India’s Informal Employment in the Era of Globalization: Trend and Challenges

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Abstract: India has witnessed an impressive growth rate since the post reform period, which has contributed to a sustained increase in per capita income, decline in absolute poverty and modest improvement in standard of living. It has also changed the employment structure of the country. Indian Labour market has also witnessed a significant change since the inception of economic reform of 1991. Mainly the types of employment being created has given rise to some concern. Recent research revealed that the transfer of workers from agriculture to non-agriculture sector is very slow and most of the employment generated has been informal in nature. An overwhelmingly large percentage of workers (about 92 per cent) are engaged in informal employment and a large majority of them have low earnings with limited or no social protection. This is true for a substantial proportion of workers in the organized sector as well. Over half the workers are self-employed, largely with a poor asset-base, and around 30 per cent are casual labourers seeking employment on a daily basis. About 18 per cent of those employed are regular workers, and amongst them less than 8 per cent have regular, full-time employment with social protection. Besides that the extent of informal employment in the formal sector has also grown. A growing proportion of the new jobs in the formal sector are of a casual in nature. Evidence also reveals that with globalisation employment of women has increased, but mostly in informal sector and large segment of them is self-employed. They work under highly exploitative, low paid and low social security conditions, owing to their low human capital capabilities, and hence are more exposed to economic upheavals. The structure of the labour market, patterns of employment growth, and labour-market institutions play an important role in shaping development patterns and outcomes. In this background the present paper has made an attempt to analyse the changing pattern and forms of employment among men and women in informal sector in India since the inception of economic reform. It also tried to explore how women are coming up for employment opportunities in informal sector after huge investment by policy of liberalization and also tried to explain the process of “informalisation of formal sector”.

Key Words: Globalization, Informal Sector, Unskilled Labour, Gross Domestic Product, Liberalization.

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I. Introduction

India has witnessed an impressive growth rate since the post reform period, which has contributed to a sustained increase in per capita income, decline in absolute poverty and modest improvement in standard of living. It has also changed the employment structure of the country. Indian Labour market has also witnessed a significant change since the inception of economic reform of 1991. Mainly the type of employment being created has given rise to some concern. Recent research revealed that the transfer of workers from agriculture to non-agriculture sector is very slow and most of the employment generated has been informal in nature. Moreover, even before liberalisation more than 90% of total workforce were engaged in informal sector. Informal employment has been widespread and continues to be an emerging phenomenon. An overwhelmingly large percentage of workers (about 92 per cent) are engaged in informal employment and a large majority of them have low earnings with limited or no social protection. This is true for a substantial proportion of workers in the organized sector as well. Over half the workers are self-employed, largely with a poor asset-base, and around 30 per cent are casual labourers seeking employment on a daily basis. About 18 per cent of those employed are regular workers, and amongst them less than 8 per cent have regular, full-time employment with social protection. Besides that the extent of informal employment in the formal sector has also grown. A growing proportion of the new jobs in the formal sector are of a casual in nature.

ILO’s definition of informal sector is broadly characterised as consisting of units engaged in the production of goods or services with the primary objectives of generating employment and incomes to the persons concerned.
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. Further a broad segment consisting of agriculture (both organised & unorganised) and organised non-farm sector, which currently absorbs nearly 70% of total workforce, is showing the sign of negative growth rate and these sector will cease to absorb more and more labour force (Bhalla & Hazell, 2003).

Today India is counted among the most important emerging economies of the world but the employment conditions in the country still remain poor. Overall, labour force to population (in the age group 15 years & above) at 56% is low in India compared to nearly 64% for the rest of the world. The low participation in India is largely because the (Female Labour Force Participation Rate) LFPR is disarmingly low at 31% which is amongst the lowest in the world and second lowest in South-East Asia after Pakistan (though official figures are clearly underestimated).

Women in general are disadvantaged in the labour market. Their low share in overall employment, greater proportions of them are engaged in low productivity, low income, insecure jobs in farms and in the unorganised and informal sectors as compared to men.

Although, the majority of this growth was still in informal in nature. The unequal access of women to employment and discrimination in the labour market, poses yet another challenge. The inequalities and disparities that exist in access to employment across regions and social groups remain a huge competition in India.

Informal sector remained a matter of discussion among the academicians, policy makers etc. from the beginning as a large chunk of workforce is employed in this sector. The structure of the labour market, patterns of employment growth, and labour-market institutions play an important role in shaping development patterns and outcomes. In this background the present paper has made an attempt to analyse the changing pattern and forms of employment among men and women in informal sector in India since the inception of economic reform. The rest of the paper is organised in the following way. After introduction, in section 2, concepts of informal sector and informal employment is discussed. Section 3 presents survey of existing literature. In section 4 objective of the present paper is stated, while section 5 discusses data source and research methodology. We analyse the data and tried to provide some explanation about the recent trend, structural composition and type of informal employment which are evident in Indian labour market. The last section concludes the paper.

II. Informal Sector Employment and Informal Employment

According to SNA (System of National Accounts) 1993, the informal sector consists of units engaged in the production of goods or services with the primary objective of generating employment and income to the persons engaged in the activity. Following the recommendation of ‘Expert Group on Informal Sector Statistics (Delhi Group, 1997)’, the first ever informal sector survey in India was undertaken by the National Sample Survey Organisation (NSSO) in the year 1999-2000. 17th International Conference of Labour Statistics held in 2003 endorsed a set of guidelines to measure informal employment as distinct from informal sector employment. As per the resolution employees are considered to have informal jobs if their employment relationship is, in law, or in practice, not subject to labour legislation, income taxation, social protection or entitlement to certain employment benefits. ‘Informal Employment’ thus consists of informal workers both in formal and informal sectors and those employed by households.

The term ‘unorganised’ was used in statistical sense and it included all those establishments for which statistics of production were not available. E.g. in case of India, in the manufacturing sector, all the units not covered under ‘Annual Survey of Industries’ (ASI) are usually treated as ‘unorganised’ enterprise. Most of the service sector industries, the Government/Public Sector undertakings and private corporate sector establishments were regarded as ‘organised sector’ and rest of the establishments were considered as ‘unorganised sector’. The informal sector survey was integrated with the NSS 55th Round Survey on employment-Unemployment and Consumer Expenditure. An enterprise is considered as informal enterprise if its ownership type is either ‘proprietary’ or ‘partnership’. Thus all unincorporated enterprises which operate on either ‘proprietary’ or ‘partnership’ basis are considered to constitute the informal sector.

In 2004 NCEUS was set up by the Government of India which recommended some measures. In case of agriculture, it is recommended that each operational holding in the crop production and plantation may be considered as enterprise. In case of other agricultural activities like forestry, animal husbandry and fishing, the general definition of enterprise was adopted. By adopting above definitions, the Commission estimated informal sector employment and informal employment in the Indian Economy. The entire workforce in the agricultural sector, except those employed in plantation was regarded as informal sector workers. Informal employment is estimated by aggregating the entire employment in informal sector except regular employees with social security benefits, those employed by private households and casual workers and regular workers without social
security benefits in the formal sector. In the present paper methodology adopted by commission has been implemented.

III. Literature Review

A major part of the workforce in India work in informal sector. Keith Hart was the first person to introduce the term ‘Informal sector’. In September 1971 soon after this, ILO employment mission to Kenya came with its report ‘Employment Incomes and Equality (ILO, 1972). Hart distinguished formal and informal (both legitimate and illegitimate) income opportunities. On the basis of whether the activity entailed wage or self-employment (Hart, 1973). The term ‘informal sector’ came in a broader sense in the academic literature only after the visit of an ILO employment mission to Kenya in 1972. The ILO then evolved a conceptual framework and guidelines for the collection of statistics an informal sector and presented the same in 15th ICLS (International Conference of Labour Statisticians) held in February, 1993. The resolution was then endorsed by the United Nations Statistical commission (UNSC) and made a part of the ‘System of National Account (SNA) 1993’ by the United Nations Economic and Social Council.

Several studies on informal sector have been carried out in the Indian context. These studies reveal that rural labourers who are pushed out of the agricultural sector due to the lack of a productive source of livelihood and at the same time could not be absorbed in the rural non-farm sector or the high productivity manufacturing sector in the urban areas are likely to get residually absorbed in the low productivity urban informal sector (Mitra, 1994). Also, a rapid natural growth of population in the urban areas has been adding substantially to the urban labour supplies. Despite a rise in enrolment ratio, a large component of this labour force is either of unskilled or semi-skilled variety. Contrastingly, the growth process is becoming increasingly capital and skill intensive, forcing many to pick up petty activities in the informal sector. Sundaram (1996) projected that women workers in unorganised sector were generally illiterate, and worked under exploitative working conditions. Papola and Sharma (1999) conducted a study that there is marginal increase in the labour force participation of women in unorganised sector. The study concluded with the view that the gender discrimination for work is more prevalent in unorganised sector labour market. Srinivasan (2000) looked into conceptual issues of unorganised sector along with profile of women employment and its trends. It was observed that women workers move to the sectors where they have no legal protection and so have little bargaining strength. A study by Mitra (2001) based on 4th Economic census of India took the criteria of own account enterprises and employment establishments employing 1 to 9 workers to identify the informal sector. The NSSO, Directorate General of Employment and Training (DGET) etc. used varying definitions of informal/unorganised depending on the specific requirements of each organisation. The unorganised sector consists of all unincorporated private enterprises owned by individuals or households engaged in the state and production of goods and services operated on a proprietary or partnership basis and with less than 10 total workers. More qualitative mapping of formal–informal labour linkages by Breman (1996, 2003) and Harris -White and Goopta (2001) demonstrate that pervasive subcontracting, putting out and casualization have intensified poverty and vulnerability, despite high levels of labour mobility. It is shown that linking informal labour markets into wider market force transform, rather than merely accesses, informal institutions of labour control, eroding paternalistic dimensions in favour of more exploitative tied labour and contracting relationships. Dev and Mooiji (2002) have overviewed the growth led and support-led social security arrangement for the unorganised sector in India. Ananda (2003) outlines the policy framework necessary for informal sector development and the common characteristics of informal sector in general and in India in particular. Marjit and Kar (2005) examined whether the informalisation has been accompanied by an increase in real informal wage, capital investment and value added in manufacturing at the all India level. The study found that as compared to the pre-reform period (1984-85 to 1989-90), the post reform period (1989-90 to 1999-2000) witnessed an increase in informal wage (in manufacturing) accompanied by a real increase in fixed assets (proxy for capital investment) and value added.

IV. Objective

One of the objectives of this paper is to examine what has happened to informal employment after 1991, i. e., after the introduction of new economic policy. Hence, attempt has been made to analyse the changing pattern and forms of informal employment among men and women in rural and urban India since the inception of economic reform. Besides that the paper has made an attempt to analyse the trend of organised and unorganised employment across various sectors.

V. Data Source and Methodology

The study is based on the secondary data source collected from the various issues of employment and unemployment surveys of the NSS. NSS reports of the 43rd (1987-88), 50th (1993-94), 55th (1999-2000), 61st (2004-05), 66th (2009-10) and 68th (2011-12) rounds have been used to look at the trends and patterns of informal employment among men and women in the urban and rural areas. NSS provides four different
employment estimates based on three approaches to activity classification, usual status (US), current weekly status (CWS) and current daily status. Principal Status (PS) is defined as the activity status on which a person spent relatively longer time during ‘main worker’ in the Census. A person is said to be employed in ‘Subsidiary Status’ (SS) “if he is engaged in any activity for only a part of the year (similar to the concept of a ‘marginal worker in Census).” If a person is working either under PS or SS, he is said to be counted under ‘Usual Status or Usual Principal Subsidiary Status (i.e., both combined). This paper uses the employment estimates based on usual status (or usual principal subsidiary status PS+SS).

VI. Analysis and Interpretation

6.1 Trends in Informal Employment

Globalisation holds out the promise of enhanced economic growth and employment. India has witnessed increase in rate of growth over the year, along with the employment growth. But the type and quality of employment being created has given rise to some concern among the academicians and policy makers. From table 1 and fig 1 it is evident that total employment in informal sector has increased over the year, with only exception in 2009-10, when employment in informal sector was decreased. On the other hand, total number of informal employment was increased during the said period, with modest decrease in 2009-10 and that of formal employment however, do not show any particular pattern. However, its value remains more or less constant as a percentage of total employment (8.8%).

<table>
<thead>
<tr>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Informal</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total worker</td>
<td>341.28</td>
<td>393.47</td>
<td>358.34</td>
<td>387.70</td>
</tr>
<tr>
<td>Formal worker</td>
<td>34.62</td>
<td>39.46</td>
<td>34.47</td>
<td>37.83</td>
</tr>
<tr>
<td>Total</td>
<td>375.90</td>
<td>392.93</td>
<td>392.81</td>
<td>425.53</td>
</tr>
</tbody>
</table>

Table 1: Distribution of Workers by Type of Employment and Sector (in million)

Source: Various Rounds of NSS

Fig 1: Distribution of Workers by Type of Employment and Sector (in million)
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The distribution of informal workers within the formal sector was increased substantially up to 2009-10. In 68th NSS Round (2011-12), however, the number has decreased. Data shows that during that period, not only informal employment but also overall employment as well as the formal employment has decreased in the formal sector. Hence, this does not signify improvement in quality of employment. Rather, it indicates fall in employment. This may due to world financial crisis which started during 2008-09 and affected world employment as well. Hence, we can treat the situation as an exception. In general, the distribution of formal and informal workers within formal sector has changed over the year with more informal employment compare to formal employment. This reveals that on the one hand formal sector has been widening, but poor quality of employment in terms of job protection and working condition.

6.2 Status of Informally Employed Workers:
Let us examine the type of work taken up by female and male workers of both rural and urban areas by examining the status of their employment whether self-employed, regular or casual. Table 2 shows the employment status of urban and rural females for the period 1983-84 to 2011-12.

<table>
<thead>
<tr>
<th>NSS ROUND</th>
<th>Urban Worker</th>
<th>Rural Worker</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Self Employed</td>
<td>Regular Wage/ Salaried Employees</td>
</tr>
<tr>
<td>Male</td>
<td>Female</td>
<td>Male</td>
</tr>
<tr>
<td>68th 2011-12</td>
<td>417</td>
<td>428</td>
</tr>
<tr>
<td>66th 2009-10</td>
<td>411</td>
<td>411</td>
</tr>
<tr>
<td>61st 2004-05</td>
<td>448</td>
<td>477</td>
</tr>
<tr>
<td>55th 1999-00</td>
<td>415</td>
<td>453</td>
</tr>
<tr>
<td>50th 1993-94</td>
<td>417</td>
<td>458</td>
</tr>
<tr>
<td>43rd 1987-88</td>
<td>417</td>
<td>471</td>
</tr>
<tr>
<td>38th 1983</td>
<td>409</td>
<td>458</td>
</tr>
</tbody>
</table>

Data reveals that there has been continuous increase in the regular employment of Urban and Rural Female labour force since 38th round to 68th round. Whereas for male worker it remains more or less stagnant. During 50th round, just after introduction of New Economic Policy, there was sharp decline in the regular employment for rural workers (both male and female) and for urban male worker. But for urban female worker regular employment was increased over time indicating better working condition for them.

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Self-employment of both urban and rural workers has witnessed an increase during 61st round compared to 55th round. It was more or less constant for the urban male since 38th round while there was sharp decline in self-employment for their rural counterpart during the same time frame. The scenario was same for rural female. But self-employment among urban female was increased since 38th round. However, self-employment among all categories has declined in the recent time.

On the other hand, casual employment among urban female workers has declined sharply during the said period, except a marginal increase in 66th round compare to other round. However, casual employment among rural male and female has increased over the period, except in 61st and 68th round.
Predominance of self-employment is noticeable feature here. At the all India level, for 68th NSS round, the proportion of self-employed was higher among the females (51.2%, Urban+ Rural) than among the males (48%). The regular wage/ salaried employees constituted a higher proportion of the Urban Workforce (43.6%) compared to the rural areas. It may be noticed that the share of regular wage/ salaried employees was merely 7.8% of the rural workforce. Self-employed together with casual labourer had a share of nearly 92.2% of the total workforce in the rural areas. On the other hand, in the urban areas, nearly 56.8% of the workforce was working as self-employed or casual labourer. It is also evident that self-employed together with casual labour (informal employment) is higher among the rural female workforce (94.4%), compared to other three categories (UF-57.1%, UM-56.1%, RM-90%). Thus we can conclude, that even though overall employment, and especially female labour force participation has increased over the year since 1983, but most of them were in informal sector. This situation was generally referred as increasing ‘casualisation of work force’. Many economists have described predominance of such employment is an indicator of lower quality of life as such jobs are vulnerable in nature. On the other hand, according to some economists, it is better to be employed and earn something instead of remaining unemployed. However, the overall, decline in casual employment and increase in regular employment of urban females is a promising development.

Table 3: Sector wise Distribution of Formal & Informal Employment

<table>
<thead>
<tr>
<th>Industry group</th>
<th>2004-05</th>
<th></th>
<th>2011-12</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Organised</td>
<td>Unorganised</td>
<td>Organised</td>
<td>Unorganised</td>
</tr>
<tr>
<td></td>
<td>Formal</td>
<td>Informal</td>
<td>Total</td>
<td>Formal</td>
</tr>
<tr>
<td>Agriculture</td>
<td>0.76</td>
<td>0.99</td>
<td>0.00</td>
<td>0.06</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>1.21</td>
<td>2.10</td>
<td>0.10</td>
<td>1.48</td>
</tr>
<tr>
<td>Non-manufacturing</td>
<td>0.53</td>
<td>1.45</td>
<td>0.00</td>
<td>0.69</td>
</tr>
<tr>
<td>Services</td>
<td>4.48</td>
<td>1.89</td>
<td>0.19</td>
<td>5.62</td>
</tr>
<tr>
<td>Total</td>
<td>6.98</td>
<td>6.43</td>
<td>0.29</td>
<td>7.84</td>
</tr>
</tbody>
</table>

Source: NSSO Various Rounds

From the above table it is evident that though agriculture provides the major share of employment, its share has decreased from 58.50% in 2004-05 to 48.9% in 2011-12. Most of the employment is informal in nature. In case of manufacturing sector total employment has increased from 11.73% in 2004-05 to 12.6% in 2011-12. During this period share of formal employment in formal sector has increased, though the same in unorganised sector has decreased.

On the other hand, though the share of informal employment in the organised sector has increased marginally, its share in unorganised sector has decreased. In non-manufacturing sector there was an increase in employment across both the organised and unorganised sector, as well as in the formal and informal sector. However, the share of informal employment was higher. The same trend was observed in the service sector also.
Approximately 370 million workers were engaged in informal employment in 1999-2000 and the number has increased to 378 million in 2009-10 and the number was increased to 392 million approximately (68th NSSO Round) in 2011-12. A gender disaggregation of the informal workforce showed that about 252 million male and 118 million female workers were engaged in such employment in 1999-2000 and the number has increased to 270 million for male workers but decreased to 108 million for female workers in 2009-10. Female informal workers are mainly engaged in agriculture sector, with some presence in manufacturing, trade, hotel, restaurants, community, social personal, services and construction.

VII. Conclusion

From the above discussion it is evident that rather than being absorbed into modern formal wage employment, Indian labour force is becoming increasingly informal. Changes in employment pattern may reflect the intense competition, risk and uncertainty, which both the employers and employees face due to globalisation. In order to retain markets, producers have to be more responsive to consumer demand through continuous innovation and attractive prices. This process may also involve sharing economic risk between employers and employees through subcontracting and other arrangements (Reich 2001). Informal employment thus become common feature even in formal sector. Not only in India, this type of trend is prevalent throughout the world. Data also reveals that though female workforce participation rate has increased, most of the employment were informal in nature. This predominance of informality may be attributed to lower bargaining power, immobility and higher rate of illiteracy of female population. Though, general idea is informality indicates lower job quality, we may conclude with the view that it is better to be employed, even if it is informal in nature, rather than being unemployed. In case of India decreased rate of unemployment is due to rise in informal employment including self-employment. Such employment enhances the purchasing power among the poorer(both urban and rural) cross section of the society, which turns out to be beneficial for the overall long run development of the
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Keeping this in mind, Government of India has taken several initiatives like MGNREGS or Micro Finance programme, in order to create employment or enhance self-employment activities among the rural as well as urban labour force. These employments are informal in nature, but have huge impact on livelihood of rural and urban population. Therefore, the study suggests that policy should be taken in order to create ambiance which will facilitate small and micro enterprises. It is imperative now to provide credit facilities, better infrastructure and market information to these enterprises. Safety nets to be provided to all the workers as well as to those entrepreneurs. Informal employment should be treated as a part of the solution to employment and poverty issues in India.

References