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## **Unorganised Workers: A Core Strength of Indian Labour Force: An Analysis**

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### **ABSTRACT**

The Indian economy is characterised by the existence of a vast majority of informal or unorganised labour employment. As per a survey carried out by the National Sample Survey Organisation (NSSO) in 2009–10, the total employment in the country was of 46.5 crore comprising around 2.8 crore in the organised and the remaining 43.7 crore workers in the unorganised sector. Out of these workers in the unorganised sector, there are 24.6 crore workers employed in agricultural sector, about 4.4 crore in construction work and remaining in manufacturing and service. The Indian Economic system 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 Occupation, nature of employment, especially distressed categories and service categories.

**Keywords:** Unorganized Employment, Informal Economy, Unorganized Sector, Underprivileged Sections

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### **INTRODUCTION**

Unorganised 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 'unorganised 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 unorganised 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.

The unorganised workers suffer from cycles of excessive seasonality of employment, lack of a formal employer- employee relationship and absence of social security protection. Several legislations such as the Employee's Compensation Act, 1923; the Minimum Wages Act, 1948; the Maternity Benefit

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Act, 1961; the Contract Labour (Abolition and Prohibition) Act, 1970; Building and Other Construction Workers (Regulation of Employment & Conditions of Service) Act, 1996; and the Building and Other Construction Workers Welfare (Cess) Act, 1996 etc. are directly or indirectly applicable to the workers in the unorganised sector also.

The Ministry of Labour is also operating Welfare Funds for some specific categories of workers in the unorganised sector like beedi workers, cine workers and certain non-coal mine workers. The funds are used to provide various kinds of welfare activities to the workers in the field of health care, housing, education assistance for children, water supply etc. The Government has launched Group Insurance Scheme, **Aam Admi Bima Yojana** for landless rural households which also include workers in the unorganised sector. **(Ministry of Finance, Government of India has approved the merger of Social Security Schemes viz., Aam Admi Bima Yojana (AABY) and Janashree Bima Yojana (JBY).The merged scheme is renamed “Aam Admi Bima Yojana” and has come into effect from 01.01.2013.)**

## **COMPREHENSIVE LEGISLATION FOR WORKERS IN THE UNORGANIZED SECTORS**

In order to ensure welfare of workers in the unorganized sector, the Ministry of Labour & Employment has enacted the Unorganised 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 Salient features of the Act are as under Section (2) provides for the definitions, including those relating to unorganised worker, self-employed and wage worker. Section 3 (1) provides for formulation of schemes by the Central Government for different sections of unorganised workers on matters relating to (a) life and disability cover; (b) health and maternity benefits; (c) old age protection (d) any other benefit as may be determined by the Central Government. Section 3 (4) provides for formulation of schemes relating to provident fund, employment injury benefits, housing, educational schemes for children, skill up gradation, funeral assistance and old age homes by the State Governments. Section 4 relates to funding of the schemes formulated by Central Government. Section 5 envisages constitution of National Social Security Board under the chairmanship of Union Minister for Labour & Employment with Director General (Labour Welfare) as Member Secretary and 34 nominated members representing Members of Parliament, unorganised workers, employers of unorganised workers, civil society, Central Ministries and State Governments. Provision for adequate representation to persons belonging to the Scheduled Castes, the Scheduled Tribes, the Minorities and Women in the Board has been made. The National Board would recommend the Central Government suitable schemes for different sections of unorganised workers; monitor implementation of schemes and advise the Central Government on matters arising out of the administration of the Act. Section 6 has provision for constitution of similar Boards at the State level. Section 7 relates to funding pattern of the schemes formulated by the State Governments. Section 8 prescribes record keeping functions by the District Administration. For this purpose, the State Government may direct (a) the District Panchayat in rural areas; and (b) the Urban Local Bodies in urban areas to perform such functions. Section 9 provides for setting up of Workers’ Facilitation Centre to (a) disseminate information on social security schemes available to them (b) facilitate registration of workers by the district administration and enrolment of unorganised workers. Section 10 provides for eligibility criteria for registration as also the procedure for registration under the Act. Sections 11-17 contain miscellaneous provisions for implementing the Act.

The Unorganised 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.

Apart from the above, a Health Insurance Scheme namely, the ‘Rashtriya Swasthya Bima Yojana’ for BPL families (a unit of five) in Unorganised Sector was formally launched on 1 st October, 2007. The scheme became operational from 1st April, 2008 and benefit under scheme started accruing to the beneficiaries. The benefits under the scheme include: Beneficiaries are entitled to smart card based cashless health insurance cover of Rs.30,000 per family per annum on a family floater basis.

Coverage of all pre-existing diseases. Coverage of hospitalisation expenses, including maternity benefit. Payment of transportation cost of Rs.100/- per visit. Till 31.03.2014, the RSBY is being implemented in 28 States/ UTs and 3.85 crore smart cards have been issued. RSBY has been extended to building and other construction workers registered under the Building and other Construction Workers (Regulation of Employment and Condition of Service) Act, 1996 and street vendors, beedi workers, domestic workers and MGNREGA beneficiaries who have worked for more than 15 days during the preceding financial year and domestic workers.

With a view to providing death and disability cover to rural landless households between ages 18-59 years, the ‘Aam Aadmi Bima Yojana’ has also been launched on 02.10.2007. Under the scheme, the head of the family or one earning member in the family will be insured. The Central Government will bear 50% of the premium of Rs.200/- per year per person and the remaining 50% of the premium will be borne by State Government. The benefits under the scheme include a cover of Rs.30,000 in case of natural death and Rs.75,000 in case of death due to accident or total permanent disability (loss to two eyes or two limbs or loss of one eye and one limb in accident). In case of partial permanent disability (loss of one eye or one limb in an accident), the insurance cover would be Rs.37,500/-. The Scheme also envisages an add-on benefit of providing scholarship up to a maximum of two children of beneficiary studying in 9th to 12th Standard at the rate of Rs.300/- per quarter per child. More than 4.54 crore persons have been covered up to 31.03.2014.

The Government of India have recast the National Old Age Pension Scheme. The new Scheme “Indira Gandhi National Old Age Pension Scheme (OGAOAPS)” was launched on 19.11.2007. Old age pension is now provided not only to aged destitute but to all citizens above the age of 60 years and living below the poverty line. For persons above the age of 80 years the amount has been raised from Rs.200/- to Rs.500/- per month. The States have been asked to top up with the Central Government per capita grant of Rs.200/- per month. More than 2.18 crore persons have been covered up to 31.03.2014.

To encourage the workers from the unorganized sectors to voluntarily save for their retirement and to lower the cost of operations of the New Pension Scheme (NPS) for such subscribers, the Central Government launched a co-contributory pension scheme called “Swavalamban” on 26.09.2010. The Government of India contributes a sum of Rs.1, 000/- to each eligible NPS subscribers who contributes a minimum of Rs.1, 000/- and maximum of Rs.12, 000/- per annum under the “Swavalamban” Scheme. Government’s contribution @ Rs.1, 000/- is available for five years till 2016-17 for all accounts opened till 2012-13. The scheme is likely to benefit around 70 Lakh workers from the unorganized sector by the year 2016-17. Till 10.11.2012 more than 11.29 lakh enrolment has been done under “Swavalamban”

In India approximately 94% of workers are in the unorganized sector. Government of India has enacted “The Unorganized Workers Social Security Act, 2008” for welfare of the unorganized workers. Various Social Security Schemes are currently being run by different Ministries / Departments and agencies at the State Level, with different eligibility criteria, enrolment processes and benefit there under etc. This requires an unorganized order to approach different Government agencies and departments for registration. The beneficiary also faces various challenges in availing the benefits of the schemes. The beneficiary is also constrained by lack of awareness about entitlement, benefits and eligibility for various schemes, process and documentation for registration, availing benefits and grievances redressal mechanisms under these Schemes. In addition, there are incidental wage loss and travel expenses for availing benefits under different schemes. This has given rise to the need to have a single data base detailing eligibility of every unorganized worker and he provisions for a single smart card into which the registration and other data for multiple schemes are entered.

To achieve this, Government of India has approved a proposal for Convergence and three major Social Security Schemes for Unorganized Workers on a single smart card platform based on a single unified data base. The Schemes are Rashtriya Swasthya Bima Yojana (RSBY) of Ministry of Labour & Employment providing health and maternity cover, Aam Aadmi Bima Yojana (AABY) of Department of Financial Services, Ministry of Finance providing life and disability cover and Indira Gandhi Old Age Pension Scheme (IGNOPAS) of Ministry of Rural Development for old age protection through a common data base and single Smart Card valid across India. Government has also decided that this data base and single smart card will be implemented on pilot basis in 20 districts across the country, to begin with. More than 3000 single points of contact will be set up under the

pilot project. An unorganized worker would be able to avail the services of registration, support for services, claiming benefits and grievances under various schemes using a single Smart Card at Single Point of Contact near to his residence. The scheme will be sealed up across the country, based on the evaluation of the Pilot Project.

## **THE BUILDING AND OTHER CONSTRUCTION WORKERS**

The construction workers constitute one of the largest categories of workers in the unorganized sector. 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;

Further, the Building and Other Construction Workers (RECS) Central Rules, 1998 have been notified on 19.11.1998.

The Act is applicable to every establishment which employs 10 or more workers in any building or other construction work. The Act does not apply to individual. There is also provision of constitution of Central and the State Advisory Committees to advise the appropriate Governments on matters arising out of administration of the law besides constitution of Welfare Boards by the State Governments and registration of beneficiaries under the Fund and provision for their identity cards etc. These legislations provide for regulating the employment and conditions of service, safety and health and welfare measures for the construction workers by setting up a Welfare Fund at the State level to be financed by contribution made by beneficiaries, levy of cess on all construction works at rates between 1 to 2% of the construction cost incurred by an employer (the Government has notified the cess @ 1%). The Fund is to be used for providing financial assistance to the families of beneficiaries in case of accident, old age pension, housing loans, payment of insurance premia, children's education, medical and maternity benefits, etc.

All State Governments and Union Territories have constituted State Welfare Boards. The Government of Tamil Nadu has been implementing its own Act. Till 30.09.2014, an amount of Rs.15217.71 crore approximately has been collected as Cess by the State Governments and Union Territories and an amount of Rs.2702.97 crore has been spent on welfare schemes formulated by them.

## **GROWING PROMINENCE OF UNORGANIZED WORKERS IN INDIA**

Predominance of informal employment has been one of the central features of the labour market scenario in India. While the sector contributes around half of the GDP of the country, its dominance in the employment front is such that more than 90% of the total workforce has been engaged in the informal economy. As per the latest estimation of a Sub-committee of the National Commission for Enterprises in the Unorganized Sector (NCEUS), the contribution of unorganized sector to GDP is about 50% (NCEUS 2008).

This national level pattern of informal workers occupying around 90% of the workforce is more or less similar in the case of most of the prominent states in the country. Among the unorganized sector workers, a considerable proportion (about 65%) is engaged in agricultural sector, which in turn indicates the prominence of rural segment in the informal economy.

The growth of formal employment in the country has always been less than that of total employment, indicating a faster growth of employment in the informal sector. Available data suggests that within the formal sector also the proportion of informal / unorganized workers is on the increase. For instance, by providing a comparison of the NSSO Employment Data for 55th and 61st Rounds (for 1999-2000 and 2004-05 respectively) the NCEUS (2007) explains that the country is currently in a state of “in formalisation of the formal sector”, where the entire increase in the employment in the organized sector over this period has been informal in nature.

It is widely acknowledged that the informal sector in India suffers from a low productivity syndrome, compared to the formal sector. The prominent features of the sector are lower real wages and poor working / living conditions.

Further, the sector is characterized by excessive seasonality of employment (especially in the farm sector), preponderance of casual and contractual employment, atypical production organizations and

work relations, absence of social security measures and welfare legislations, negation of social standards and worker rights, denial of minimum wages and so on. Poor human capital base (in terms of education, skill and training) as well as lower mobilization status of the work force further add to the vulnerability and weaken the bargaining strength of workers in the informal sector. Thus, the sector has become a competitive and low cost device to absorb labour, which cannot be absorbed elsewhere, whereas any attempt to regulate and bring it into more effective legal and institutional framework is perceived to be impairing the labour absorbing capacity of the sector.

With the advent of globalization and resultant reorganization of production chains led to a situation where production systems are becoming increasingly atypical and non-standard, involving flexible workforce, engaged in temporary and part-time employment, which is seen largely as a measure adopted by the employers to reduce labour cost in the face of stiff competition. No doubt, it obviously indicates that these flexible workers in the new informal economy are highly vulnerable in terms of job security and social protection, as they are not deriving any of the social protection measures stipulated in the existing labour legislations. The insecurities and vulnerabilities of these modern informal sector labours are on the rise, as there is a visible absence of worker mobilization and organized collective bargaining in these segments owing to a multitude of reasons.

The alarming expansion of informal sector, in recent times, has adversely affected employment and income security for the larger majority of the workforce, along with a marked reduction in the scale of social welfare / security programme.

In our “global” cities such as Bangalore, which are being show-cased as the new faces of an affluent and vibrant India, there are lakhs of people who rely on manual labour for their own livelihood. The housemaids, security guards, construction workers, garment workers, cobblers, beedi workers, agarbati workers, drivers and many others have a very different story to tell. Their incomes have not grown at the staggering rate of their employers; indeed adjusted for inflation their incomes have often fallen over the last two and half decades, driving them into deeper poverty.

### **THE MAJOR CHARACTERISTICS OF THE UNORGANISED WORKERS**

- The unorganized labour is overwhelming in terms of its number range and therefore they are omnipresent throughout India.
- As the unorganized sector suffers from cycles of excessive seasonality of employment, majority of the unorganized workers does not have stable 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.
- There is no formal employer – employee relationship
- In rural areas, the unorganized 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 unorganized workers in urban areas are basically migrant workers from rural areas.
- Workers in the unorganized sector are usually subject to indebtedness and bondage as their meager income cannot meet with their livelihood needs.
- The unorganized workers are subject to exploitation significantly by the rest of the society. They receive poor working conditions especially wages much below that in the formal sector, even for closely comparable jobs, ie, 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 unorganized 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 to the outside world are also responsible for such poor absorption.
- The unorganized workers do not receive sufficient attention from the trade unions.
- Inadequate and ineffective labour laws and standards relating to the unorganized sector.

**Table1.** Percentage of Unorganized Workers by gender across the States 2013-2014.

S. No.	Name of the States	Unorganised Workers		
		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.	Goa	71.9	75.0	72.8
6.	Gujarat	88.6	97.6	91.6
7.	Haryana	87.4	96.6	90.2
8.	Himachal Pradesh	85.5	95.8	90.2
9.	Jammu & Kashmir	85.7	96.3	88.5
10.	Karnataka	90.0	95.3	91.9
11.	Kerala	82.0	79.6	81.3
12.	Madhya Pradesh	93.1	98.2	94.8
13.	Maharashtra	86.6	95.0	89.6
14.	Manipur	84.8	95.5	88.8
15.	Meghalaya	88.4	91.1	89.6
16.	Mizoram	81.0	92.9	83.9
17.	Nagaland	76.0	94.7	83.9
18.	Odisha	92.9	97.7	94.5
19.	Punjab	89.5	94.3	90.9
20.	Rajasthan	93.0	98.5	95.2
21.	Sikkim	82.2	90.5	84.8
22.	Tamil Nadu	87.2	94.3	89.9
23.	Tripura	89.5	88.5	89.4
24.	Uttar Pradesh	94.6	98.8	95.8
25.	West Bengal	90.5	93.8	91.2
26.	Delhi	94.6	98.8	95.8
27.	West Bengal	990.5	93.8	91.2
28.	Chhattisgarh	92.7	98.6	95.2
29.	Uttaranchal	87.0	97.1	91.0
<b>30.</b>	<b>All India</b>	<b>90.7</b>	<b>95.9</b>	<b>92.4</b>

**Source:** NCEUS

Table-1 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 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 non-farm employment is considered as an important policy measure to address under-employment 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 (Figure 3). 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’.

## **INTERNATIONAL DEVELOPMENTS**

Indian economy has increasingly globalised ever since the policy of economic liberalisation started nearly two decades ago. Liberalisation of external sector provided enough boost to Indian exports growing at approximately 25% per annum until the worst ever world-wide economic slowdown struck the Indian economy in 2008. A long term trend in the India’s trade of commodity essentially indicates a steady and sustained growth both in imports as well as exports. India’s trade share to national income (Gross National Product or, GNP’) rose from barely less than 10% during the period of pre-liberalisation (before 1991-92) to approximately 14% by the beginning of this Century and reached 27% during 2008-09. In fact during the entire post-liberalisation period, it is only during second half of 2008 that India’s trade (both imports and exports) for the first time reflected a sign of downturn or at least stagnation. However, the trend picked up soon and the year of 2009 started showing increase in the share of total trade to India’s GNP. These developments have not only led the Indian economy on trajectory of higher economic growth but also impacted Indian labour market significantly. Increased exports from India have scaled up employment opportunities in the export oriented sectors both modern as well as traditional sectors. Some of the high employment potential sectors include information technology, information technology enabled services, engineering goods, gems and jewellery, readymade garments, other textiles and handicrafts. Increased international trade has also provided the impetus for the introduction of new and modern.

Technologies and thus have direct bearing on skill enhancement of Indian workforce. Indian economy is today facing new challenges on the international fronts which have implications for employment growth.

### **Some of these Challenges are:**

- Absorbing capital inflow for investment purpose;
- Providing enough security to migrant workers going abroad;
- Enhancing skill levels of migrant workers going abroad for better employability ;
- Protecting small and medium enterprises (SMEs) which face unequal competition; and
- Providing incentives to labour intensive export sectors – textiles (mainly handloom and other traditional textile sectors), gems and jewellery, handicrafts etc which are facing decline in profitability

## **IMPACT OF ECONOMIC SLOWDOWN**

Although magnitude of job loss in the organised sector was small to the extent of 0.3%, wage loss in the organised sector was significant. In unorganised 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 generalised 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. Unorganised 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.

**Table2.** 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

**Table2.** 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.

**Table3.** Projected Population, LFPR, LP and Employment during 2009-10 to 2014-15

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Total Population ( In Millions )	1177	1193	1208	1224	1239	1254
LFPR (%)	44.2	44.4	44.8	45.1	45.4	45.8
Labour Force ( In Millions )	520	530	541	552	56.2	57.4
Annual Incremental labour force ( In Millions)	10	10	11	11	11	11
Scenario I- Employment growth ( 2% ) ( In Millions)	506	516	526	537	548	559
Scenario II- Employment growth (2.25% ) ( In Millions)	506	517	529	541	553	566
Scenario III- Employment growth ( 2.5% ) ( In Millions)	506	519	532	545	559	572

**Note and sources:** Population projections have been taken from RGI, 2006; Projection of LFPR has been done on the basis of linear trends in LFPR observed between 1993-94 and 2004-05 across rural-urban, male-female and various age groups of population; employment projection is based on employment elasticity observed during 1993-94 and 2004-05 and GDP growth for 2009-10.

## PROJECTIONS OF LABOUR FORCE AND WORKFORCE

This section attempts to project some of the key labour market indicators of crucial policy implication for the period 2009-10 to 2014-15. The projected figure for 2009-10 is useful to understand the current labour market situation while the projections for later years are helpful to understand the emerging scenario during the next five years or so to plan and formulate policy accordingly. These projections follow methodology used by Rangarajan et.al, 2006. Projection of total labour force has been done on the basis of trends observed between two quinquennial rounds of NSSO surveys for 1993-94 to 1999-2000 and 1999-2000 to 2004-05. The employment figures for 2009-10 are projected on the basis of the employment elasticity with respect to Gross Domestic Product (GDP) observed during the period 1994-2005. At this stage, it is important to note that along with other economies of the world, the Indian economy was also affected, during the economic slowdown period of 2008-2009. Since the economic growth was down to 6.7% per annum in 2008-09 as compared to 9% in 2007-08, the employment growth also decelerated significantly. Accordingly, based on the employment elasticity with respect to GDP, the employment for 2009-10 is estimated to be 506 million with an average annual growth rate of 1.97% for the period 2004-05 to 2009-2010. The



labour force for 2009-10 is estimated to be 520 million. Further, projections for labour force and employment for the year 2009-10 were followed by a projection of the same for the period 2010-2015 on a yearly basis. This yielded the total magnitude of labour force increasing from 520 million in 2009-10 to 574 million in 2014-15 implying approximately 10 to 11 million additional number of persons joining the labour force each year during this period. For employment projection, three different scenarios have been considered: if employment grows at a) scenario I – 2% per annum, b) scenario II – 2.25% per annum and c) scenario III – 2.5% per annum. The estimates necessarily indicate that employment must grow at least at 2.5% per annum for the next five years so that most part of the open unemployment including the additions to the labour force may be taken care of by 2014-15 (Table 2). One obvious question that arises is what rates of economic growth will the country need to achieve the 2.5% annual growth in employment? The answer really lies in the magnitude of employment elasticity likely to prevail in future. Again, three different estimates are presented to have an idea about the possible employment elasticity and the required economic growth for achieving three different scenarios of employment growth. The estimates indicate that 2.5% growth in employment is achievable with an economic growth of approximately 9% provided the average employment elasticity of 0.29 observed between 1993-94 and 2004-05 continues. If the employment elasticity falls to 0.25, the required economic growth will be 10% per annum. Similarly, more than 12% growth will be required if the employment elasticity falls to 0.20. At the 0.20 employment elasticity and 10% economic growth, only 2% growth in employment can be achieved. The employment elasticity with respect to GDP growth, however, can be enhanced by promoting labour intensive technology and sectors of employment with high labour capital ratio. In the recent past, different studies have identified such sectors of employment at least at broad level. These studies highlight that manufacturing sectors such as „sugar“, „food processing“, „industrial machinery“, „leather and leather products“, „jewellery“, „footwear“, „jute and Mesta textiles“, „readymade garments“, „coir“, „furniture“, etc. are labour intensive sectors with an employment elasticity of more than 0.30. It is important to promote these industries in addition to enhancing investment in road infrastructure and power. In addition to these manufacturing sector industries, service sectors such as rail and road transport, tourism, retail trade, etc. are highly labour intensive. It is important to note that Public Private Partnership (PPP) is critical for attracting the necessary investment, especially in developing infrastructure.

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*----- Based on the employment elasticity with respect to GDP, the underlying annual employment growth has been worked out to be 2.80%, 2.80%, 2.47%, 1.77% and 1.25% for the years 2005-06, 2006-07, 2007-08, 2008-09 and 2009-10 respectively. This yields an average annual growth of 1.97% for the period 2004-05 to 2009-10.*

*Considering the robust and marginal growth in labour force of males and the significantly increasing female labour force, particularly in the 20-29 age group, the overall growth of LFPR varied between 0.5 to 1% during 2010-11 and 2014-15. Accordingly, it is estimated that the overall LFPR will increase to 45.8% by 2014-15 with much of the growth coming from the youth population attracting the necessary investment, especially in developing infrastructure.*

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## **QUALITY AND SUSTAINABLE EMPLOYMENT: A DECENT WORK APPROACH**

Quality of employment has been one of the main concerns in labour market studies in developing countries. In India, the reported status of a worker as „employed“ does not necessarily imply a reasonable level of earnings; nor does it reflect the status of living of workers. This is particularly evident from the fact that while the unemployment rate even by the highest estimate was 8.3%, the percentage of people below the poverty line was as high as 28% in 2004-05. It essentially implies that the problem in India is not only of unemployment but also of low productivity of work in which the poor are engaged. „Inclusive growth“ being one of the central concerns of the growth process India is presently following, improving the quality of work and raising levels of living standards of workers occupy the central place in the overall growth process.

## **ACTIVE LABOUR MARKET POLICIES**

Active labour market policies (ALMPs) are recognised as an important strategy for providing immediate access to employment for less advantaged groups in the labour market. In India, ALMPs are pursued to generate both wage as well as self-employment. The major employment generation

programmes which are currently in operation in India include: Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), Prime Minister's Employment Generation Programme (PMEGP), Swarnajayanti Gram Swarozgar Yojana (SGSY) and Swarna Jayanti Shahari Rozgar Yojana (SJSRY). These programmes have reflected immense potential for generating short term rural wage employment as well as sustainable self employment.

## **MAJOR ISSUES IN LABOUR REFORMS**

Legal regulations of the conditions of work and labour relations of the vast and varied working population in India pose a major challenge for employment policy. The guiding principle of legal regulations is enshrined in the Indian Constitution which envisages the attainment of humane and decent employment as an important goal of State policy. These include, securing to the citizens an adequate means of livelihood; equal pay for equal work for both women and men; ensuring that the health and safety of workers is protected and a living wage for all workers. In pursuit of these goals as well as in keeping with changing economic environment, the Government has from time to time enacted and amended several labour legislations. Some of these legislations are applicable across sectors while other legislations are intended for specific sectors, industries and occupations. The various labour legislations in India can be grouped into four broad areas: (a) Employment security and industrial relations; (b) Income security i.e., wages and other remunerations; (c) Work security i.e., working conditions, safety and occupational health; and (d) Social security and labour welfare.

There are four major issues that have been at the heart of the debate over reforms of labour laws in India in recent times. Legal regulations have to consistently balance the welfare needs and protection of rights of workers and enabling economic growth and increasing the level of employment. This has led some to argue that legal regulations lead to excessively rigid labour market which has adversely affected employment levels (rigidity). Further, legal regulations have to contend with the persistent dualism in the labour market i.e. the division between organised sector, on the one hand, and the vast unorganized sector on the other (dualism). Labour being in the Concurrent list, there are Central as well as State legislations and State amendments to Central legislations. In addition, there are legislations with varying sectoral, regional and enterprise size coverage, with different definitions of industry, workmen and enterprise (multiplicity). Finally, there are issues relating to the enforcement and compliance of labour laws (enforcement). Employers' organizations and workers' organisations often hold diametrically opposite views in each of these issues while there are also some common areas of interest.

## **INDIA'S INFORMAL ECONOMY**

1.1 The informal or the unorganised economy which accounts for an overwhelming proportion of the poor and vulnerable population in an otherwise shining India. It concentrates on a detailed analysis of the conditions of work and lives of the unorganised workers consisting of about 92 per cent of the total workforce of about 457 million (as of 2004-05). For most of them, conditions of work are utterly deplorable and livelihood options extremely few. Such a sordid picture coexists uneasily with a shining India that has successfully confronted the challenge of globalisation powered by increasing economic competition both within the country and across the world.

The shining India's achievements are no doubt remarkable especially from a macroeconomic perspective. It is not only marked by the high performance in aggregate economic growth but also in many other parameters. India's real national income grew by 125 per cent during the economic reform period of 1992/93 - 2005/06 compared to 97 per cent during the previous period of the same duration. Consequently the per capita income increased by 77 per cent during 1992/93 - 2005/06. There has been a heightened sense of buoyancy in the economy during the last three years with the growth rate exceeding 9 per cent per annum. The savings rate of the economy has risen from a long time average of 22-24 per cent to 30 per cent in recent years with a corresponding increase in investment rate currently exceeding 30 per cent. Growth in exports has averaged to around 20 per cent per annum matched by a similar rate of growth in imports. The steady flow of remittances and earnings from invisible exports as well as increasing flow of foreign investments has swelled the foreign exchange reserves to more than 200 billion US Dollars. The foreign exchange rate has remained remarkably stable, even though the Rupee has been strengthening against the US Dollar in the last few months. The external debt burden of the country is not only within manageable limits but also one of the lowest in the developing countries.

Such buoyancy in the economy did lead to a sense of euphoria by the turn of the last century. However, a majority of the people, who did not have even Rs. 20 a day for consumption, were not touched by this euphoria. At the end of 2004-05, about 836 million or 77 per cent of the population were living below Rs.20 per day and constituted most of India's informal economy. About 79 per cent of the informal or unorganised workers belonged to this group without any legal protection of their jobs or working conditions or social security, living in abject poverty and excluded from all the glory of a shining India. Recognizing this paradox, the Common Minimum Programme (CMP) of the United Progressive Alliance promised to initiate measures for the welfare of the common people by addressing, inter alia, the concerns of the workers in the unorganised sector. The CMP expressed this resolve in a number of places when it stated: "The UPA government is firmly committed to ensure the welfare and well-being of all workers, particularly those in the unorganised sector who constitute 93 per cent of our workforce. Social security, health insurance by a similar rate of growth in imports. The steady flow of remittances and earnings from invisible exports as well as increasing flow of foreign investments has swelled the foreign exchange reserves to more than 200 billion US Dollars. The foreign exchange rate has remained remarkably stable, even though the Rupee has been strengthening against the US Dollar in the last few months. The external debt burden of the country is not only within manageable limits but also one of the lowest in the developing countries.

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The most serious national issues of unemployment and poverty can only be tackled by increasing the quantity and quality of employment in the unorganised sector as the sector is capable of absorbing less educated and socially backward classes of workers. Lack of reliable statistics on the size, distribution and economic contribution of the sector, however, has been a major constraint in providing a realistic understanding of the significance of the sector in the Indian economy, leading to its neglect in development planning. It is, therefore, important that the statistical system of the country is reoriented to measure the economic and social significance of unorganised sector in the national economy as well as in the development process of various States/union territories.

## **CONCLUSION**

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?

And looking at the recent Unorganized Sectors' Social Security Act (2008), one really wonders if there is any provision for an unorganized worker in this Act other than some guidelines about the available social security schemes in the country. How can it be called an Act unless it has the legal binding and provisions of rights to work and entitlements under it? Here as per the Act nothing is mentioned about what constitutes appropriate and adequate social security for the vast mass of unorganized workers and their dependents, what eligibility criteria, if any, ought to be prescribed, what will be the scale of benefits that the workers and their families are entitled to receive and under what conditions, what will be the funding arrangements that must be put in positions to meet the cost

of social security and so on. Aren't the unorganized workers of this country entitled to receive, in this 60<sup>th</sup> year of our Republic, minimum standards of social security and labour rights, on the scale and spread adumbrated in the relevant ILO convention drawn up more than 50 years ago? Therefore, this law which does not deal with the issue of unemployment, its regulation, wages, and conditions of work and so on is not merely incomplete but dysfunctional if it proceeds to deal with social security on a standalone basis. The Act, actually, suffers from a serious lack of legislative policy and intent. Ultimately this Act is an eye wash which has neither the capacity to address nor the inbuilt provision to provide solutions to the needs of the unorganized sector. Even the provisions and procedure of the Minimum Wages Act (1948) is so vague and futile that different states of India have fixed abysmally meagre wages and that too with so much of variations from state to state.

In fact a comprehensive Act, catering to the security needs of the unorganized sector such as Food, Nutrition, Health, Housing, Employment, Income, Life and accident, and old age remains a dream in India. Still the cries of the unorganized sector goes unattended with the governments laying red carpets for the corporate and so called investors at the expense and sacrifice of the working class.

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