It is mentioned by the department that thousands of people are working in informal sectors but there are no official data about the number of people.

Relationship between sector and type of employment, all workers 1999-2000, 2004-05 & 2009-10

Year	Employment (Million)								
	Organised Sector			UnorganisedSector			Formal workers	Informal workers	Total
	Formal workers	Informal workers	Total	Formal workers	Informal workers	Total			
1999-2000	33.7 (62.2)	20.5 (37.8)	51.1 (100.0)	1.4 (0.4)	341.3 (99.6)	342.6 (100.0)	35.0 (8.8)	361.7 (91.2)	396.8 (100.0)
2004-2005	33.4 (53.4)	29.1 (46.6)	62.6 (100.0)	1.4 (0.4)	393. (99.6)	394.9 (100.0)	34.9 (7.6)	422.6 (92.4)	457.5 (100.0)
2009-2010	30.7 (42.2)	42.1 (57.8)	72.8 (100.0)	2.3 (0.6)	385.1 (99.4)	387.4 (100.0)	33.0 (7.2)	427.2 (92.8)	460.2 (100.0)

Source:

1. The report on conditions of work and promotion of livelihood in unorganized sector, NCEUS, government of India 2007
2. 12th Plan document volume 111, planning commission

Out of the total employment of 460.2 million, the unorganized/informal sector accounted for 387.5 million. Therefore the unorganized/informal sector constituted about 84.20 per cent of total workers in 2009-10.

As per NSSO survey, number of workers according to usual status (usual principal and subsidiary status) approach by broad employment status is given in below table

Number of workers according to usual status (PS+SS) approach by employment status (in millions)

Nature of work	1999-00	2004-09	2009-10
Self employed	209.3(52.6)	258.4(56.5)	232.7(50.7)
Regular/salaried employees	58.2(14.6)	69.7(15.2)	75.1(16.4)
Casual labour	130.3(32.8)	129.7(28.3)	151.3(32.9)
Total	397.8(100.0)	457.8(100.0)	459.1(100.0)

Source: 12th plan document volume 111, planning commission

Total regular workers and wage workers constitute about 47.4 per cent and self employed workforce comprises 52.6 per cent of the total workforce during 1999-2000. The share of regular workers and wage workers 43.5per cent and the share of self employed was 56.5 per cent of the total workforce during 2004-05.the share of regular workers and casual laborers increased number of regular and casual laborers indicates the workforce in India. Increased actualization of workforce is a matter of concern as they do not have access to assured social protection, job security and other facilities which workers obtain in the organized sector; it has adverse effects on their productivity level. They are engaged in certain low paid jobs.

WOMEN WORKERS IN INFORMAL SECTOR

In India women constitute about 48.3 per cent of the population but their participation in economic activity is only about 34.0 per cent. Healthy and harmonious growth of the society would not be possible unless women are brought in to the main stream of national development. Women with low socio-economic back ground largely depend on the informal activities for their well-being. Informal activities become their self employment venture to generate income to their family. Economic empowerment of women can improve the social, educational and political status of women.

Gender Wise Formal and Informal Workers/Employment in Various Sectors

Category	Male	Gender	Total
Total workers	309.4	148.0	457.5
Agriculture	151.2	107.7	258.9
Non-agriculture	158.2	40.3	198.5
Organized sector	28.8	6.0	34.9
Agriculture	2.0	0.8	2.9
Non-agriculture	26.8	5.2	32.0
Unorganized sector	280.6	142.0	422.6
agriculture	149.2	106.9	256.1
Non-agriculture	131.4	35.1	166.5

Source: The report of work and promotion of livelihood

Of the total workforce of 457.5 million, 107.7 million women workers are in agriculture and 40.3 million in non-agriculture. Only about 6.0 million women workers are in formal sector including 0.8 million in formal agriculture sector. The rest 142 million women workers are in informal sector including 106.9 million in non-agriculture sector. Out of the 422.6 million unorganized/informal sector workers, agriculture accounted for 256.1 million and non-agriculture sector accounted for the rest of 166.5 million. The proportion of non-agricultural worker in the unorganized/informal sector has increased from 142 million to 166.5 million between 2004-05 and 2009-10.

PROBLEMS FACED BY INFORMAL SECTOR WORKERS

The problems faced by informal workers are manifold. However, depending upon the nature of work, problems of workers are quite different in degree and quality. Workers employed in informal sector are mostly local, tradition based and unorganized. These labourers are facing the problems related to work and work place which can be listed as follows:

- Do not have fixed hours of work or salary, work agreements.
- Low productivity of enterprises and large scale unemployment.
- Absence of labour laws to protect the labour rights
- Inadequate social security measures to protect the laborers working in informal sectors.
- Poor economic, social and financial infrastructure available in rural areas for the development of unorganized/informal sector.
- Poor organization of workers, low bargaining power.
- Lack of skill development initiatives .inadequate training and education to build up entrepreneurial abilities.
- Uncertainty and irregularity of their employment are the main problems of the informal workers. Neither their job nor their work at a particular place is permanent or of a perennial nature.
- The duration and security of their employment depend upon the kind of employment they enter into and employers' mercy. It may last for days, for weeks, for months and may be, if they are fortunate, for a year so. So, neither the work site is fixed nor the employment is permanent.
- Even these workers are denied provident fund and other social security & benefits in terms of labour welfare measures & provisions despite the legal entitlement to the same.
- They don't have provisions like pension and insurance schemes, maternity leave, accident and death claims, concession loans and financial aid for children's education and medical needs. Gender discrimination is well entrenched as already mentioned and in most cases women workers are paid much less than the male workers for similar work.
- Moreover, the working time and hours are not well regulated. Long hours of work are common for all the workers.
- Even most of them do not get overtime rates for excess work. Regulations provide for one day off from work per week with wages and oblige employers to provide workers with paid off on the occasion of certain holiday, festival including national holiday.
- In case of accident, there is, in general, no provision for financial and medical aid. In case of death, no body owns the responsibility. Medical facility in case of sickness, maternity leave and immediate help in the form of money or holidays in case of heavy injury are the major problems of these workers.
- The pregnant women workers or women having small children cannot take leave out of work during this period they would face extreme financial problems

Apart from these **some other serious problems** reported by women workers are-

- ♣ Deteriorating health due to overburdened of work both at home and at work place.
- ♣ Physical problems like back pain, headache, weakness, various gynecological problems, urinary transaction infection etc.
- ♣ Problems during pregnancy period, low weight of birth child, premature delivery etc.
- ♣ Beating by husband for coming late from work.
- ♣ No time to look after children, to satisfy husband, to meet friends and relatives, to attend marriage and other festivals etc.
- ♣ Totally unaware about various women specific and women related legislations and right.

MEASURES TO SOLVE THE PROBLEMS OF INFORMAL SECTOR WORKERS

The national commission for enterprises in the unorganized sector set up by the government of India in September 2004 was the first initiative taken to study the problems of the unorganized sector in the country. The commission has recommended the following action programmes for the unorganized sector:

PROTECTIVE MEASURES FOR UNORGANIZED WORKERS

- **Ensuring minimum conditions of work which includes**
 - * Eight hour working day with half an hour break.
 - * National minimum wage for all workers in the unorganized sector, not covered by the minimum wage act.
 - * Women workers to be paid at par with men.
 - * Safety equipment and compensation for accident.
 - * Protection from sexual harassment.
 - * Provision of child care and basic amenities at the work place.
- **Minimum level of social security**

National Commission for Enterprises in the Unorganized Sector (NCEUS) recommended two comprehensive bills separately for agriculture and non-agricultural workers providing the benefits of life insurance, health service and old age security. Rs 30,000 insurance for natural death or Rs 75,000 in the event of accidental death or total disability. Health insurance includes hospital facilities for the worker and family members. Old age security include monthly pension to below poverty line and worker and other than BPL will be entitled to provident fund. In addition to the above, they measures for the marginal and small farmers and to improve the non-farm sector.

CONCLUSION

Informal sector plays a crucial role in Indian Economy. It is providing employment opportunities for millions of people and also contribute significant share to the nation's output. Informal activities are based on the total resources and indigenous technology. In diversified country like India, informal activities are more suitable for the large population to engage. However economic conditions of people employed in informal activities are worst as compared with that who engaged in formal sector. Lack of skill development initiatives, inadequate training and education to build up entrepreneurial abilities made them to contribute poorly to the total output in the economy.

Indian economy has undergone a drastic change since 1991. The introduction of new economic policy has changed the pattern of investment and in the employment situation-its structure and behaviour. Though several reform policies aimed at providing level playing field to the private sector to bring in foreign capital, technology, and investment in order to promote high growth but unfortunately, it created a 'jobless growth' with glaring inequalities. The data released by NSSO shows that that the UPA government generated only 2 million jobs between 2004 and 2009 though economy grew at the rate of 8.43 percent annually. According to 66th Round NSSO data, the employment rate has actually declined in the five year ended 2009-10 to 39.2 percent from 42 percent in 2004-05. Furthermore the share of organized sector jobs was rapidly falling, it accounted for only about 14 per cent of total employment in 1999-2000 as also in 2004-05. But the proportion is found to have slightly increased to 16 per cent in 2009-10. In the era of liberalization and globalization, due to higher rate of economic growth, apart from metros the industrial/urban centers. As a result, the employment and employment opportunities in informal sectors have got a boost. They have continuously been maltreated and have become the victims of humiliation, torture and

exploitation in spite of the existing rule and law. The women workers are beaten, raped and sometimes murdered. Labour law, constitutional provisions, Act etc. are far away from them. Therefore it is urgent need to spread awareness about the existing laws and rules among these workers, otherwise the effective utilization of these will remain a far off goal from realization.

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