



## A CRITICAL EVALUATION OF UNORGANIZED SECTOR IN INDIA

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### ABSTRACT

The Indian economy is characterized by the existence of a vast majority of unorganized labour employment. As per a survey carried out by the National Sample Survey Organization (NSSO) in 2009–10, the total employment in the country was of 46.5 crore comprising around 2.8 crore in the organized and the remaining 43.7 crore workers in the unorganized sector. Out of these workers in the unorganized sector, there are 24.6 crore workers employed in agricultural sector, about 4.4 crore in construction work and remaining in manufacturing and service. Unorganized Sector refers to economic activities i.e. production and distribution of goods and services by the operating units of the households which essentially differ from the formal sector in terms of technology, economies of scale, use of labour intensive processes, and virtual absence of the well maintained accounts. It embraces a widely dispersed multitude of operating units with high rates of birth and death and substantial mobility. Hence, there is need to monitor the size and structure of this sector and its performance over time for framing appropriate policies. In this paper an attempt to know Industry wise distribution of NDP in organized and unorganized sector and also try to attempt status of registered and unregistered enterprise in the country.

### KEYWORDS

Indian economy, Unorganized Employment, Informal Economy, Unorganized Sector

### INTRODUCTION

Unorganized or informal sector constitutes a pivotal part of the Indian economy. More than 90 per cent of workforce and about 50 per cent of the national product are accounted for by the informal economy. A high proportion of socially and economically underprivileged sections of society are concentrated in the informal economic activities. The high levels of growth of the Indian economy during the past two decades are accompanied by increasing informalisation. There are indications of growing interlinages between informal and formal economic activities. There has been new dynamism of the informal economy in terms of output, employment and earnings. Faster and inclusive growth needs special attention to informal economy. Sustaining high levels of growth are also intertwined with improving domestic demand of those engaged in informal economy, and addressing the needs of the sector in terms of credit, skills, technology, marketing and infrastructure. The term „unorganized worker“ has been defined under the Unorganised Workers“ Social Security Act, 2008, as a home based worker, self-employed worker or a wage worker in the unorganised sector and includes a worker in the organised sector who is not covered by any of the Acts mentioned i.e. The Employee“s Compensation Act, 1923 , The Industrial Disputes Act, 1947 , The Employees“ State Insurance Act, 1948 , The Employees Provident Funds and Miscellaneous Provision Act, 1952 , The Maternity Benefit Act, 1961 and The Payment of Gratuity Act, 1972 . The survey carried out by the National Sample Survey Organisation in the year 2009- 10, the total employment in both organized and unorganised sector in the country was of the order of 46.5 crore. Out of this, about 2.8 crore were in the organised sector and the balance 43.7 crore in the unorganized sector. Out of 43.7 crore workers in the unorganised sector, 24.6 crore workers were employed in agriculture sector, 4.4 crore in construction, and remaining were in manufacturing activities, trade and transport, communication & services. A large number of unorganized workers are home based and are engaged in occupations such as **beedi rolling, agarbatti making, papad making, tailoring, and embroidery** work.

### AT INDIAN PERSPECTIVE

The Indian Economy is characterized by the existence of a vast majority of informal or unorganized labour employment. As per the Economic Survey 2007-08, 93% of India’s workforce include the self employed and employed in unorganized sector. The Ministry of Labour, Government of India, has categorized the unorganized labour force under four groups in terms of Occupa-

tion, nature of employment, specially distressed categories and service categories.

#### • In terms of Occupation:

Small and marginal farmers, landless agricultural labourers, share croppers, fishermen, those engaged in animal husbandry, beedi rolling, labeling and packing, building and construction workers, leather workers, weavers, artisans, salt workers, workers in brick kilns and stone quarries, workers in saw mills, oil mills etc. come under this category.

#### • In terms of Nature of Employment:

Attached agricultural labourers, bonded labourers, migrant workers, contract and casual labourers come under this.

#### • In terms of Specially distressed categories:

Toddy tappers, Scavengers, Carriers of head loads, Drivers of animal driven vehicles, Loaders and unloaders come under this category.

#### • In terms of Service categories:

Midwives, Domestic workers, Fishermen and women, Barbers, Vegetable and fruit vendors, News paper vendors etc. belong to this category.

In addition to these four categories, there exists a large section of unorganized labour force such as cobblers, Hamals, Handicraft artisans, Handloom weavers, Lady tailors, Physically handicapped self employed persons, Rikshaw pullers, Auto drivers, Sericulture workers, Carpenters, Tannery workers, Power loom workers and Urban poor.

Though the availability of statistical information on intensity and accuracy vary significantly, the extent of unorganized workers is significantly high among agricultural workers, building and other construction workers and among home based workers. According to the Economic Survey 2007-08 agricultural workers constitute the largest segment of workers in the unorganized sector (ie. 52% of the total workers).

As per the National Sample Survey Organization (NSSO), 30 million workers in India are constantly on the move (migrant labour) and 25.94 million women workforce has been added in the labour market from the year 2000 onwards. All the more every day 13000 Indians turn 60 years and they are expected to live another average

of 17years. Unfortunately only 10% of the Indians save for old age. The tragedy is that the existing social security legislations cover only 8% of the total work force of 459 million in India.

The latest report of the NSSO uploaded by the close of May 2011 about the casual workers in India between 2004-05 and 2009-10 compared to that of the period between 1999 – 2000 and 2004-05 very clearly shows that there is significant increase in the number of casual workers and decline in the number of regular workers.

This report shows a substantial shift between 1999-00 and 2009-10 in the structure of the labour force which can be broadly divided into self employed, regular, and casual workers. (casual workers are employees who do not enjoy the same benefits and security as tenured employees. All daily wage employees and some categories of contract employees are casual labourers.)

All these NSSO reports are clear evidences to prove that the labour market of India has been undergoing tremendous transformations, including growth of informal sector activities, deterioration in the quality of employment (in terms of job security, terms and conditions at work), Weakening of worker organizations and collective bargaining institutions, marked decline in social security etc. To a greater extent, these transformation could be related to the ongoing globalization process and the resultant efforts on the part of employers to minimize the cost of production to the lowest levels. It is also evident that most of these outcomes are highly correlated and mutually reinforcing. A closer analysis suggests that the growing informalisation of labour market has been central to most of these transformations, which inter alia highlights the utility of understanding the growth of unorganized sector in India and its implications.

Many thought that India's growth could do no wrong, and took the administrative versions and interpretations for granted. Now it comes to a point that none of these can be taken for granted. Growth is slow, inflation is structural and structure of employment is not enough to cater to the growing labour force.

#### SCOPE OF THE STUDY

The present study is an attempt to make an enquiry into the various facets of employee welfare and social security measures in unorganized workers in India. The scope of the present study is both wide and narrow. It is wide because it covers almost all the components of welfare and social security measures. The scope of the study could also be viewed as narrow for it covers only one unorganized sector. This need not be a limitation of the study as an in-depth enquiry lends itself to incisive analysis and comprehensive coverage to get better insight into the issue relating employee welfare and social security.

#### REVIEW OF LITERATURE

**According to the definition of International Labour Organization (ILO, 2002)**, they comprise of the own-account workers in survival-type activities, e.g. vendors of vegetables, fruits, meat, fish, etc., and of non-perishable items like locks, clothes, vessels; garbage collectors, rag-and scrap pickers; head loaders, construction and agricultural workers, rickshaw- and cart-puller, etc.

**According to Kulshreshtha and Singh (1998)**, In the Indian economy, several studies have focused their analysis on its impact on Indian economy. Examined the contribution of unorganized segment and also the share of its different sub-sectors to NDP from 1980- 81 to 1994-95. They found that though the contribution of the unorganized segment to the total NDP has been declining progressively over time, it accounts for a large share (over 60%) to the 3 consumer goods industries.

**According to Arjun Sengupta** under the chairmanship of The commission submitted its first Report on Social Security for unorganized workers on 16th May 2006 recommending the creation of an entitlement of national minimum social security for

all the eligible unorganized workers. On 7th July 2007 the Commission again submitted a concise Report with two draft bills—one for unorganized workers in agriculture and another one for those who are outside agriculture – recommending legislation for a set of minimum conditions of work as well as national minimum social security. The report focuses on the conditions of work of informal or unorganized workers, in both the unorganized and organized sectors.

#### OBJECTIVES

- To find out present status and conditions of unorganized sector.
- To find out labour force involvement in unorganized sector.
- To evaluate the unemployment situation in India.
- To find out the impact of economic slowdown.

#### RESEARCH METHODOLOGY

This study was based on the secondary data with the help of government data.

**Secondary data:** Secondary data is the second hand information, which is already collected by others, and that information is available in printed form. The sources of secondary data used are: Magazines, Journals, Books, Company records etc.

#### LABOUR FORCE INVOLVEMENT IN UNORGANIZED SECTOR

In order to ensure welfare of workers in the unorganized sector, the Ministry of Labour & Employment has enacted the Unorganized Workers" Social Security Act, 2008. The Act has come into force with effect from 16.05.2009. Central Rules under the Act have been framed.

The Unorganized Workers" Social Security Rules, 2009 under the Act have been framed and the National Social Security Board was constituted on 18.08.2009. The National Board shall recommend social security schemes viz. life and disability cover, health and maternity benefits, old age protection and any other benefit as may be determined by the Government for unorganized workers. The National Board has held six meetings so far and recommended extension of Rashtriya Swasthya Bima Yojana (RSBY), Janshree Bima Yojana (JBY) and Old Age pension to certain categories of unorganized workers.

According to the Sample Survey conducted by NSSO in 2011 -12, about 5.02 crore workers are employed in the construction activities. The Government has enacted the following two legislations for the construction workers: - The Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996. The Building and Other Construction Workers" Welfare Cess, Act, 1996;

**Table: Percentage of Unorganized Workers by gender across the States 2013-2014**

S. No.	Name of the States	Male	Female	Total
1	Andhra Pradesh	92.5	96.1	94.0
2	Arunachal Pradesh	83.9	94.4	88.9
3	Assam	89.8	91.4	90.2
4	Bihar	97.1	99.2	97.5
5	Chhattisgarh	92.7	98.6	95.2
6	Delhi	94.6	98.8	95.8
7	Goa	71.9	75.0	72.8
8	Gujarat	88.6	97.6	91.6
9	Haryana	87.4	96.6	90.2
10	Himachal Pradesh	85.5	95.8	90.2
11	Jammu & Kashmir	85.7	96.3	88.5
12	Karnataka	90.0	95.3	91.9
13	Kerala	82.0	79.6	81.3
14	Madhya Pradesh	93.1	98.2	94.8
15	Maharashtra	86.6	95.0	89.6
16	Manipur	84.8	95.5	88.8
17	Meghalaya	88.4	91.1	89.6
18	Mizoram	81.0	92.9	83.9

19	Nagaland	76.0	94.7	83.9
20	Odisha	92.9	97.7	94.5
21	Punjab	89.5	94.3	90.9
22	Rajasthan	93.0	98.5	95.2
23	Sikkim	82.2	90.5	84.8
24	Tamil Nadu	87.2	94.3	89.9
25	Tripura	89.5	88.5	89.4
26	Uttar Pradesh	94.6	98.8	95.8
27	Uttaranchal	87.0	97.1	91.0
28	West Bengal	90.5	93.8	91.2
	All India	90.7	95.9	92.4

**Source: NCEUS**

Above table shows the details of the unorganized workers by gender across the states in the year 2013- 2014. The male workers are 90.7 and female workers are 95.9% in unorganized workforce. The female workers are more than male workers in unorganized sector as well as unorganized workers. The unorganized workers of male and female are higher in Bihar. It is very low in Goa state.

**UNEMPLOYMENT AND EMPLOYMENT SITUATION IN INDIA**

Unemployment in India is not a straightforward issue that can be either estimated directly with a single measuring rod or addressed with a single policy initiative. Even if a person is not reported to be unemployed on a particular point of time, he/she may be actually unemployed/under employed. Poor and weaker sections of society, particularly those who are engaged in subsistence agriculture and low income earning self-employment activities frequently face this situation as they do not get employment round the year. Hence, various approaches are used to measure different dimensions of unemployment in the country. The estimates for 2004-05 varied from 10.8 million (as per usual status - widely referred to as open unemployment) to 35 million (as per daily status which includes both open unemployment and underemployment). Hence, addressing underemployment along with open unemployment is important for policy initiatives, particularly, from the point of view of inclusive growth. As far as the question of open unemployment is concerned, it has to be tackled by creating new employment opportunities in the labour market.

The issue of underemployment, however, may require a variety of policy measures ranging from creation of new job opportunities to measures related to social security for workers, introducing innovative technology etc. Promoting rural nonfarm employment is considered as an important policy measure to address underemployment in the rural areas. Another crucial issue relates to the youth unemployment. Analysis of unemployment data for the year 2004-05 reveals that unemployment rates are very high in urban areas, particularly, in the age group of 15-24 years. Further, female unemployment rate in the age group of 20-24 years is the highest at approximately 27%. Among males, the highest unemployment rate is reported in the 15-19 years age group both in rural as well as urban areas. However, in the 20-24 years age group, male unemployment rates are 12% and 16% in rural and urban areas respectively. **Overall, in rural areas unemployment among youth (age 15-24 years) is approximately 12 to 15%. This highlights the need for the policy to focus on youth in the labour force, particularly to reap the benefits of demographic dividend.**

**Table: Growth Rate (%) of Employment in India**

Employment growth	1986-1995	1995-2005	2005-2014
<b>Rural</b>			
Male	1.93	0.80	2.20
Female	1.37	0.03	3.61
Persons	1.73	0.51	2.71
<b>Urban</b>			
Male	3.23	2.86	3.28
Female	3.78	1.50	5.41
Persons	3.34	2.58	3.71

<b>Total</b>			
Male	2.52	1.35	2.51
Female	1.67	0.19	3.90
Persons	2.06	0.98	2.95

**Source:** Based on NSSO Employment & Unemployment Survey Reports.

In the table highlight the percentage of Indian employment growth rate during three decades is not so significant. It is because of population growth rate. India's journey on the path of economic reforms has transformed it to one of the world's fastest growing economies. Its large and growing population is its best asset and can quadruple GDP and catapult India to the league of developed economies over the next decade. All this if a billion could be transformed into a productive workforce. For over half a decade now, India has been chanting the demographic mantra with little real progress. Because, with opportunities come challenges. The services sector needs many million knowledge workers. Lack of employability is endemic. India's large labour force has been stubborn in transition. Over 90% of the labour force is inadequately trained.

**IMPACT OF ECONOMIC SLOWDOWN**

Although magnitude of job loss in the organized sector was small to the extent of 0.3%, wage loss in the organized sector was significant. In unorganized sector, the job cuts were compensated with increased working hours of the retained workers and hence wages were increased, particularly, in textiles and handicraft sectors. Although the study is export sector specific and the results cannot be generalized for the entire Indian economy, the assessment for the country as a whole based on secondary data indicated that approximately 7 to 8 million potential jobs could not be created because of economic slowdown and resultant slowdown in the India's economic growth from 9% in 2007-08 to 6.7% in 2008-09. By any standard, the impact of economic slowdown on Indian labour market cannot be undermined as the same has potential to negatively impact the employment growth in future.

The Indian economy is back on the road to recovery as reflected by rising manufacturing and overall economic growth. At this stage, it is likely that most of the „stimulus packages“ announced during the slowdown period may be gradually phased out. However, what is important at this stage is to meticulously calibrate the process of phasing out. Unorganized sector enterprises may need some of the stimulus packages such as interest subvention, reduction in excise duty and other related taxes, soft credit, etc. to be continued until the economy achieves the growth rate of at least 8% and the economy is pushed back to a higher growth trajectory. In addition, special programmes for re-skilling and redeployment of retrenched workers during the slowdown period are highly desirable.

**RECOMMENDATION**

**First** of all, we are required to encourage re-employment of the unemployed to reduce number of people left with no other choice but to turn to self-employment through skill development programmes.

**Second-** Self-regulatory environment to provide information to prospective self-employers on where and which business he or she may face over-competition and therefore advising them on what and where to avoid.

**Third-** The government should encourage a well prepared business and help in setting business by potential self-employers to start businesses with sufficient preparation and to create good jobs by helping them to enhance productivity and develop to a sustainable and healthy business.

**CONCLUSION**

It is a great need to examine the extent of institutional finance to entrepreneur which plays an important role to in the lives of those

self-employed in unorganized sector. In the rural areas, 67 per cent of usually employed males and 84 per cent of usually employed females were engaged in the agricultural sector. The unemployment rate for males has increased from 5.6 per cent to 9.0 per cent in rural areas, and from 6.7 per cent to 8.1 per cent in urban areas.

In spite of the fact that not much has been done in providing social security cover to the rural poor and the unorganized labour force, the country has made some beginning in that direction. Both the central and state governments have formulated certain specific schemes to support unorganized workers which fail in meeting with the real needs and requirements of the unorganized sector labour force. This becomes clear even when the highly proclaimed National Rural Employment Guarantee Act - 2005 (NREGA), though it is a breakthrough, doesn't have common wage in different states and limits itself only to hundred day's work for those registered worker under the Act. What about the rest of the days in a year? As per this Act, the work guarantee applies in rural areas only, what about the urban poor? This the majour question on the front of Indian government.

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