

Socio-Economic Analysis of Informal Sector Workforce

Dr.Vinita Katiyar, Associate Professor and Head Department of Economics, Narain College, Shikohabad

Dr. Shishir Kumar Verma, Associate Professor and Head Department of Economics, S.R.K. (P.G.) College, Firozabad

Formal and informal sectors are two pillars of Indian economy. Both sectors play an important role in the economy in terms of employment opportunities and poverty alleviation, but bulk workforce engage in informal sector. There is a huge data gap in between the informal and formal sector in terms of the quality of employment, production technique, capital investment, working condition and social security. So, there is a strong need to develop suitable policy for systematic development of engaged workforce in informal sector. The informal sector plays a vital role in economic development of the country as this sector provides bulk employment opportunities which help in poverty alleviation. Therefore, this sector generates income-earning opportunities for a large chunk of population. The informal sector thrives the Indian economy unnoticeably. A large chunk of the total workforce is still engaged in the informal sector in India, which contributes a significant portion to the country's net domestic product. The informal sector has the largest contribution in Indian economy in terms of value addition, savings, investments etc. The percentage share in our national income of informal sector is more than 30 percent while that of formal sector, it is 12 -14 percent. In terms of savings, the share of household informal sector in the total gross domestic saving is about three fourth.

Informal sector creates a source of supply of raw materials for various industries and demand for the products manufactured. Over the recent years the contribution of informal sector in gross domestic production has gone down owing to spread of formal sector. Even then, a lump sum of two third of the G.D.P is contributed by the informal sector. Share of informal sector in total production has reduced up to 57.60 percent in 2004-05 to 50.60 percent in 2013-14; yet, its share is slight highest as compared to formal sector, but wages of informal sector are still much lesser than in formal sector, due to isolation, invisibility, and unaware of their rights. As per NCEUS, even among male casual workers, daily earnings in the informal sector were a meager Rs 51.3 as compared to Rs 73 in the formal sector in

2004-05. For casual females the rates were ever lower i.e., Rs 32.4 and Rs 47.4 for formal and informal sector respectively.

Research Methodology and Data Collection

The present study is entirely based on secondary data and data were obtained from the various reports NSSO, different publications of Government of India, NCEUS, NSS Survey, various Economic Surveys and Internet. The data collected, tabulated was subjected to statistical analysis as per the objectives of the study. Tabular analysis and graphical representation have been used for analysis the data.

Objectives of Study:

The main objectives of this paper are:

- To analyze the size and growth pattern of workforce engaged in informal sector.
- To focus on gender-wise distributions of workforce engaged in informal sector.
- To analyze the educational status of workforce engaged in informal sector.
- To study the economic status of workforce engaged in informal sector.
- To analyze the employment status of workforce engaged in informal sector.

Size and Growth Pattern of Workforce Engaged in Informal Sector

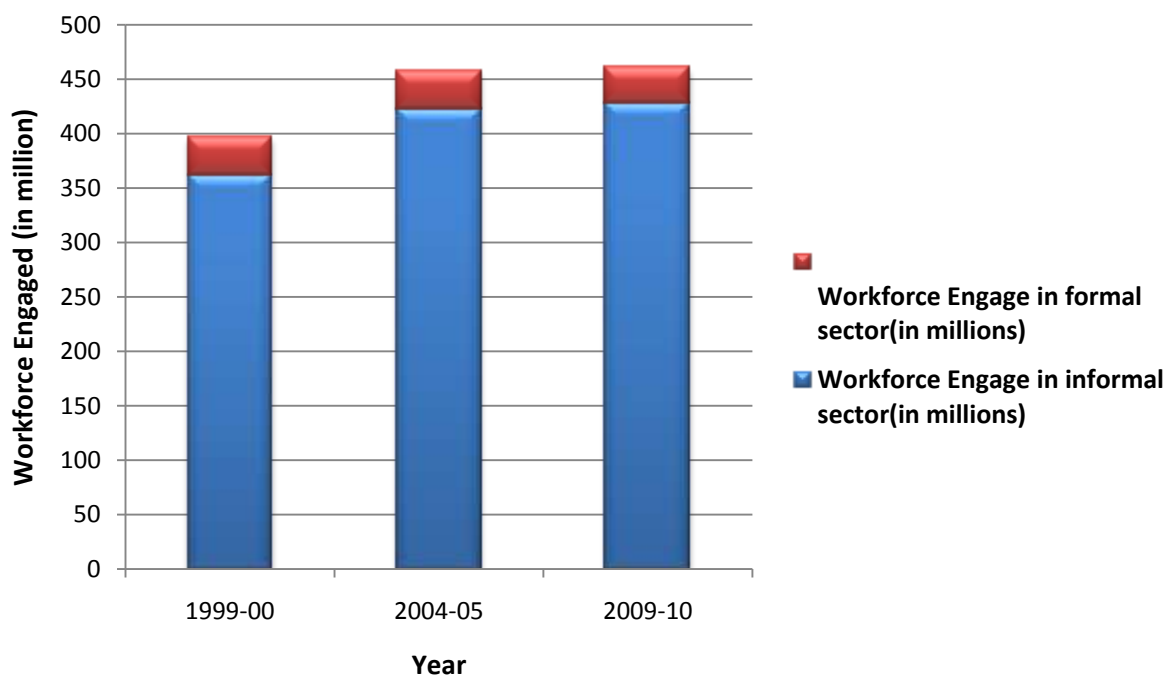
Informal sector is the main source of employment generation of the Indian economy which includes self-employment as well as small business wherein the contribution is as high as about 361.74 million workers constituting 92 percent of the total employed workforce as per NSS Survey 1999-2000. NCEUS estimated that in 2005 out of the 457.5 million workforces, 86 percent or 422.6 million workforces were employed in the informal sector of India. In 2009-10 workforce employed in the informal sector in India was increased to 427.2 million, as represented in table-1 and is also shown in figure -1

Table-1
Growth Pattern of Workforce Engaged in Informal Sector

Year	Workforce Engaged (In millions)		
	Formal sector	Informal sector	Total
1999-00	35.1	361.7	396.8
2004-05	34.9	422.6	457.5
2009-10	33.0	427.2	460.2

Source: Report on conditions of work and promotion of livelihood in informal sector, NCEUS, Government of India, and 12th Plan Document VolumeIII, Planning Commission.

Figure -1
Workforce Engaged in Formal and Informal Sector



Source: Based on Table -1

As shown in figure-1 and table-1, the bulk of workforce is engaged in informal sector rather than formal sector. Informal sector is generating 50.6 percent of the country's Gross Domestic Product. It may be noted that small and medium enterprises (SMEs) account for nearly 80 percent of manufacturing employment and their elasticity is 3.8 times higher than that of the formal sector. Agriculture is another source of employment generation of informal

sector as it accounted for 57 percent of India's total employment in 1999-2000. Other employment generating areas in informal sector are trade, restaurants and tourism and informal technology, these all have very high employment elasticities. The constructions, transport as well as other service sectors are also equally equipped for higher growth and employment intensiveness.

Gender-wise Distribution of Workforce Engaged in Informal Sector:

Predominantly women workforce is the main feature of the informal sector. High proportion of women workforce are involved in informal sector due to ignorance, poverty, illiteracy and lack of mobility. Women have lack of training, upgrading skills and literacy for employment. The task of women's work and their performance are underestimated due to their neediness. Gender-wise and area -wise distributions of workforce engage in informal sector is shown in table -2.

Table-2

Gender-wise Distributions of Workforce Engaged in Informal Sector

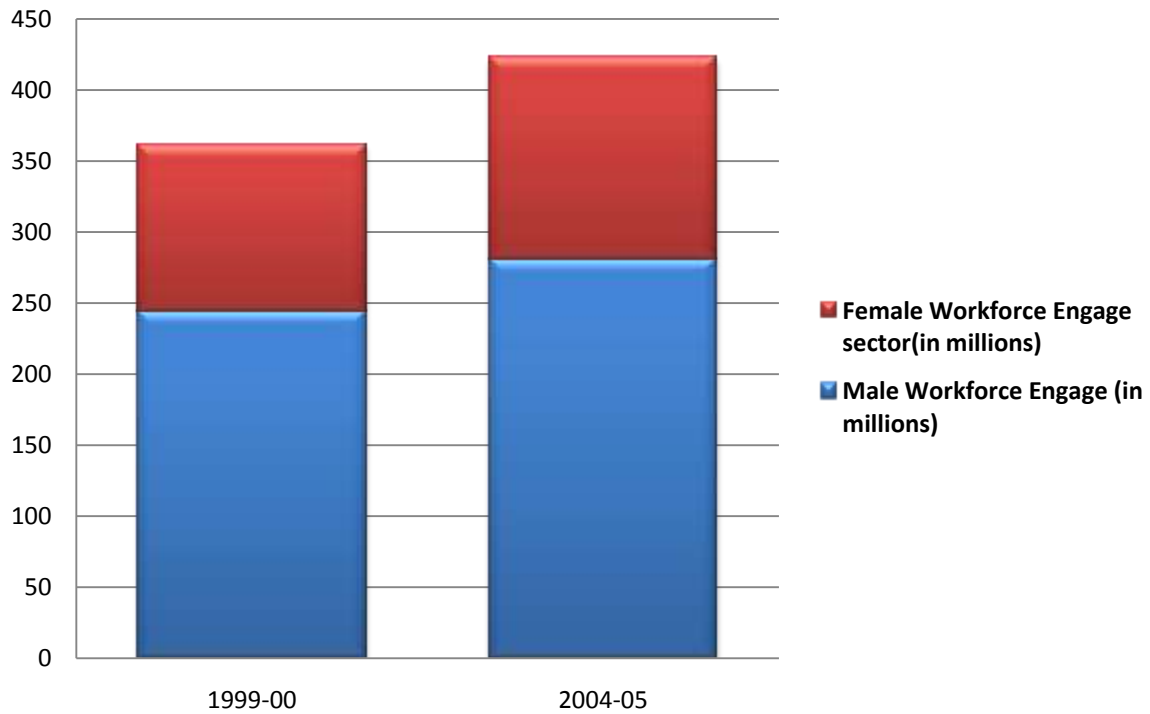
Year	Area	Workforce Engaged (In millions)		
		Informal sector		Total
		Male	Female	
1999-00	Rural	186.17	101.71	287.87
	Urban	58.33	15.53	73.87
	Total	244.50	117.24	361.74
2004-05	Rural	209.01	121.60	330.62
	Urban	71.60	20.40	91.99
	Total	280.61	142.0	422.61

Source: Various Rounds, National Sample Survey of India.

As table shows, out of 361.74 million workforce, 117.24 million women and 244.50 million men workforce are engaged in informal sector in 1999-00, and in 2004-05 out of 422.61 million workforce, 142.0 million women and 280.61 million men workforce are engaged in informal sector. This is also shown in figure -2.

Figure -2

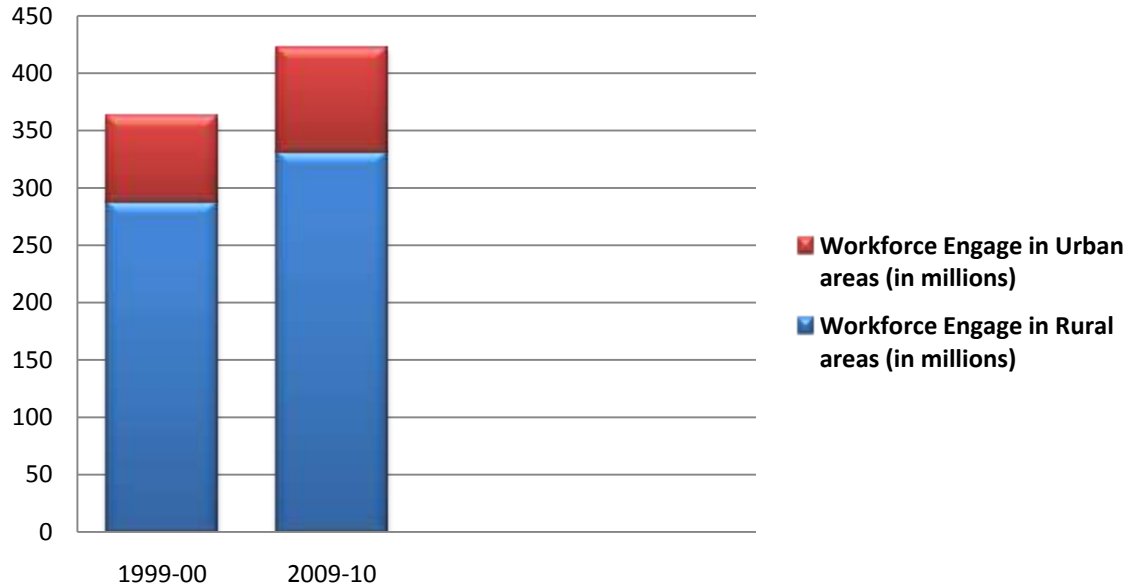
Gender-wise Workforce Engaged in Informal Sector



Source: Based on Table -2

In 1999-00; 101.71 million women workforces are engaged in informal sector in rural areas and 15.53 million women workforces are engaged in urban areas, and in 2004-05; 121.6 million women workforces are engaged in informal sector in rural areas and 20.40 million women workforces are engaged in urban areas. Out of total 361.74 million workforces, 287.87 million workforces engaged in informal sector in rural areas and 73.87 million workforces engaged in urban areas in 1999-00. In 2004-05 out of total 422.61 million workforces 330.62 million workforces engaged in informal sector in rural areas and 91.99 million workforces engaged in urban areas, as shown in figure -3.

Figure -3
Area-wise Workforce Engage in Informal sector (in millions)



Source: Based on Table -2

Educational Status of Workforce Engaged in Informal Sector:

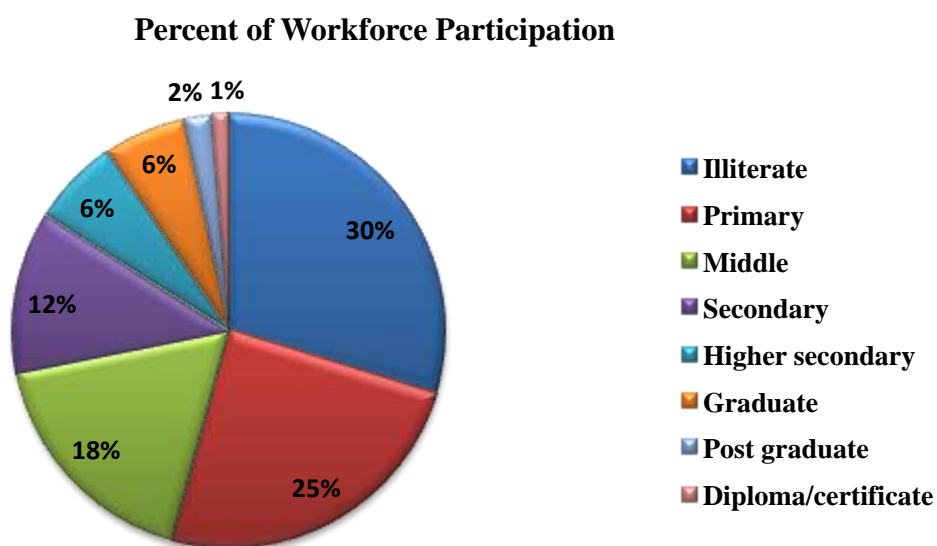
Workforce engaged in informal sector is mostly uneducated, un-trained and technically weak. Productivity of workers is based on their level of education and technical skills. Illiteracy of workforce has a negative impact on the productivity and is also deteriorating the quality of employment in informal sector. Educational status of workforce engaged in informal sector is shown in table -3.

Table-3
Educational Status of Workforce Engaged in Informal Sector

Educational Level	Percent of Workforce Participation
Illiterate	29.76
Primary	24.54
Middle	17.62
Secondary	12.08
Higher secondary	6.53
Diploma/certificate	1.28
Graduate	6.17
Post graduate	2.07
Total	100.0

Source: 12th Plan Document, Volume III, Planning Commission.

Figure -4
Educational Level Workforce Engage in Informal sector (in millions)



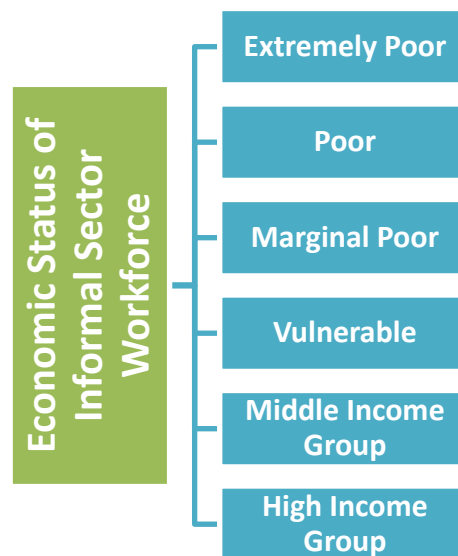
Source: Based on Table -3

As shown in table-3 and figure-4 that in informal sector, 29.76 percent illiterate, 25.54 percent up to primary educated, 17.62 percent middle educated, 12.08 percent secondary educated, 6.53 percent higher secondary educated, 6.17 percent graduate, 2.07 percent post graduate and only 1.28 percent diploma holder workforce are engaged.

Economic Status of Workforce Engaged in Informal Sector:

Workforces engaged in informal sector are very poor and most of them are living below poverty line (BPL). NCEUS (2007) has divided the total population in to six groups according to their consumption expenditure in 2004-05.

- **Extremely Poor** are those people whose average expenditure per capita per day is only Rs.8.9.
- **Poor** are those people whose average expenditure per capita per day is only Rs.11.6.
- **Marginal Poor** are those people whose average expenditure per capita per day is only Rs.14.6.
- **Vulnerable** are those people whose average expenditure per capita per day is only Rs.20.3.
- **Middle Income Group** is those people whose average expenditure per capita per day is between Rs 20.3 to 40.6.
- **High Income Group** is those people whose average expenditure per capita per day is more than Rs 40.6.



Workforces engaged in informal sector are mostly extremely poor, poor, marginally poor and vulnerable, only very low percent of middle income and high-income group people are engaged in this sector. The percentage-wise of the same is shown in table -4 and figure-5.

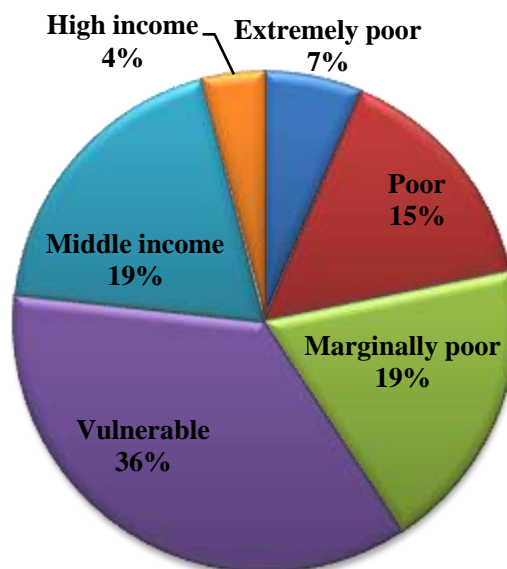
Table-4
Economic Status of Workforce Engaged in Informal Sector

S.No.	Economic class	Percentage
1.	Extremely poor	6.4
2.	Poor	15.4
3.	Marginally poor	19.0
4.	Vulnerable	36.0
5.	Middle income	19.3
6.	High income	4.0
	Total	100

Source: National Sample Survey 50th round, 55 round, and 61 rounds, Employment-Unemployment Survey and NCFUS 2007.

Figure -5
Economic Status of Workforce Engaged in Informal Sector

Economic Class of Workforce (Percentage)



Source: Based on Table -4

Employment Status of Workforce Engaged in Informal Sector:

Informal sector provides employment to 92 percent of total employed workforce, but the nature of their employment is casual and seasonal. CMIE found in 1980-81 that while formal sector employees earned about Rs 11,000 per year, self-employed and casual workers earned respectively about Rs. 2500 and Rs. 3500 (Davalala, 1994: 8). Workers in the informal sector are usually burdened with indebtedness and bondage as their meagre income cannot meet with their livelihood needs.

Although the self employment accounted for a major share of informal employer, there was decline of 4.26 percent and share of regular wages labors increased from 8.32 percent to 10.88 percent in 2004-05 to 2009-10. In the Employment status of workforce engaged in informal sector shows that there are 61.51 percent workforces engaged as self-employed, 8.32 percent regular employees' 31.17 percent casual workforce in 2004-05. In 2009-10, 57.25 percent workforces engaged as self employed, 10.88 percent regular employees' 31.87 percent casual workforce. Informal sector provides casual and seasonal employment. Casual workforce is not associated with job security and other associated benefits.

Table-5

Employment Status of Workforce Engaged in Informal Sector

Nature of work	Workforce Engaged (in millions)(in Percentage)	
	2004-05	2009-10
Self employed	255.74 (61.51)	244.61 (57.25)
Regular employees	35.16 (8.32)	46.48 (10.88)
Casual workforce	131.81 (31.17)	136.11 (31.87)
Total	422.61 (100)	427.2 (100)

Source: 12th Plan Document Volume III, Planning Commission and calculated from NSSO Unit level data of 2004-05.

Conclusion

Formal and informal sector are parallel to each other. The informal sector plays a crucial role in the economy in terms of employment opportunities and poverty alleviation. There is a huge data gap in between the informal and formal sector in terms of the quality of employment, production technique, capital investment, working condition and social security. In informal sector, there is no regulation of maximum working hours and number of holidays.

Non-payment of overtime work is also very common phenomenon in this sector. In Informal sector, working conditions are not healthy and laborers have not any social security like pensions of old age, disease, maternity benefit etc., and schemes/programs of social security run under social insurance are also negligible. So, there is a strong need to develop suitable policy for systematic development of workforce engaged in informal sector.

References

- Economic and Political Weekly and National Account Statistics 2006,
- The Global Conference for Wikimedia 6 - 10 August 2014 · London.
- Various Round of NSS Survey.
- Report on conditions condition of work and promotion of livelihood inUnorganizedsector, NCEUS, Government of India,
- 12th Plan Document VolumeIII, Planning Commission.