



Is Alang Ship Breaking Yard: Formal or Informal Sector

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ABSTRACT

The fast increase in the population growth is the main concern for the developed and developing countries of the world. The growing economic activity, when not in a position to absorb increasing labour force could lead to a number of problems in the society. The resultant effect could be in terms of disguised unemployment, open unemployment which is in acceptable to the individuals as well as to the society. In a poor country like India with around a third of the population living below poverty, few can actually afford to be unemployed. As labourers cannot afford to be unemployed he becomes a target of exploitation. The increase in investment and incomes in the modern sector of the developing countries large labour force migrate to this modern sector from agricultural sector. There are various other reasons for movement of labours from agriculture to non-agriculture sector and from rural to urban centers. The reasons most quoted are the disparities in the income in agricultural and non-agricultural activities, rural and urban income differences. In addition, location of industries, expansion of government activities and concentration of opportunities for acquiring skills and educations in urban areas.

Introduction

The fast increase in the population growth is the main concern for the developed and developing countries of the world. The growing economic activity, when not in a position to absorb increasing labour force could lead to a number of problems in the society. The resultant effect could be in terms of disguised unemployment, open unemployment which is in acceptable to the individuals as well as to the society. In a poor country like India with around a third of the population living below poverty, few can actually afford to be unemployed. As labourers cannot afford to be unemployed he becomes a target of exploitation. The increase in investment and incomes in the modern sector of the developing countries large labour force migrate to this modern sector from agricultural sector. There are various other reasons for movement of labours from agriculture to non-agriculture sector and from rural to urban centers. The reasons most quoted are the disparities in the income in agricultural and non-agricultural activities, rural and urban income differences. In addition, location of industries, expansion of government activities and concentration of opportunities for acquiring skills and educations in urban areas. All these factors are attracting the rural migrants to the urban centers. Thus there are two divergent forces operating. The promises of better opportunities in modern sectors in urban areas act as pull factors for the movement of labours. At the same time the dearth of opportunities in the rural areas and appalling conditions of work as the push factors.

In India a small fraction (only 7 percent) of labour force work in organized sector. The majority of the labour force is in the informal sector with little protection from trade unions and Government. Even though Government regulations exist, it is a matter of debate about their ground level implications. The Alang ship breaking yard is reported appears to be an organized industry but the ground reality appears to be different.

According to various researchers, the estimate of employment in the informal sector in urban centers varied between 45 to 70 percent of the employment. It was between 40-50 percent in Calcutta in 1971, 45 percent in Jakarta in 1976, 44.6 percent in Bombay in 1961 and 46.5 percent in Ahmedabad in 1971. Jan Breman in his empirical study on Valsad town of South Gujarat has thrown light on the size of informal sector. According to study around 75 percent of workforce is found in the informal sector (Breman, 1976: 1870-1876 and 1905-1908). This high proportion of the informal sector is due to

low absorption capacity of the formal sector of the developing countries. Further many studies suggest that informal sector employment is concentrated mostly in manufacturing, trade, commerce and services etc. Various studies adopted different definitions and methodologies to measure informal sector, which makes comparison difficult. The following part attempts to discuss the various issues and debates relating to the informal sector by various researchers.

Keith Harth first used the concept of informal sector in his study of urban Ghana. During his fieldwork Harth identified a number of income and employment generating activities in the unenumerated sector of the urban area. The study identified that the workers engaged in the unorganized sector are self-employed rather than wage labours in the organized sector. The new entrant into the urban labour market particularly migrant is forced to work in the informal sector due to lack of experience and lack of skills required for formal sector employment. From this analysis Harth indicates various terms for informal sector viz, informal income generating activities, unorganized sector, unenumerated sector, self-employed individuals, urban poor and earning less than minimum wage (Harth, 1971: 61-89).

The ILO/UNDP employment mission report on Kenya adopted informal sector to analyse the target group. According to this report, the informal sector has the following characteristics: entry by new enterprises is easy, rely on indigenous resources, family ownership, small-scale operation, unregulated and competitive markets and use of labour-intensive technique and outdated technology; their workers have low level of skill. The characteristic of formal sector is converse of the above, whereas entry of new enterprise is difficult, rely on overseas resources, and operate in large-scale, protected market, using capital-intensive technology, imported technology, their workers are skilled and are experienced (Sethuraman, 1976: 71).

Mazumdar defines the informal sector as the unprotected sector. He describes that the employment is protected for some individuals in the labour force in terms that the wages, conditions of work and other facilities enjoyed by workers in the formal sector are not available to all job seekers in the labour market to overcome the barrier to entry. The protection arises from the trade union action, governments or both acting together. He distinguished that the entry into the informal

sector is unrestricted by artificially raised standards, norms and procedures (Mazumdar, 1975).

T. S. Papola's study on Ahmedabad makes a distinction between the formal and informal sector labour market in the urban economies. In his view the distinction between formal and informal sector employment in manufacturing sector can be made on the basis of whether the employing enterprise is registered under the factory Act or not. If the enterprise is a registered factory then the condition of work gets regulated. The registration is obligatory as size of employment reaches 10 workers with use of power and 20 workers without the use of power (Papola, 1980).

Jan Breman made the distinction between formal and informal sector, which he observed during his fieldwork in a district town of Valsad, and rural areas of South Gujarat. He found that there are two categories that oppose each other. On one hand those who earn their daily bread with poorly paid, unskilled, involved in lower occupation. On the other hand those in permanent employment for which formal education or trained skills are required, a job with a fairly high and regular wage, this ensures security and respectability to the workers (Breman, 1976: 1939-1944).

Abdul Aziz study on Bangalore recycling industry found two criteria to differentiate Formal and Informal sector. The two sets of criteria- one to be applied at the activity level and other to be applied at the enterprise level. He argued that a vast majority of urban poor depend on private sources of employment and the large industrial and commercial establishments hardly employ urban poor (Aziz, 1984: 6-9).

According to the Industrial Relations, the enterprise in the informal sector do not have definite form of organization and are generally not subject to labour laws protecting the interest of workers in matters of recruitment, working condition, hours of work, leave, payment of wages, dismissals and employment. More over workers engaged in this sector are mostly illiterate and migrants and fails to organize themselves into unions. The informal sector in fact includes a vast majority of "foot-loose" workers such as hawkers, vendors, shoeshine boys, transport operators-horse/bullock carts, pushcarts and other self-employed units (Ramanujam and Prasad, 1993: 18-19).

The urban labour market in developing countries is in the nature of economic dualism: the organized formal and unorganized informal sector from the urban economic system. The organised formal sector is characterised by capital intensive technology, higher wages, higher productivity, government organizations and operate on a medium and large scale. The unorganised informal sector is characterised by reverse characteristics which define in terms of easy entry, rely on indigenous resources, family ownership, small-scale operations, using labour intensive, low skills, traditional technology and unregulated markets.

S.V. Sethuraman's study on Jakarta define informal sector to include all economic units engaged in the production of goods and services rather than in registered commercial enterprise, formal non-commercial enterprises and the government sector. The bulk of the family-owned, small-holdings, the numerous non-motorised rickshaws, the countless hawkers, vendors and petty retail traders and the vast majority of service workers constitute the typical informal sector units in agriculture, transport, trade and sector respectively. In Jakarta, transport and service sector together constitute third of population (Sethuraman, 1975: 196-197).

The informal sector referred to as very small units producing and distributing goods and services. These consist of largely self-employed produces in urban areas of developing countries. Some of them employ family labour and/or hired few workers, which operate with very little capital and none at all. They utilize indigenous technology and low skill, which therefore operate at low levels of productivity. They generally

provide very low or irregular incomes and highly unstable unemployment to those who work in it. They are restrictions like formal sectors as well as no labour laws and have no access to formal credit institutions (Sharma and Kumar, 1998: 9-11).

In recent study by Paul, distinguishes the urban informal sector into two sub-sectors namely, counted and uncounted informal sector. The informal sector activities, which are found in the official records, are treated as the counted informal sector. For example, self-employed are excluded, the casual day labour used by formal sector activities and those which are not found in census data or official labour statistics because these activities are illegal. Uncounted informal sector activities are those, which are legal (for example a Street Vendor without a license). Paul describes this uncounted informal sector as a true under-ground economy (Paul, 1985: 2-3).

Character of Alang Ship Breaking Yard

After discussing the informal sector defined by various scholars, now an attempt is made to analyse the character of Alang ship breaking yard. It is mentioned in the earlier section that Alang ship breaking yard is the world's largest ship breaking in terms of employment, tonnage of steel scrap, shares in world market. Breaking all type of ships is done at Alang ship breaking yard. According to Gujarat Maritime Board, the ship breaking industry in India generates revenue of Rs. 25 billion per annum and most of it from Alang ship breaking yard i.e. 17 billion per year. This industry comes under the formal sector but has some informal characters. Informality of the sector can be defined in terms of access to technology. Studies conducted by various researchers found that in a vast majority of enterprises, workers acquire skill on the job as in informal sector. At Alang, each plot employs 250-300 workers thus adding up to total employment of 30,000-40,000 labours working inside the yard. Following the employment criteria all the plots at Alang ship breaking yard enjoy more than 200 workers and classified as factories registered under the Factories Act. Thus these firms are part of the organized sector. The firing in the organized sector is bound by the rules and regulation of the country. However these firms do not seem to be following these norms as reported by various studies.

There are few studies done by scholars and organizations that highlight the informal character of the Alang ship breaking industry. International Federation of Human Rights conducted study on Chittagong (Bangladesh) and Alang (India) ship breaking yards found that after functioning successfully for more than 20 years having high economic importance, the industry has some informal characters. The study defines informal character of the industry in terms of lack of labour laws and found that these laws permits unlimited exploitation of workers rights (FIDH 2002: 56-57).

A study conducted by International Metalworkers Federation on workers in ship breaking industry of Alang and Mumbai found that the industry has many a character, which shows the informality of the industry. The study found that workers are getting wages below the Minimum Wages and other benefits such as health, safety and welfare are not provided by the employers or by Government authority (IMF, 2006: 15-20).

UNESCO conducted survey on Alang ship breaking yard and found that workers are working under serve conditions. The survey also found that the industry is a health hazard and risk prone. Safety equipments such as gloves, spectacles, boots and helmets are required for protection during work. But these are not always supplied regularly and may need to purchase by the workers themselves. The majority of the workers are uneducated and untrained to handle the various toxic chemicals (UNESCO, 2004: 12-15).

Many ILO studies defined the informality of the sector in terms of easy entry of enterprise. But in ship breaking activity comes under the preview of formal sector and is considered an industry. Therefore all the industrial and labour laws are applicable to the industry. In case of Alang ship breaking yard, ship breakers have to register under the Factories Act 1948

and also have to take prior permission from Gujarat Maritime Board which is an important facilitator in the ship breaking activity at Alang. According to GMB, in Alang the numbers of plots registered under the Factories Act 1948 are 183 at present (2004) as compared to 162 plots in 1998.

The labours in this industry are largely migrants from different backward regions of India. The ship breakers place their order for labours to labour contractor who recruit them with minimal wages. Most of these labours are rural migrants, uneducated, unskilled and untrained. Majority of workers reported to have acquired some type of skill at the workplace through experienced workers or through labour contractors. There is no formal training for workers imported at Alang ship breaking yard. These methods of acquiring skill by workers show the informality of the industry. Overall it can be said that in the ship breaking industry of Alang the entry of ship breakers is difficult but the recruitment of labour is unregulated due to lack of rules and regulation, which is one of the important characteristics of informality of this industry.

Paul divided informal sector into two sub-sector namely counted and uncounted or registered or unregistered informal sector. Further concluded that those activities which are found in official records are counted and those activities which are not found in official labour statistics are known as uncounted informal sector. The criteria provided by Paul are

applicable to Alang ship breaking yard. According to International Federation of Human Rights (2000) Alang ship breaking yard provide employment opportunities to number of skilled and unskilled labours, which varies between 30,000-40,000. There are many industries depends on Alang ship breaking yard and generate total employment of 1.5 to 1.6 lakhs. It includes various downstream and upstream industries. However, the records of these labours are not found in any statistics expect those employed in upstream industries.

Conclusion

Central and State Governments have formulated rules and regulations to protect the conditions of work of the labours. In the present study, the industry comes under organised sector and most of the industrial as well as labour laws are applicable. But these laws are not properly implemented by the ship breakers and authorities. Due to this workers are not covered by social security and face adversity in terms of hours of work, safety etc. Alang ship breaking yard is characterized by lack of registration of labours under Factories Act as well as Inter-State Migrant Workmen's Act. Labour intensive technique of production and untrained workers are some of characters of this industry, which shows the informality of this industry. Overall it is found that the Alang ship breaking industry even after functioning for more than 25 years retain some informal characters.

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