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## **INFORMAL SECTOR- BACKBONE OF INDIAN ECONOMY**

**Dr. Monika Chopra\***

### ***Abstract***

*The informal sector plays a crucial role in generating income and employment in the developing world. The term 'informal sector' contributes to the arrangements in the economies which are unregulated, unlawful or without state regulations. In the developing economies, informal sector acts as an instrument for survival for the people having no solution to their employment issues whereas for the developed nations, informal sector gives more independence, freedom and flexibility. Informal sector plays a significant role in Indian economy. The informal sector is not governed by legislations/regulations, but serves as an important part for the developing economies by providing employment to the majority of the population but without labour or social protection. As per National Sample Survey Organization (NSSO), 93% of the Indian population is employed in the unorganized/informal sector, whereas 7% of the population is working in the organized sector. The informal sector is contributing approximately 50% towards the Gross Domestic Product of the country. As most of the society is consisting of economically backward people, they prefer to do work which is easily accessible to them such as farming, selling on streets. Formal sectors are legalized and the workers have social protection, economic security and have certain incentives while those of informal sector does not possess such privileges. Organized informal sector can serve as a development driver by legalizing it and recognizing informal work as real and productive work. The policy makers should be sensitized to frame policies for informal sector to bring notice to their contribution to account for the Gross Domestic Product. This paper focuses on informal sector's meaning, structure, policy initiatives undertaken by Government of India to give solutions to the issues of informal sector workforce.*

***Keywords:*** workforce, Informal sector, Government Initiatives, Employment

### **Introduction**

The casual area assumes a vital job and creates salary and work in the creating scene. The term 'casual division' adds to the game plans in the economies which are unlawful, unregulated or without state guidelines. This idea built up its foundations in 1970's the point at which the business mission of ILO to Kenya (1972) brought the official presence of the word casual part, spread up in 1980's and increased global acknowledgment in 1990's in the creating nations, trailed by extended enthusiasm for the investigation of this division in the created nations. With quick industrialization, the creating economies

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\* Assistant Professor, Commerce Department, DAV College, Sector- 10, Chandigarh

experienced different basic changes bringing about dualistic financial examples. Lacking business and pay openings in urban segment has driven the surplus work to produce their own business and survival in the casual segment. W. Arthur Lewis utilized the term 'casual segment' in financial improvement model, for the sort of work outside the domain of present day modern area. Edgar L. Feige utilized casual economy for passing on undeserved advantages to certain specialists and averting others for having those advantages. S. Hart utilized the term formal division for urban current area and casual segment for the urban customary segment. Colin C. Williams depicted unreported work to keep away from work law guidelines, standardized savings or tax collection purposes as a component of casual economy. The other perspective on casual economy is described by the individuals who need business, work and government disability.

In the creating economies, casual segment goes about as an instrument for survival for the general population having no answer for their business issues while for the created countries, casual part gives more autonomy, opportunity and adaptability. In creating nations, the offer of the casual area in complete business has been expanding throughout the years, making this division as a significant and focal piece of the economies. The United Nations Economic and Social Council (UNECOSOC) portrays casual division as:

- all private unincorporated ventures (casual endeavours) or family units occupied with the generation and closeout of merchandise and enterprises;
- enterprises with business measure underneath a foreordained limit.
- In country regions, the sloppy area involves landless rural workers, little and minor structures, tenant farmers, creature cultivation, poultry and angling exercises, provincial craftsman's, woodland labourers, flavour tappers and so on.
- In urban regions, the disorderly segment contains unskilled workers occupied with development, carpentry, exchange, transport, correspondence and so forth, and road sellers, vendors, head load labourers, piece of clothing producers and so on.
- ILO (1972) characterized casual division as the exercises of the persevering poor, who were not perceived, recorded ensured or controlled by the open specialists. Simplicity of section, dependence on indigenous assets, family responsibility for, little scale activities, work serious and adjusted innovation abilities required outside the formal training framework and unregulated and focused markets. In 2003, the seventeenth International meeting of Labor Statisticians has extended the idea of casual division, where it is considered as a piece of casual work produced by the formal area so as to decrease work costs for increasing more intensity in the globalized world.

According to Swedish International Development Cooperation Agency (SIDA), the variables for the development of the casual economy in the 21st century are: nations with high rate of urbanization or populace have restricted roads to assimilate work, administrative system for formal division, constrained foundation improvement, less preparing and expertise based instruction openings, minimal effort of generation of products and ventures, simple access to ladies and so on.

Indian economy comprises of formal or sorted out segment and the casual or sloppy division. National Commission for ventures in the sloppy division (NCEUS) in 2008 has proposed the significance of Informal area as 'the chaotic segment including all unincorporated private undertakings claimed by people or family units occupied with the

deal and creation of merchandise and enterprises on an exclusive or association premise, with under 10 absolute labourers. Formal area presents occupations/labourers utilized by the administration, state or private division associations with explicit working hours and standard wages, tax collection strategies and huge scale activities. Casual segment does not get acknowledgment by the Government and presents unaccounted national salary commitment.

Casual area comprises of labourers or representatives not having ordinary working hours and compensation and exempted from assessments and different guidelines and has been growing quickly since 1960's. This division incorporates creation of products and ventures, producing business and pay on a little scale and without different motivations. Low dimensions of instruction, low pay and profitability levels, numerous work enactments, nonattendance of spotlight on assembling, developments, worldwide emergency work showcase rigidities, poor ability levels, expanding rivalry from imports and powerless business roads and so on are the explanations behind the development of casual business. There is unequal trade connection among formal and casual division as casual part gives low estimated merchandise and tremendous benefits to the huge units by tolerating authoritative and semi-legally binding employments.

According to NSS Survey 1999-2009, 92% of the complete workforce in the nation was utilized in the sloppy area. Casual Enterprises add to roughly 46% of GDP barring agribusiness. The commitment of the disorderly division to the net local item and its offer in the all-out NDP at current costs has been around 60%: -

**Status of informal Economy. (2011-12) (%)**

Sector	Formal	Informal	Total
Organized	47.52	52.48	100
Unorganized	5.82	94.18	100
Total	11.23	88.77	100

Source: National Sample Survey (6-8<sup>th</sup> Round)

(Observer Research Foundation's India Data lab)

The table demonstrates that; casual business or casual associations command the Indian work advertise.

The Ministry of Labour, Government of India has arranged the sloppy work power under four gatherings as far as:

Under terms of occupation:

- Small and minimal formers
- fishermen
- landless farming workers
- share croppers
- those occupied with creature farming
- beedi rolling
- labelling and pressing
- building and development labourers
- weavers
- artisans
- salt labourers

- workers in block furnaces and stone quarries
- workers in observed factories
- oil plants and so forth.

Under terms of Nature of Employment:

- Attached agrarian workers
- bonded workers
- migrant specialists
- contracts and easy going workers

Under terms of extraordinarily Distressed classes:

- Toddy tappers
- Scavengers
- carriers of head loads
- Drives of Animal driven vehicles
- Loaders and unloaders

Under terms of administration classes:

- Midwives
- Domestic labourers
- Fishermen and ladies
- Barbers
- Vegetable and natural product merchants
- Newspaper sellers and so forth.

Aside from the over four classes, shoemakers, hamauls, handiwork, craftsman's, handloom weavers, woman tailors, Tannery specialists, control loom labourers, Rickshaw pullers, physically debilitated independent work people, Auto drivers, sericulture specialists, craftsmen, urban poor likewise gone under disorderly work power.

Among the South-Asian Countries, in formalisation of work in India is roughly 92%, stamping it the critical division.

### **Literature Review**

- Hart Keith in his article 'Casual Income openings and Urban Employment in Ghana' has ordered casual work into 'real' and ill-conceived' exercises. He characterized casual area as work past taxpayer driven organization, manufacturing plants and enormous scale business exercises.
- Sengupta in his 'Report on states of work and advancement of vocation in the Unorganized segment' has stressed on the presence of casual labourers who don't have business, work and government managed savings. He examined the 'National commission for Enterprises in the Unorganized Sector's proposition for two far reaching bills guaranteeing least states of work just as a base dimension of government managed savings. He additionally gave recommendations for the improvement of the living states of the disorderly division labourers.
- Papola in his article 'Casual Sector Concepts and strategy' has drawn out the significance of casual part in the urban economy and is described by different cripples, for example, infrastructural, advertising and innovative. He prescribed that arrangement reason ought to be to improve the working of casual segment.

- Panda Damodar in his examination venture on 'Work in Unorganized Sector-The Devalued and The Deprived' has featured the Unorganized Sector's-enrolment and organization, states of work and wages and work profit, social and work welfare, International shows and national duties and commitment of non-government offices for the improvement of the Unorganized Labor.

- F. Schneider in his paper on 'The measure of the Shadow Economies of 145 nations everywhere throughout the world: First Results over the period 1999 to 2003', has given a progressively down to earth perspective on casual area. Casual area comprises of all market arranged lawful creation of products and ventures not uncovered to open experts along these lines maintaining a strategic distance from different lawful conventions, (for example, instalment of assessments, government disability commitments, resistance of least wages, greatest working hours, wellbeing measures and so on.) Informal division's enlistment of undertakings is done to take consent of activities, home of business and premises enrolment.

### Structure of the casual Sector

In Indian economy, casual segment is filling the need of work to a huge number of individuals. Casual part enables the general population to escape outrageous destitution, tasteful salary levels—for survival, female portrayal, less bureaucratic ramifications, less capital speculation, unaccounted pay, no expense commitments, simple passage, generation of low estimated products for the rustic and urban areas, profiting huge units with immense benefits. Locally established specialists, for example, free claim account specialists, unpaid specialists in privately-run companies, sub contractual specialists, ladies' specialists, for example, residential house keepers, sellers, beauticians), development, piece of clothing, coolie specialists, cloth pickers, youngsters (filling in as scroungers, day workers, cleaners, household help/hirelings and so forth.) is the another side of casual segment.

In different Indian urban areas, casual labourers represent a high offer of all out work as it is contrast among rich and the poor is more extensive clear from the accompanying table.

#### Share of informal employment to the total employment: (2003-2015)

City	% age share
Ahmedabad	85%
Kolkata	85%
Mumbai	80%
Delhi	71%
Chennai	65%
Pune	58%

The Indian work market is portrayed by casual work power in sloppy as well as in the composed part too. The Indian economy is made out of two noteworthy parts composed and disorderly. The accompanying figures uncover certain commitment of disorderly part

- **Total Employment:** According to National example study association (NSSO), in (2009-10), all out work in both the sorted out and disorderly area in the country was 465 million. The composed area speaks to 28 million (7%) and disorderly part covers 437 million (93%). This 93% of the work power in casual (chaotic segment) represents half the Gross Domestic Product.)

Sector	Total Employment (In Millions)
Organized	28 (7%)
Unorganized	437 (93%)

Source NSSO (2009-10)

- **Involvement of Informal Sector in Non-Agricultural Activities:** In the Year 2009-10, according to the report of The National Accounts Statistics (NAS), 92% of labourers are associated with non-horticultural exercises in the casual part, while just 8% are occupied with agrarian exercises.

#### Unorganized sector: Non –agricultural Activities

2009-10	Rural	Urban
Wholesale or Retail Trade	91%	92%
Manufacturing	86%	78%
Construction	64%	72%
Transport, Storage & Communication	82%	68%

Source: NSSO (2009-10)

From the above table, plainly five primary divisions contribute work in the casual part. The vast majority of the work in casual area is given by discount and retail in both rustic and urban segment.

- Gender savvy correlation of pay instalment to ordinary and easy-going specialists in Rural and Urban areas: In the year 2009-10, urban labourers in the two classifications (Regular and easy-going) are paid better wages, while normal specialists are getting more when contrasted with easy-going workers, Gender rise, female labourers in both country and urban part are paid less as to their male partners.

#### Wages paid to Rural and Urban Workers (2009-10) (Per day)

Regular Workers	Male	Female	Male	Female
	144.93	85.53	203.28	153.19
Casual Workers	55.03	34.94	75.1	43.88

In country zones, female specialists contribute more towards casual farming exercises when contrasted with male labourers while, commitment of guys in the non-rural area is higher when contrasted with female specialists.

Gender insightful commitment in Agricultural and non-agrarian areas (2009-10) (according to Thousand Distribution of specialists)

	Agricultural		Non-Agricultural	
	Rural	Urban	Rural	Urban
Males	65	11	935	989
Females	333	41	66	95.9

Source NSSO (2009-10)

From the above mentioned, the casual segment demonstrates that there is fracture and sorted out area contributes two-third to the national economy and remaining 1-third is exhibited by sloppy sector. Informal/Unorganized specialists as a piece of the formal

division are on the ascent. Sloppy specialists don't have stable business subject to obligation and misuse. Business worker relationship is casual because of easy-going/legally binding work. Standing and network contemplations additionally rule the chaotic rustic work workforce. According to ILO Indian Labor Market update (2016) and NSSO (2011-12), over 90% of the work in agrarian part and 70% in non-farming division in casual classification.

Casual segment requires a legitimate administrative casing work, bringing about the alert 'average work' condition. Different activities as Acts, for example, Workmen's and Compensation Act (1923), the Industrial Disputes Act (1947), the Employees State Insurance Act (1948), the Minimum Wages Act (1948), the Coal Mines Provident Assets and Miscellaneous Arrangements Act (1948), the Employees Provident Fund and Miscellaneous Arrangements Act (1952), the Maternity Benefit Act (1961), the Seamen's Provident Fund Act (1966), the Contract Labor Act (1970), the Payment of Gratuity Act (1972), the Building and

Development Workers Act, (1996), Payment of Bonus Amendment Act (2015), the instalment of wages (Amendment Act (2017), The Child Labor (Prohibition and Regulation) Amendment Act (2016) and so on contribute towards the standardized savings and welfare advantages to the organised specialists.

### **Government Measures to ensure casual division and Suggestions**

Centre and state government have found a way to acquaint various plans with offer answers for the prerequisites of the chaotic Sector. Labourer's Social Security Act (2008), gives government managed savings spread to the sloppy specialists (Schedule I, Act 2008) as Acts, for example, Indira Gandhi National Old Age Pension plot (1995), National Family Benefit Scheme (1995), Janani Suraksha Yojna (2005), Handloom Weavers' far reaching welfare conspire (2000). Painstaking work Artisans Comprehensive welfare conspire (2007), Pension to Master Craft Persons, National plan for welfare of Fishermen and Training and Extension, Aam Admi Bima Yojna (2007), Rashtriya Swasthya Bima Yojna (2008). Atal Pension Yojna (2015), Pradhan Mantri Jeevan Jyoti Bima Yojna (2015), Pradhan Mantri Suraksha Bima Yojna (2015), Micro, little and Medium Enterprise Development Act (2006), National Commission for ventures in the composed Sector (NCEUS), The road Vendors (Protection of Livelihood and Regulation of Street Vending) Act (2014) and so forth plans are set up, however it requires the viable interest of the casual specialists in these plans. Specialists in the casual part are not by any means mindful of the welfare plans implied for them. An all encompassing methodology ought to be received bringing about simple access to fund, satisfactory framework, mushrooming of specialists, solid and safe working conditions, decrease in joblessness, tapping the potential in casual area, upkeep of natural models, professional and business aptitudes, social and employer stability, making of a situation for empowering smaller scale and little endeavours for enlistment bringing about greater fairness.

Approach creators are offering regard for casual part as its structure gives greater adaptability and low fixed costs, all day business levels, methodologies should accentuation on the investigation of the conveying limit of territories normally utilized by casual labourers and instructing them essential legitimate rights and securities. There is a requirement for viable association of casual segment that makes the division confident,

fortifying their aggregate bartering power, engaging them and simple openness to the assets. Expanding in formalisation isn't supportive of the improvement of economy. Governments in creating nations are worried for the expanding offer of casual division because of different reasons, for example, non-usage of formal social measures, in aggressiveness, undeclared budgetary status of monetary exercises and so on. Low dimensions of wages in the casual area results in imbalance, lesser investment funds, no human asset advancement. Be that as it may, casual part can be utilized as an advancement driver by legitimizing it and perceiving casual work as genuine, profitable work, supporting the casual area. The administration should find a way to decrease the negative impacts of the casual segment yet reinforcing the casual specialists with least wages, protection benefits, infrastructural offices, professional and business preparing aptitudes, availability to credit offices, occupation and government disability.

Presently, formal economy is being supplanted with the word 'gig' economy-where all day labourers are being supplanted without anyone else's input utilized temporary workers. India's gig economy is the biggest economy on the planet as the vast majority of the populace is involved in little legally binding occupations or small scale level business enterprise. Larger part of business associations with high work levels want to have casual authoritative work. It would not be consistent for Indian government to change the casual segment to formal for separating charge incomes as the formal area won't probably ingest the incompetent, uneducated specialists. Government steps ought to be a greater amount of strong nature as opposed to administrative.

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