



**ORIGINAL RESEARCH PAPER**

**Commerce**

**INFORMAL WORKERS AND SOCIAL SECURITY – ANALYTICAL OVERVIEW: WITH REFERENCE TO TIRUPUR CITY OF TAMILNADU**

**KEY WORDS:**

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**ABSTRACT**

The unorganised sector comprises, among others, activities which (a) are in the nature of self-employment and/or family labour; (b) pose difficulties in identifying the incumbents/players as either ‘employers’ or ‘employees’. In India the formal, or organized, sector is not able to generate employment opportunities for the unskilled or semi-skilled workers on a large scale, forcing them to get residually absorbed in the unorganized sector. The Indian Economy is characterised by the existence of a vast majority of informal or unorganized labour employment. As per the Recent Economic Survey, 94% of India’s workforce includes the self-employed and employed in unorganized sector. The study thus lays emphasis on the social security system that needs to be effective and constructive and should have of more and more coverage areas. The government should get the confidence of the working class to protect them from uncertain contingencies so that they can happily contribute towards social security benefits.

**INTRODUCTION**

Unorganised sector remains easy to describe, but difficult to define. The unorganised sector comprises, among others, activities which (a) are in the nature of self-employment and/or family labour; (b) pose difficulties in identifying the incumbents/players as either ‘employers’ or ‘employees’. Therefore, in these situations, even the definition offered by the NCEUS does not prove adequate when one considers policy measures concerning conditions of work in the unorganised sector. It is equally difficult to define conditions of work, particularly in the context of the return of the putting out system even in the organised sector where the distinction between work and home is getting blurred.

In India the formal, or organized, sector is not able to generate employment opportunities for the unskilled or semi-skilled workers on a large scale, forcing them to get residually absorbed in the unorganized sector. At the same time, the unorganized sector is believed to have work consignments from the organized sector and this ancillarization process is contributing to employment creation. In the backdrop of these views the present study, using the unit level data of the National Sample Survey (NSS, 2010-11), makes an attempt to estimate the employment elasticity and wage-productivity nexus in the unorganized sector. Although the employment function estimated in the paper suggests employment can be raised through wage reduction, it can affect the wellbeing of the workers because the wage rate in the unorganized sector is already very low. Further, subcontracting or ancillarization does not seem to be contributing to employment generation in unorganized manufacturing or trade related activities. However, in the services sector it shows a positive impact. The equation representing determinants of wages shows units with assets are better-off compared to those that do not have them. This has an important policy implication, suggesting that through asset creation, government may bring in improvements in livelihood of the unorganized sector enterprises.

There is a growing prominence of unorganized sector in India. Predominance of informal sector has been one of the central features of the labor market scenario in India. India initiated the process to integrate its domestic economy with the world economy from early 1990s due to severe balance of payments crisis, high fiscal deficit and high inflation rate. Since 1991 liberalization has exposed all industrial units including small home-based enterprises in the informal sector to the inherent risks of free market competition. Because of its wide coverage, the impact of economic liberalization is very significant on entire economy, or on both formal/organized and informal/unorganized sectors.

In the developing country like India everybody wants to get job in the formal sector. At the present scenario, formal sector is unable to absorb all the work force. Those who are unable to find job in the formal sector or retrenched by the formal sector generally get absorbed in the informal sector. If formal sector squeezes (i.e., job cut in the formal sector), the retrenched people immediately move to informal sector. On the other hand, if formal sector expands, people move from informal sector to formal sector. That means

informal sector serves the role of „reserve army of labour . In this context, it is important to note that a large number of workers are working in the formal sector without having any social security benefit (i.e., contract workers). That means there is a percentage of informal employment within the formal sector.

Informal sector is also divided into two broad categories: traditional household based informal sector and modern informal sector (Ranis and Stewart (1999). Traditional informal sector is characterized as very small size, low capitalization, low labour productivity, static technology and household based production unit. Modern informal sector is characterized as larger in size, capital intensive and more dynamic in technology.

**IMPACT OF TRADE LIBERALIZATION**

According to Ghosh and Paul (2008), trade liberalization aims to promote an economy’s exports to the world, creating employment opportunities to growth. Contrary to this argument, it has been seen in the developing country trade liberalization has exposed all the industrial units to the inherent risk of free market competition. They are trying to reduce their cost of production. For doing so the consequences may be as follows:

- 1) Modern capital intensive technology replaces the labour intensive technology. So, there is large number of employment loss in the formal sector. The retrenched workers from the formal sector are getting absorbed in the informal sector due to its easy entry.
- 2) A large numbers of workers are informally employed in the formal sector.
- 3) There may be a change in the organization of production in the formal sector. A significant amount of sub-contracting taking place. By giving contract to the informal sector to produce semi-finished product, formal sector is reducing their cost of production. The output of the informal sector is used as a raw material of the formal sector.

Being unprotected informal sector has the problem of information asymmetry regarding the market access. If formal and informal sector compete with each other producing the same kind of product, the market will be divided between these sectors. On the contrary if there is a vertical linkage through subcontracting between formal and informal sector, the relationship is complementary i.e., growth of one sector will help to grow the other sector as well.

**THE PREDICAMENT**

The labour market eco system in the country has produced several dilemmas for the policy makers and the players. Given the twin problems of unemployment and unemployability in a situation where there is no social protection for the unemployed, there is this dilemma of whether jobs first and decent job later or should the approach is decent jobs alone. No one can be complacent about conditions of work in the unorganised sector. Normatively speaking, every one should have decent work. In reality, however, the one who has some job craves for a better job. But, in the

absence of any credible system of social protection, most people who do not have any job believe that some job is better than no job. Hence, there is persistent growth in the number of working poor, both in absolute and relative terms. When some one argues only decent jobs, it has to be seen whether that is coming from a person whose belly is full. Notwithstanding what has just been said, the ILO led concept of Decent Work (ILO, 1999) has been a major source for improvement in job quality. Within the country, one sees a continuous pressure and effort to bring out significant improvements in job quality, conditions of work, social protection and security for the workers in the unorganised sector. Parallely one also sees a tendency to deregulate the organised employment through outsourcing/ subcontracting with the terms of conditions undefined, wages low and working conditions inhuman. Home work and putting out system are returning back in several sectors such as textiles, beedi, toys, etc. It is important to take note of the camouflaging of the embedded economic and social conditions, overlay of family life and often unaccounted and unpaid value additions by women and child labour when work goes home. Discussion on conditions of employment in unorganised sector points to the convergence and/or conflict between human rights and employment rights. The position one takes on the related issues depends on one's perspective. For instance, simple economic calculus will encourage growth mediated income protection as the primary if not the only source of good working conditions. The other, quality of life oriented thinking, will encourage certain minimum conditions regardless of economic capability of the national capacity or the industry/enterprise concerned. There are no easy answers.

**Recent Initiatives**

There is no dearth of initiatives by the government to address the problem of poverty and unemployment. They include, for instance, the following: (a) National Rural Employment Guarantee Scheme, (b) National Rural Health Scheme, (c) Sarva Siksha Abhigyan, and (d) Bharat Nirman Yojana

**RESEARCH METHODOLOGY**

**OBJECTIVES OF THE STUDY**

Following are the objectives of the study:

1. To examine the employers' attitude so as to know whether the provision of welfare and social security benefits of unorganized sectors in Tirupur city.
2. To analyse the opinions of workers about the provision of welfare and social security benefits and also to know the adequacy of these facilities in Tirupur city.

**HYPOTHESES**

H01: There is no relationship between unorganised workers and social security on the basis of their in service and after service benefits of the respondents.

H02: There is no relationship between unorganised workers and social security on the basis of their demographic profile of the respondents

**SOURCE OF DATA**

The primary data for the study were collected directly from the sample employers and workers through a well-devised interview schedule. Primary data were collected from sample 150 respondents from Tirupur city of Tamil Nadu.

**SAMPLING DESIGN**

Since the population is unknown, the samples were chosen by adopting the Convenient Sampling method and the data were collected through interview schedule method.

**LIMITATIONS OF THE STUDY**

The study is restricted to Tirupur city only.

The researcher has selected only 100 samples. Such small quantity of the respondents cannot represent the characteristics of women entrepreneurs as a whole.

**FINDINGS AND DISCUSSION**

1. Among 100 sample unorganized sector employers, 78 (78. per

cent) are male and 22 (22 per cent) are females.

2. Majority of the firms having two partners which is 32 per cent and 28 per cent of the firms having three partners. Out of the sample 19 per cent of the firms contain one partner and rest of them having above three partners which shows 21 per cent. It concludes from the analysis most of the firms having two partners.
3. Majority of the sample unorganized sectors are not having the branches which is 71 per cent and rest of them having branches which shows 29 per cent.
4. Majority of the sample unorganized sectors owned three branches which shows 36 per cent and 23 per cent having two branches. Out of the sample 22 per cent owned four branches and remaining of them having above four branches which show 19 per cent.
5. Most of the sample unorganized sectors not owned branches in the same town which indicates 59 per cent and rest of them having branches in the same town which is 41 per cent.
6. Majority of the employers agreed that they are provide social security scheme for their workers shows 55 per cent and 49 per cent of employers not provide any security scheme to its workers.
7. Service benefits shows 78 per cent and 22 per cent of the organizations give after service benefits.
8. The analysis result has find out that workers contribution shows 54 per cent and 46 per cent of the organizations paid the premium.
9. The salary for the medical insurance premium which indicates 62 per cent and rest of them agreed that they deducted from the salary which is 38 per cent.

**CONCLUSION**

The Indian Economy is characterised 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. And according to the Economic Survey 2007-08 agricultural workers constitute the largest segment of workers in the unorganised sector (i.e. 52% of the total workers). As for the concept of informal or unorganized labour, and formal and organized labour, it has not been defined anywhere scientifically. The present study concluded that the organized efforts are necessary for the welfare of unorganised workers class. They are the most vulnerable and deprived section of the society in the need of protection, security, benefits and assistance. A lot of weakness has been found relating the proper implementation, inadequacy of benefits, long procedure of assigning benefits and the like. Obviously such factors create great hurdles in the proper execution of social security measures and are also responsible for the limited utilization of the social security legislation which hit the basic aim and objectives of the social security. The social security system needs to be effective and constructive and should have of more and more coverage areas. The government should get the confidence of the working class to protect them from uncertain contingencies so that they can happily contribute towards social security benefits.

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