

A STUDY OF INFORMAL SECTOR IN INDIA- ISSUES AND CHALLENGES

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Abstract

Skill development initiated by the Indian Government is considered to be as a major policy agenda in the past few years. Countries having higher and better skilled people can easily face challenges and grab opportunities in their work. The demographic status of India consists 54% of population below the age of 25 years. Their aspirations and industry demand had led to focus on skill development.

The informal sector dominates India's economic life, so issue of skills development are particularly important. Workers in the informal economy are generally considered to be low-skilled, which effects their productivity, income and wellbeing. This study is an attempt to understand the concept of informal sector and its importance, to know the myths regarding informal sector and to know the causes of increasing informalisation. It also provides information. It also provides information regarding initiatives taken by the Government of India. It further explores the challenges facing the skill development system in India and proposes solutions that could be adopted to resolve such challenges. This paper is based on published books, research paper and articles.

Keywords : Skill development, informal economy, skill development initiatives.

Introduction

The informal sector is defined by the ILO's Resolutions as consisting of units engaged in the production of goods or services with the primary objective of generating employment and incomes to the persons concerned. The units operated on a small scale and there is no division between labour and capital as factors of production. There is distinction between formal and informal employment. According to National Commission for enterprises in the unorganized sector 'unorganised workers consists of those working in the unorganized enterprise or households, excluding regular workers with social security benefits, and the workers in the formal sector without any employment/social security benefits provided by the employers.'

The informal sector in India consists of workers in micro enterprises, unpaid family members, casual labourers, home based workers, migrant labourers, out of school youth, domestic workers, street vendors etc. According to the 66th round of the NSS survey, about 92.8% of the total workforce in 2009-10 constituted of informal workers. According to ILO's Department of Statistics, share of persons in the informal sector in India is 70% for males and 64% for females. Share of persons in the informal employment outside the informal sector is 23.3% for females and 13.4% for males. In this paper an attempt has been made to analyse the problems associated with the informal sector especially after the globalization and the initiatives taken by the Government of India.

Literature Review

A review of literature enables the researcher to go into greater details and wider applicability of the problem in hand, so as to provide new ideas, explanations and hypotheses. The final and specific reason for reviewing related literature is to know the recommendations of the previous researchers for further research which they have listed in their studies. The length of the review will depend upon the number of relevant article and the purpose for which the research report is being written. Review of the related literature

helps the researchers to acquaint himself with current knowledge in the field or area in which researcher is going to conduct his research. The review of the related literature enables the researcher to define the limits of his fields and accordingly delimits or defines his problem. The present investigator have reviewed the literature with reference to skill development programmes in India which will give an understanding about the research conducted in the field and research gaps to be filled by further research.

Singh & Kaur (2018) conducted a study entitled 'A study on Skill Development of Paint and Coating Industry'. This study aims to identify the reasons for shortage of skills in paint industry and to determine how to deal with skill gap among painters. Primary Data sources were used for the study. A self-administered questionnaire was used to collect data from 130 painters working in Kurukshetra district. The findings of the study indicated that lack of formal training and inadequate provisions for the training of painters are the main reasons behind the shortage of skills in paint industry. The results of the present study indicate that there is shortage of skilled workforce in paint industry. Skills are always shown in the quality of work. Poor quality of works could be the results of the lack of skilled painters. Unskilled painters produce poor quality of works. Training has a positive and significant effect on performance of workforce. The result shows that painters lack formal training. They do not have formal certificate or diploma through formal training. Even the youth entering this occupations do not acquire formal training for their work. Painters lack sufficient knowledge and skills. They used to get informal training form their family and friends. Due to these reasons their performance are not satisfactory. Furthermore, the present level of knowledge and skills are inadequate to use the new equipment's and techniques in painting work. There is a skill gap in paint industry. There are various problems faced by the painters. Painters face difficulty in getting work. They do not get timely payment for their work. The painters work on heights and there is no provision for their study against risk. To reduce the risk there should be the insurance of painters.

Shrivastav and Jatav (2017) conducted a study entitled 'An analysis of benefits and challenges of Skilling India'. The main aim of this paper was to study the prospects and challenges for skilling in India. The specific objectives of the study were to study and analyze the Indian experience of skill development in India and analyze the challenges faced for skill development in India in terms of financial resources. Data has been gathered from the secondary sources for the study. The data mainly collected from the Ministry of Micro, Small & Medium Enterprises (MSME), websites of the respective start-ups companies websites of the various government agencies and their annual reports. The study revealed how the different types of programmes launched by Government of India can generate job opportunities in India with new Industrial skill requirement. The study finds out the overall status of skill capacity available, skill development, skill gap and initiatives taken by Government of India for Skill Development. The existing skill development policy in India needs an urgent treatment. The institutional structure needs simplification with greater investment in training infrastructure and an emphasis on supporting a casual labour force that needs to be accompanied with incentives for private sector participation too.

Prasad and Purohit (2017), conducted a study on 'Skill Development, Employability and Entrepreneurship through Make in India : A study'. The objectives of the study were to understand through the review of literature and the effect of make in India initiative on employability, understand the present status of skill development in India. The paper is based on exploratory research based on the secondary data and information sourced from libraries, relevant books, journals, magazines, articles, media reports and government portals of make in India etc. Being looked into requirements of the objectives of the study the research design employed for the study is of descriptive type. The authors adopted to have greater accuracy and in depth analysis of the research study. Available secondary data was extensively used for the study. Available secondary data was extensively used for the study. The study conducted that the overall status of skill capacity available, skill requirement, skill gap and initiatives taken by Government of India for Skill Development. To make, 'make in India'

project successful, youth of the nation should be empowered with formal education, Technical and Vocational training to meet the Industrial and Market requirement as per global standard. Despite various efforts and investments in shaping the skills of a huge labor force there are grave drawbacks in the system. Even after the Government investing a lot in training costs and infrastructure, creation of robust workforce for the industry is still a fantasy. As a fast growing developing economy, besides white and blue collar, India also needs Grey Collar- knowledge workers which include ICT skills, problem solving, analytical and effective communication skills and rust collar-skilled workers at the grass root level in currently unorganized sector and un-benchmarked sectors like construction, agriculture and related trade. The vocational training should start from High School. Students should be made industry ready by making the curriculum for professional courses such as Engineering and MBA in a way that provides complete on the job training. The standard and quality of training needs to be upgraded. Soft skills training along with technical skills will bring results.

Hazarika (2016), conducted a study on 'Skill Development for Rural Entrepreneurship : A study on State Institute of Rural Development (SIRD), Assam'. The objectives of study were to examine different skill development facilities provided by State Institute of Rural Development for rural entrepreneurship, to study the motivational role of training and its effect on starting an enterprises in rural areas and to suggest measures to improve entrepreneurship development through institutional support in rural areas of Assam. The present study is an empirical as well as descriptive in nature. It is based upon the methods of survey research and the data which were collected both from primary and secondary sources. Data are mostly representative in nature. In order to make the study more relevant, it has been purposively decided that the study would be carried out on 40 rural entrepreneurs (men and women) who have started their enterprise after receiving training from State Institute of Rural Development (SIRD), Amoni Growth Centre Located in the Nagaon district of Assam. It is observed that overall employment in the sample units has

increased at the rate of 23 percent from the initial year of establishment. Apart from a change in the income level of the entrepreneurs the enterprise may also affect other members of the society. It is found that 67 percent of the entrepreneurs agreed that their standard of living have improved. In the study district, it is also found that 63 percent of the entrepreneurs have developed their leadership skills through various training programmes on motivation and are able to approach financial institutions without hesitation. From the study it is found that 59 percent of the respondents have upgraded themselves technically with the support of technically skilled trainers. The study also revealed that 52 percent of respondents could efficiently allocate available resources. It is found that from the randomly selected respondents, 30 percent were women. Out of them, 71% have successfully established their small enterprises and earn their livelihood. In the study district, it is found that only 13 percent of the respondents have come to know about the programmes through print media. Others have joined the trainings when they came to know about the same them friends and relatives.

Deka and Batra (2016), conducted a study entitled 'The Scope of Skill Development, Employability of Indian Workforce in Context of Make in India: A study'. To understand through the review of literature the effect of 'Make in India' initiative on employability, to analyze through the review of the literature if the skill development measures will help to bridge the gap of existing skills and required skills of workforce and labour force in India. The study is based on review of Secondary Data. The data has been collected by accessing various libraries, emerald and government portals of 'Make in India', skill India etc. The study revealed how 'Make in India' can generate job opportunities in India with new Industrial Skill requirement. The study find out the overall status of Skill capacity available, skill requirement, skill gap and initiatives taken by Government of India for Skill Development. To make 'Make in India' project of successful, youth of the nation should be empowered with formal education, technical and vocational training to meet the Industrial requirement as per global standards.

Kanchan and Sakshi (2015), conducted the study on 'Skill Development initiatives and strategies in India'. The objectives of the study were to understand the status, challenges and the skill development initiatives and strategies and its impact in India. The data were collected from secondary sources like journals, magazines, articles and media reports. The study found that 80% of the workforce in India (rural and urban) doesn't possess any identifiable and marketable skills. Therefore, the study suggest that bridging this gap through various skill development initiatives could make India the global hub for skilled manpower, and also result in a surplus of skilled manpower of approximately 47 million 2020. Federation of Indian Chamber of Commerce and Industry (FICCI).

Bhiwa (2014), conducted the study on 'Skill Development and engine of economic growth' found that although India had acquired the membership of G20 countries still in our human development index is low and requires a huge intervention and initiatives from the government. Our expenditure on education share 3.4 of GDP in comparison of other countries like Thailand which share 7.6 share of Gross Domestic Production (GDP) is very low (in the year 2014). India's world population share is 17.6% having the largest number of working age group providing an opportunity to achieve inclusion and productivity through investing in education and enhancing the technical skill, soft skill and industry knowledge of Indian Youth. Government has taken initiative like launch of National Skill Development Council, National knowledge Commission, etc. to promote skill development programs in various sectors.

Kapur (2014), conducted a study on 'Skills Development in India' analyzed the concept of skill development in India and explored the programs and policies that have been initiated for this purpose. She identified that various programs and policies, educational and training centers have been established to facilitate skill development in India. In India, rural masses are still in a backward condition, steps therefore, have been implemented to develop skills amongst them for the purpose of obtaining self-sufficiency in resource utilization, governance and leadership. In Urban and Rural Areas, various training centers have been

established to impart skill development activities to the individuals such as literacy skills, which mainly consists of three 'R's, reading, writing and arithmetic; computer skills, artisan skills, production, manufacturing and so forth. Skill development always leads to progress of the individual and the kinds of skills and knowledge that he acquires may not be applicable immediately but it always proves to be beneficial in the long run.

India Skill Report (2014), revealed the underachieved status of skilled labours in India it judge that if we continue in the current pace in skill training, we would have a skill gap of 75-80% across industrial sectors in India. There will be huge human resource in the country but without sharpen hand and head which corporate do not require, and jobs for which the right fit is not available. The economic impact of this brutal cycle is something one can estimate, but the social impact of having a powerhouse of educated yet frustrated youth who are directionless with no jobs in hand is unimaginable.

From the literature it is very clear that there is urgent requirement of focusing on the education enhancement and skill development among youth to make them employable. It is a high time to get benefitted from our demographic quotient a crucial time to invest in the training and development opportunities in every sector and level.

Objectives

The objectives of the paper is

1. To understand the concept of informal sector and its importance.
2. To know the myths regarding informal sector.
3. To know the causes of increasing informalisation.
4. Steps taken by the Government to increase skill formation in the informal sector.

Methodology

The study is based on the secondary data. The data was taken from the reports of ILO, 12th plan document and 66th round of the NSS to see extent of informal sector in the Indian economy.

Employment in the informal sector refers to the total number of persons whose main job is an informal sector enterprise. A job is informal when it lacks basic social or legal protection or employment benefits and can be found in the formal sector, informal sector or households. Globalization and trade liberalization in India have led to a series of changes in the Indian labour market. Now skills are regarded a necessity as well as a form of security for improvement of employability of the workers. The impact of skill biased technological change has led to the exclusion of certain segments for the workforce such as women, unskilled workers, casual workers and rural workers. It is mainly due to the lower levels of education and skill training among these segments of the workforce. On the other hand globalization and liberalization of the economy is a window of opportunity even for the small enterprises in the informal sector. The issue of security both of the informal workers and small enterprises lies. The emphasis on skills in the labour market has given rise to inequalities because the skilled workers get wage premium. The process of informalization also leads to job insecurity. Both these issues of security, job and markets are concerned with 'skills as security' for workers in the informal sector. It emphasizes the need for a clear skill policy, technology policy for the workers and small enterprises. Skills became a necessity and a form of security to improve the employability of the workers.

Myths and Challenges of the Informal Sector

The results of ILOs work show that there are three common benefits which have created bias for the informal sector.

- a) All people engaged in informal activities are poor.
- b) The sector is unorganized and unstructured.
- c) Informal activities are illegal.

Available empirical evidence shows that informal sector as a whole is not poor. The sector is very heterogeneous, as some of them are engaged in subsistence activities others are engaged in very profitable economic ventures.

Regarding the second myth, studies have shown that the urban informal sector has its own mechanisms and network of financial services, training, marketing, welfare schemes and social safety nets. They basically rely on traditional, kinship, neighbourhoods, family ties, and all are proved to be effective and durable.

Regarding the third myth, it is basically due to the non-applicability of existing regulations to the economic conditions of informal activities and lack of knowledge, rather than any desire to avoid the law.

Over the past three decades, there is significant debate on the employment issues and development policies regarding the informal sector. The approach of the ILO's work on the urban informal sector has been to emphasize the growing role of the informal sector as a source of employment and income for workers. The emphasis is on protecting and enhancing the income and employment generating potential of the informal sector. ILO wanted it to be capable of offering better working conditions and protection for workers. Since urban informal sector is expanding, there are concerns about its role and functioning. Can promoting employment in the informal sector help in combating unemployment and underemployment? Up to what extent is it can absorb excess labour from rural areas. Does it hold the key to future economic growth?

For all these questions, the response at national and international level is to give financial and technical assistance to urban informal sector. The emphasis is on micro-enterprises and small producers and all other such policies which encourage and support self employment.

With the restructuring and rationalization of the public sector and deregulation of labour markets in the private sector, the informal sector has assumed great significance. Displaced workers from both the sectors are forced to seek work opportunities in the

informal sector. The ILO is concerned with both the quantity and the quality of jobs. The ILO identified eight key areas of priority action.

- a) Measuring the informal sector
- b) Enhancing the micro-entrepreneur's potential
- c) The creation of and capacity-building among informal sector organizations
- d) Infrastructure, job creation and living conditions
- e) Reforming training policies and systems.
- f) Enhancing worker's social protection.
- g) Reforming legal frameworks
- h) Assessing macro-economic policies.

The general aim of each priority area of action will be:

1. The enhance the productive potential of the informal sector. It relates to the activities that have the potential to create economic growth and employment.
2. To improve the welfare of the poorest groups. It would cover activities which help in improving the employment and working conditions of those engaged in precarious jobs.
3. To establish an appropriate regulatory framework and adequate forms of social protection and regulations. To improve the organization of informal sector producers and workers.

Skill System in India

In a rapidly developing economy, the low level of education and skills are the main reasons for the problems of the workforce in the informal sector. Since the nature of informal sector is heterogeneous, it requires different kind of training. Since the economy is growing along with rising population, it necessitated the Government of India to do something for the informal sector. National Policy on Skill Development which was announced in 2009 laid special emphasis on the skill development for the informal sector. The schemes of vocationalisation of school as well as opening of polytechnics and it is have been started.

The private initiatives supported by the National Skill Development Corporation are helping the workers in the informal sector. The 12th Plan has identified certain issues for the development of workers in the informal sector.

- a) Recognition of prior learning
- b) Skill upgradation and certification
- c) Expanding the outreach of skill development activities throughout the country
- d) Provision of literacy and basic education
- e) Replication of successful models
- f) Use of ICT and mobile vans for expanding outreach
- g) Cluster approach for apprenticeship training
- h) Using the process of Train-Loan-Link-Support system for the improvement in the success rate of training in self employment
- i) Developing a pool of certified trainers with adequate technical competency
- j) Developing a transport system for conduct of the programmes, registration for participants and putting it in the public domain.

Skill Training in ITI: In India the government run it is are playing very important role in providing skilled workers to the informal sector. It was found that overall about 3-30% of the workers and 10-20% of the training is found in the large enterprises in the informal sector. (ILO, 2003).

Traditional Apprenticeship Training: One of the main sources for the mass of the workforce in India is informal apprenticeship to informal enterprises. In many of the manufacturing industries, the method of recruiting workers is through engaging relatives and other known persons as a helper under a master or skilled worker. The trainee at first only helps to fetch any carry for the master, and then slowly begins to help the master in running the machine. In a study of automobile parts- workers take 2-10 years to become a semi-skilled and later a skilled worker in the enterprise. It is self regulating and the costs are borne

partly by the enterprise and mainly by the workers. But it is based on traditional technology and the theoretical learning is weak and the training is limited to particular products.

Initiatives taken by the Government of India

The National Skill Development Mission was launched in 2008. A 3-tier structure has been created to implement this plan. At the apex is the National Council on Skill Development. The second tier is the National Skill Development Co-ordination Board. The third tier is the National Skill Development Corporation, which is a not-for-profit Public-Private Partnership Company to facilitate skill development. The objective of NSDC is to contribute 30% to the overall target of skilling / up skilling 500 million people in India by 2022.

1. In June 2013, the Government has set up National Skill Development Agency for coordinating and harmonizing skill development activities. It will also ensure that the disadvantaged and the groups like SCs, STs, OBCs, Minorities, and Women and differently-abled persons are taken care of. NSDA along with National Institute of Open Schooling organized a National Workshop on 'Strategy Planning for implanting RPL for Informal Sector Worker' on 24th April 2014. In this workshop, six sectors namely Agriculture, Capital goods, Construction, Domestic Workers, Gems and Jewellery and Healthcare were selected for Skill Councils for pilot studies.
2. India has sought an increase in representation at the senior levels of ILO and asked technical assistance to develop a database to capture the nature and composition of informal sector in India on September 11, 2014.
3. NSDC has set up Sector Skills to complement the existing vocational education system for the industry/ Service sector in meeting the requirement of trained manpower in quantity and quality. The Ministry of Human Resource Development, Government of India has proposed a National Vocational Education Qualification Framework for integration of Vocational and General Education.

4. Government has introduced National Occupational Standards for entry level jobs in a number of industrial/services sector.
5. For skill development training, Indian Banks Association has launched a Model Loan Scheme for providing loans from Rs. 20,000 to Rs. 1.50 Lakh.
6. The new companies act 2013 has made it mandatory for the company to spend 2% of the average net profit earned by it during every block of three years. It would cover the activities related to employment enhancing vocational skills.
7. The Government has started a new scheme Standards Training Assessment and Reward (STAR) in which candidate will be provided with a reward of Rs. 10,000/- after the successful completion of training and obtaining a certificate. The purpose of the scheme was to motivate the youth to join skill development programmes.
8. A credit Guarantee Funds Scheme for skill development by the lending institutions has been approved The purpose of the scheme is to provide a guarantee against default in repayment of education loans.
9. The National Skill Development Fund has been created by the Central Government to support Sector Skill Councils. In this context , The Gems and Jewellery Export Promotion Council, Confederation of Indian industry and the Self-Employed Women's Association have been accepted.

Conclusion

The study show that the problem of skill formation is very important keeping a mind the huge population engaged in informal sector. First of all we have to remove the myths related with informal sector. The government has formulated National Skill Development Agency for the benefit of informal sector.

The national skill policy aims at the development of skills which are institution based like it is, Vocational schools, technical schools, polytechnics, professional colleges, formal and informal apprenticeship and other types of training by enterprise, training for self

employment, entrepreneurial development, adult learning, retraining of retired or retiring employees and lifelong learning, non-formal training including training by civil society organizations, e-learning, web-based learning and distance learning.

All this will involve huge finances. So the burden of mobilizing financial resources for skill development should be shared by all stakeholder i.e. the Government both at Centre and state level, the enterprise-public and private, the direct beneficiary- the individual.

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