



**T.Y.B.A.(SOCIOLOGY)**  
**SEMESTER - VI (CBCS)**

**PAPER - V**  
**SOCIOLOGY OF INFORMAL**  
**SECTOR**

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**TYBA SOCIOLOGY**  
**SEMESTER VI PAPER V**  
**Marks 100**  
**Sociology of Informal sector**

**Course Rationale:**

- To develop a sociological understanding of the issues related to the informal sector.
- To introduce students to the growing sector of informal workers in the Indian economy
- To introduce students to the understanding of issues related with the informal sector in the context of globalization.
- To engage students with current debates on outsourcing, downsizing, social clause, social security and role of ICT

**Unit I: Organization of work**

- a. Formal and Informal sector: Distinction
- b. The nature of informal sector: characteristics, problems
- c. Theoretical Perspectives: Dualist, Structuralism and Legalist

**Unit II: Informal Labour Market**

- a. Migration as livelihood
- b. Workers in Informal sector
  - i) Women workers (Feminization of Work force)
  - ii) Contract workers
  - iii) Agricultural workers
- c. Conditions of work and wages
  - i) Home based worker
  - ii) Leather workers.
  - iii) Sanitation Workers.

**Unit III Safeguards for informal sector workers**

- a. Towards Decent work agenda
- b. Social security and role of the state
- c. Organizing the unorganized: self-help groups and microfinance.

**Unit IV: Globalization and its Implications**

- a. Informalisation of work.
- b. Downsizing, outsourcing, Network society and role of ICT (Information communication technology)
- c. Labour Reforms and its impact; Problem of unionization and Labour boards.

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# UNIT I

# 1

## FORMAL AND INFORMAL SECTOR

### Unit Structure

- 1.1 Objectives
- 1.2 Introduction
- 1.3 Indian worker
- 1.4 Organisation
- 1.5 Formal Sector
- 1.6 Summary
- 1.7 Questions
- 1.8 References

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### 1.1 OBJECTIVE

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- To acquaint students with Indian worker and working conditions of workers.
- To Study the structure of formal organization and functions of organization.
- To being awareness about informal sector, problems of worker & then challenges.

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### 1.2 INTRODUCTION

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A worker is a person who is engaged in gainful employment. According to law a worker should be any person who contributes to the gross national products by his/her work which includes work for market economy as well as for self- consumption.

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### 1.3 INDIAN WORKER

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However, in India, the term is used, in restricted sense, to refer to those workers who are employed in organised industries, that is, in those industrial establishments which are covered by the Factories Act. The workers who are engaged in cottage industries are excluded. Since our factory industries have been growing very slowly since the middle of the 19th century factory our industrial labour has also been increasing slowly.

In 1900, the number of workers in our factories was only 5 lakhs. Between 1950 and 1993, the estimated average daily employment in working factories has increased from 3 million to 9.1 million. Indian industrial labour is only about 3-0 per cent of the total working population I or about 32 per cent of workers engaged in industries. This is a small I percentage

indeed. But on account of its organisation and contribution to national income, industrial labour occupies an important place in the economy of the country. A contented industrial labour will be great asset to India, but a dissatisfied industrial labour acts as a drag on development.

Industrial labour in India exhibited certain well known features which have affected the trade union organisation. In the first instance, most industrial workers have their roots in villages. Quite a large number of them have left their traditional occupations and have migrated to cities in search of permanent or temporary job. Most of them still retain their attachment to land and the periodic migration from the town to the village is a common characteristic of our industrial labour. Only in recent years, a new class of industrial labour without roots in agriculture has been emerged in our towns and cities.

Secondly, industrial labour is largely uneducated. As a result, they do not understand the problems which their industries confront and the problems which they themselves are facing.

Thirdly, industrial labour in India is not united but is divided and subdivided on the basis of region, religion, language and caste. It is only in recent years that some of these differences are disappearing gradually and some degree of unity on the basis of economic consideration is taking place. Finally, workers do not remain in the same job for long. There is high labour turnover. Absenteeism indiscipline etc. are quite common. This may be because the workers are originally from the rural areas where people were comparatively free; or it may be because of their lack of education and love of leisure.

### **The early industrial workers:**

Initially when British established factories, many workers from the rural areas started working there. Working conditions were very bad. Receiving very low wages in exchange for long hours of work under the most hygienic conditions, workers live in squalid quarters or slums. The craftsmen became the poor labourers in the factories. The unorganized industries were made up of old Indian industries such as biri and few others, where child labour frequently prevailed and whose workshops or hovels were described as “dark, crowded, ill ventilated and insanitary with damp mud floors on which workers sit for the whole day.”

It is not surprising then the Indian worker never liked the work “Compelled by necessity, pressed by poverty, hunger or debt, they had to leave their ancestral village to merge with the anonymity of the city life”. Since they had to migrate without their wives and children they always wanted to rush back to the village as frequently as possible. The worker was “villager at heart”.

## The modern worker:

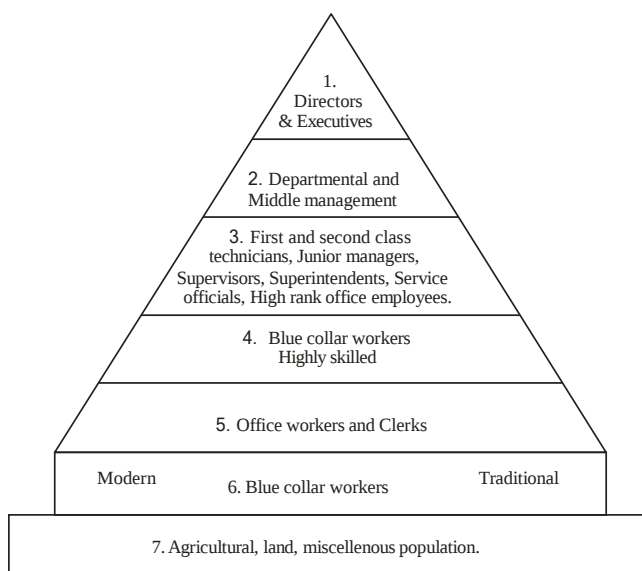
Today, the nature of industrial production is changed. Many new cadres of management have come up instead of having only the ownership of productive units.

There are many levels of work in modern Indian industry considering the occupational status and social prestige.

1. The highest level which is occupied by directors and executives.
2. The next level is that of departmental managers middle management as well as first and even second class technicians.
3. The third level is made up of junior managers supervisors and junior superintendents, service officials, higher office employees etc.
4. Next to these, the skilled workers follow especially trained in technical schools and undergraduate centres. Though these are logically classified as blue collar workers, they, in fact, may be considered as the blue collar aristocracy.
5. This level is made up of office workers employed in industry or in some of this subsidiary activities such as banks, commerce, insurance etc. They are so called white collar workers, who are now in the process of growth.
6. The last level is filled by manual workers, the authentic blue collar workers to be found everywhere on the basis of modern industry.

Traditional workers in India were working in jute and textile mills, railways, mines and plantations established by the British rulers. Modern workers are working in plastic, pharmaceuticals, electronics etc. These industries, in fact came after independence and are still in the process of development in the wake of scientific and technological advance.

‘Work’ is also associated with status, not only the level at which the worker is working. When we look at the **occupational pyramid** we find that many skilled workers belonging to the level 4 receive higher payment



than those at level 3. Yet they do not have the same status.

There is also shift in status and prestige. As industry develops and the social structure reshapes itself in accordance with new values, the level of aspiration of the people increased and the direction of social change to a large extent can be predicted.

### **Characteristics of Indian Labour Worker:**

Indian worker is not much different from his counterparts in western industries. He has some desire aspiration or feelings, only there may be the difference of degrees. Today many of the workers in the industries are city born, though some of them still come from the villages. In the new industrial townships or colonies the vast majority of workers came from nearby villages or tribal areas. But they are no more too much attached to their native places.

According to some studies conducted on the status of workers, 50% among the women workers from modern industries and 24% among those from traditional industries had broken all the connections with their villages so they never visited them.

Further, it is proved and confirmed by many studies, that modern worker is more committed to industry, he has accepted factory discipline, ready to learn new skills and shed old ones, producing efficiently and fighting for his rights as a worker through a trade union. He may have still deep rooted interest in land, but this does not come in the way of his career.

Though high absenteeism is not there, but some absenteeism might be due to the attachment to farm life among the workers, although it is not so alarming.

According to E. A. Ramaswamy, we like to know what are the life chances and aspirations of industrial workers vis-a-vis other sections of the society? How are workers differentiated among themselves? To what extent they constitute a distinct interest group or class in the society? What is the nature and extent of their involvement in trade unions? What role do they perceive for themselves in achievement of the goals of a modern industrial society committed to economic growth and social equality?

### **1. Social background of industrial workers:**

A large part of sociological research on Indian industrial workers consists of analysis of their social and economic background. In the initial stages of industrialization, 50 years ago Buchanan and Prabhu conducted research among the workers and it was observed that factories were largely established in urban areas but industrial jobs were manned by migrants from rural areas. Rural society was at that time believed to be a closed tradition-bound, well knit society. Hence those migrated to towns for industrial jobs were low caste farmers artisans and servicemen who were pushed out of their village due to economic deprivation. These migrants left their families behind in villages and lived themselves in

working class quarters in towns. They missed their family and community life while in town and hence frequently returned to their villages. Their social life in towns was more or less an extension of their social life in villages.

But today by all means this situation is different. Factory workers are drawn from all sections of the society (Harris 1960, Lambert : 1963; Vaid : 1968 Sheth 1968 Sharma 1974) while some of them are migrants from rural areas and agriculture based jobs, there are among them permanent and semipermanent urban settlers who no longer have any nostalgic attachment to the romantic surroundings of the Indian village. In some places the social characteristics of industrial workers (e.g. caste background education, age, family size etc.) closely resemble the corresponding characteristics of the urban population around them (Lambert : 1963; Vaid 1968). The progressively increasing use of sophisticated technology implies the employment of young educated people from the various strata of society. They are much younger, better skilled and English speaking. They are diploma and degree holders from different technical institutes. They are more capable of concerted action and organisations than the others. They are able to fight for their rights. Industrial jobs has in many ways acted as a leveller in the traditional social and economic structure of Indian society. Most of the workers are born and brought up in cities therefore they are more aware, alert and careful as well as exposed to mass media and urban environment. They worry for their children's future.

## **2. Recruitment and Commitment:**

Kerr and Moore in 1960s observed in their studies of industrialization of non-industrial societies that rural agricultural low caste background of industrial workers and their attachment to rural social life made them to fly to their native homes very frequently as they considered industrial jobs a necessary evil. These scholars were convinced that a high degree of absenteeism and labour turnover among workers and a low degree of productivity as compared to workers in other countries was very prominent. They also contended that the process of industrialization took place slowly due to the non-acceptance among workers of the strange urban industrial social system and its different culture. So Indian workers were labelled as non-committed to the modern industrial system or at least partially committed" to industrial work.

Kerr Harbinson Dunlop and Myers write "The industrial society is held together by a system of rules, relationships statutes and beliefs quite different from those of an agrarian society and the transformation from the latter to the former is generally disrupting and painful ....". Moddier has suggested that the value system of the industrial worker militates against industrial values. Myers feels that hurdle is deep rooted in the Indian way of life and MC Corneck has attributed it to family practices and relationships. Myers puts it simply when he says that it is the city living that is disliked and not the factory job. He observed that in Bombay (Mumbai) the factories had no difficulty in attracting people from the rural

areas but poor labour conditions often drove them back, generally for social reasons. More than 3/4th of the workers in Lambert's study spoke of their intentions of remaining in factory employment. 61% of the workers in Vaid's study in Kota were certain that they desired to remain in factory jobs even if they lost their current jobs. Moore and Feldman's definitions of "commitment" is that "the committed worker has severed his connection with the land and with his tribal background. He is fully urbanized and never expected to leave industrial life". We find that Indian worker is "partially committed" to use Myers' observation. Studies have shown that though the Indian worker is fully urbanized there is still "a sentimental feeling" for the village, perhaps a result of the inconvenience and difficulties met in the city". Rashmi C. Ved's inquiry revealed that 50% among women workers from modern industries and 24% from traditional industries had broken all connections with their village so they never visited them.

Vaid has argued that absenteeism and turnover were not good indicators of lack of commitment. For him absenteeism could be a function of a variety of forces (such as personality, supervisory behaviour sickness). Low productivity too is dependent on several factors relating to management and technology rather than on workers' commitment (Sheth : 1971).

Sharma and Vaid observed the following characteristics among Indian workers in their studies —

1. Workers migrated from rural areas are better in attendance, more regular and hard worker than those who came from cities.
2. They also could adjust with their work quickly.
3. Today these workers are well aware of the economic security, better income and status and therefore they would like to change their jobs.

Later studies confirmed that today workers are from the families which have had such experience for 2 - 3 generations. Modern technology demands some formal technical training among workers. Most of the workers are near their rural areas as per the policy of the dispersal of industries. Recruitment of workers is still largely through informal social channels, but workers with special skills are increasingly recruited through formal selection procedure and employment agencies. Labour laws and management attitudes have entailed considerable job and social security for workers. A number of studies also show that rather than the social background of the workers, it is superior technology, high job status and employment in a large factory which determine high commitment among workers towards work. The nature of job determines the kind of attitude a worker can have. The repetitive and monotonous kind of job done by a machine operator naturally produces less commitment, an unskilled worker who performs manual jobs is also less committed i.e. have less devotion or sincerity. Comparatively highly skilled maintenance men and tool makers are more sincere and much committed towards their work. They like their job.

It was found that Bangalore workers were more production conscious and admired conscientious work. They wanted to do work which are skilled, contain some variety and from which they would learn something new and useful. The job of craftsmen was considered more satisfying.

In this background it can be rightly said that Indian workers are not less committed to their work. On the contrary they want modern industry to show some commitment to them.

### **3. Attitude towards work:**

Lambert, Vaid and Sharma observed the following aspects of Indian workers in their studies.

1. As far as satisfaction is concerned, it was observed that those who had relatively higher status within the factory hierarchy and those working with more sophisticated machinery and tools felt better placed and satisfied.
2. These workers also adjusted well with their work especially those who had higher status, higher income and higher skill as well as technological sophistication.
3. Workers who were challenged by work technology and promotion opportunities were more satisfied. Therefore it was recommended by the sociologists that workers with higher skills must be given better opportunities to improve their status or income. Also such workers must be given challenge to do better by having better job design and promotional chances.

Wedderburn and Crompton also suggested that technology determines work orientation. For them the continuous process technology created interest and gave sufficient freedom to try out their own ideas. In contrast workers in the machine shops found their work boring and felt that they have little freedom or discretion in the organisation of their work.

Even on work orientation of Indian workers, Gold thorpe Lock Wood and their collaborators have pointed out in "The Affluent Worker (1968) that the orientation of the worker toward work is the result of his definition of the work situation. For Gisbert, the Indian male born and bred in the traditional joint family and shaped up in it up to the time he grows, is handicapped to make his own decision due to the over protectiveness and paternalistic attitude of the head of the family. The self confidence or the sense of responsibility is not built properly as a result the worker becomes dependent and considers his employer as mai-baap i.e. parents and expects him to protect him. He possesses a sense of insecurity and tends to be submissive servant. Even protective laws have made the workers more irresponsible towards production.

But today many studies of worker motivation in India have suggested that the physiological and safety needs of the workers are more or less satisfied. In view of this, the workers are increasingly concerned about

their social and ego needs. Many research findings reported that the socio psychological needs of the industrial workers remain largely unsatisfied.

It is believed that only wage, is not sufficient. Higher status and recognition also contribute to the positive attitude to work.

Technological development is likely to create opportunities for workers but at the same time unskilled jobs have gone.

Thus on the basis of studies on Indian workers and their attitude towards work in general it can be concluded that,

1. Today, workers are more aware of their position and are concerned with their future.
2. The workers are not much dependent on their employers for their betterment.
3. Workers now look forward for their job security, Skill enhancement and promotion by working hard.

They take their job as the source of livelihood and have become more sincere and responsible towards it.

#### **4. Social Consequences of Industrial Work:**

A large number of industrial workers are employed in the [unorganized sector where employers enjoy a great deal of immunity from the regulative labour and industrial legislation. It has been seen that trade unions have provided the workers a sort of identity as “members of the [working class”. They also have become more disciplined and job conscious.

#### **Mobility and Occupational Aspiration:**

In spite of a worker's confidence in regaining jobs easily, mobility even units was found to be poor. This shows that even earlier workers reluctant to change jobs. This is more so today. Lambert found mobility among units poor. Amongst workers 727% had no more than one previous job and the average number with previous jobs was only 1.14%. Gisbert feels that most often the workers' orientation towards work is largely decided by external factors. Joint family's overprotectiveness gives no sense of confidence 'to workers according to P Gisbert - Kamla Chowdhary expresses the view that unlike his western counterpart the Indian worker is marked by excessive obedience and lack of competitiveness. Most probably, family obligations, sometimes a poor record of education and work experience and the difficulty of finding lucrative jobs is responsible for low mobility and also for the low level of occupational aspirations. Sometimes traditional obligations act as a hindrance to full commitment. But as Moore and Feldman described Indian worker as over-committed worker who is “committed to not only to industrial life but also to his particular occupation or his particular employer. “Perhaps the Indian worker is more adventurous, but his aspirations are undoubtedly low. This

may be lack of better opportunities available in India. Their general level of education is also very low. Workers did not show any desire for upward mobility. Lambert found that 62.4% of workers he studied expected to stay in the same rank even in near future. Workers at higher level had somewhat higher aspirations. Highly skilled jobs were more attractive and thereby found that job satisfaction was highest among skilled workers and lowest among semi-skilled workers. This coincides with Vaid and Sharma's findings that superior technology) contributes to better work adjustment. Lambert found that the level of) aspiration varied from factory to factory but it was the highest in the most modern and technically advanced engine factory. Lambert did not find caste as important factor. Sharma also found that education influenced a person's level of occupational aspiration.

On the basis of these studies, certain characteristics of Indian workers can be listed out in the following way:

**a) Less dominance of caste system:**

Indian workers are still divided and subdivided on the basis of caste, region, religion and language but these are not very important today. With the introduction of reservation policy by the government the caste structure has lost its significance in industries.

**b) Higher education:**

Though Indian industry got agricultural) hands during its early days, it has now been securing workers with higher educational qualifications compared to the minimum qualification of job.

**c) No more agricultural work experience:**

The research studies conclude that most of the workers have rural background but do not have agricultural work experience.

**d) Good attendance record:**

The research studies show that today among the modern workers absenteeism is far less. Most of the workers with rural background have a good attendance record. Immigrants displayed work adjustment superior to that of local employees.

**e) Good working conditions:**

Better working conditions create comfortable working conditions. This leads to reduction in the number of absenteeism .

**f) Low mobility:**

Indian workers are less mobile. They do not leave job and go to another. This is mostly due to excessive obedience, lack of competitive spirit, having desire of staying in or nearer to the native place, resistance to change, problem of adaptability to the new environment and organisational climate etc. This shows that Indian worker does not want to

learn continuously after attaining certain age or some goals. He is habituated to do routine tasks rather than accepting challenging jobs.

**g) Desire for job security:**

Indian workers are more keen on getting jobs which offer security. They want permanent jobs though initially the job does not have high salary.

**h) Less Unionisation:**

Indian worker, though he subscribes his name to some union or the other, he does not participate in any of the union activities. Most of the workers are highly self centered.

**i) Wages:**

The Indian worker's attitude towards the organisation does not seem to be influenced so much by the work he does as by the wages he earns and his seniority in the organisation. Higher wages create more interest and more authority. It also provides more sense of responsibility.

**j) More disciplined:**

Today workers are ready to be disciplined and controlled. They follow most of the rules.

**k) Low level of aspiration among Indian workers :**

Workers do not have high level of aspiration in view of the limited opportunities available to them within industrial organisation.

**l) Technology and workers:**

If the technology is superior, the worker accepts the challenge and can adjust well with the work situation.

**m) Skill and workers:**

Skilled workers are more satisfied than unskilled workers.

**n) Workers and aspirations:**

Workers at higher level have higher aspiration. Even those who work at lower levels have higher aspirations if they are encouraged and make to realise their potential.

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## **1.4 ORGANIZATION**

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Organization is a group of people working together under authority towards achieving goals and objectives that mutually benefit the participants of the organization. It is clear that people who work together require a defined system or structure through which they relate to each other and through which their efforts can be co-ordinate.

### **Functions of an organization:**

There are three kinds of functions which must be performed when ever an organization comes into being:

#### **a. Division of labour:**

Since an organization is a structure of human association, it involves individuals and groups of individuals to join together to perform certain task and therefore division of work is done. This leads to fixing of responsibility, delegation of authority and specialization which are the principles of an organization.

#### **b. Combination of labour:**

Because there is division of labour from the structural point of view it results in various units, departments and division of an organization. These divisions are made on the bases of skills of the workers, the tools and the machinery used.

#### **c. Co-ordination:**

This is achieved through leadership in the structural sense. It involves fixing of responsibilities and delegation of authority. It establishes control of authority. It establishes control which provides for efficient performance of activities.

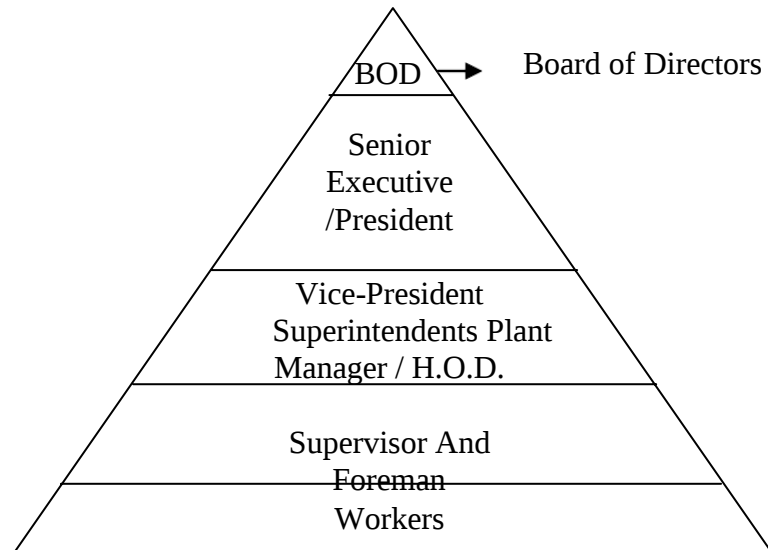
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## **1.5 FORMAL SECTOR**

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It is also known as organized sector. It can be defined as the sector which covers the labour force in all the enterprises in public as well as Private Sector which has more than ten workers . These organized units are largely supported and protected by the Government. They provide better wages, good working conditions and sometimes even pension facilities to the workers. They include manufacturing and service organization like commercial banks, insurance companies, manufacturing companies, tourism, communication companies etc.

The structure of a formal organization can be depicted in a diagram form as under:-



In any organization there is a hierarchy. Hierarchy refers to the various levels of authority in an organization. The formal organizational structure is presented in the form of a pyramid as above. At the base of the pyramid are the workers, moving up the pyramid are the first line supervisors usually referred to as supervisors or foreman. Such people use both technical knowledge of their job as well as skills in human relations. They have direct authority over the workers. Over these are the people of middle management consisting of Superintendent Plan Manager and HOD. Individuals at this level sometimes feel they are caught in the middle as they are pushed and pulled by such managers on each side of them. They are responsible for the implementation of policies framed by the top management which include Senior Executive/ Presidents and Vice Presidents who constitute the administration of the organization. Above them is the Board of Directors elected by the share holders of the corporate body. They influence the overall policies.

### **Authority Structure of the Formal Sector:**

This may be:

1. Vertical Structure
2. Horizontal Structure.

#### **1. Vertical Structure:**

It clearly states that the lines of authority passed from top to bottom. At the top ultimate power lies in the hands of top management who holds the highest position in hierarchy. He has subordinates who are directly accountable to them. His subordinates will have their subordinate and in this way the hierarchy goes on until the lowest level. This structure is based on two traditional principle.

- a. The scalar principle which is related to a chain of commands i.e. : authority and responsibility in an organization should flow in a clear

unbroken line i.e; from the top authority to the workers who are at the bottom of the hierarchy.

- b. Unity of command means that no subordinates shall be responsible for more than one superior because orders from one superior may conflict with orders from another superior and therefore the subordinates may be in an awkward situation.

## **2. Horizontal Authority Structure :**

This indicates the relationship between peers and fellow workers across the organization. Individuals located at the same level normally have no authority over each other. They are rather equal in terms of authority and formal influence and more or less equal in social status also.

### **Types of Formal Sector:**

They are as follows:-

- i. Line Organization
- ii. Staff Organization and
- iii. Functional Organization

#### **i. Line Organization:**

In a line organization authority and power pass from top of the hierarchy to the bottom level step by step through downward delegation of authority and responsibility. All major decisions and orders are given up the top exclusive to the to the immediate subordinate. When authority flow from top to subordinate level in more or less a straight line, it is known as line, it is known as line organization.

#### **Characteristics of Line Organization:**

- 1. Each manager has direct authority over his subordinates.
- 2. Each one report to only one immediate superior.
- 3. Managers have complete authority in their own areas of operation.
- 4. Authority flows downwards and responsibility flow upwards.

#### **Advantages of Line Organization:**

- a. It is the simplest type of organization that can be easily defined and explained.
- b. It is economically effective and quick decision can be taken.
- c. Responsibility is fixed and unified at every level.
- d. It provides greater control and discipline in the organization.

- e. It develops the officers in all round capacity to take higher position on line command in the department.

**Disadvantages:**

- a. It overloads the executive with activity therefore long range planning and group formation are neglected.
- b. It does not make for specialization as one executive is required to do all the work.
- c. It is based on one man management therefore decisions taken are arbitrary.
- d. Distribution of work is not according to any scientific plan but the whims and fancies of the executive.
- e. It can encourage nepotism and promotion becomes a matter of flattery.

**ii. Staff Organization:**

Staff managers ordinarily do not have direct authority over the line members. Staff members have technical or professional knowledge and hence provide assistance or advice to line members. The staff members provide service as well as advice on activities such as planning, research or determination of executive manpower needs. There are two types of staff.

- a. General Staff
- b. Special Staff

**a. General Staff:**

General staff have general background which is usually similar to the background of the executives and provide assistance to the top management in one capacity or the other. They are not specialist and therefore they do not have direct authority or responsibility. They may be known as special assistants or assistant managers.

**b. Special Staff:**

They have special background in some functional areas. They provide expert advice and service to the organization such as research and development, purchasing, statistical analysis. In the modern industrial world almost all business organizations have line and staff organizations.

**iii. Functional Organization : [structure]**

The functional design is also known as  $\bar{u}$  for organization [ $u$ = unity]. Some of the major functions are production, marketing, finance, HR, legal research, development and so on. The type and the number of functions would depend upon the type of organizations Eg:- A service organization

will have different functions. The functional structure divides the organization into different departments according to their main functional areas.

### **Advantages of Functional Structure:**

1. It improves efficiency as well as the quality of products because the specialist is involved in each functional area.
2. The functional structure helps in better communication and co-ordination within the department.

### **Disadvantages:**

1. It indulges narrow specialization rather than general management skills and therefore functional manager executive positions.
2. Functional units may be concerned with their own areas and therefore less responsive to the overall organizational needs.
3. Co-ordination is more difficult to achieve and hence it may seriously delay responses affecting the entire organization.

### **Feature of Formal Sector :**

The Industrial growth up to 1991 was mostly based on the socialistic pattern of society. Indian economic system had been based on the mixed economic pattern. Therefore, public sector played a dominant role. Government used to industries for the violation of any rules. Government also encouraged and supported many new units of production and also allowed diversification of products. Government also issued technological policy and industrial policies for regulation of production. Government also wanted to create more employment through these industries. Thus employment generation was the main objective.

### **Organised sector:**

Organised sector is defined as the one covering labour force in all the enterprises in public as well as private sector employing 10 or more workers.

Organised units are being supported and protected by the government. They also provided better wages, good working conditions and other benefits, even pension facilities to the workers. Many people developed and made their careers with organized units. There are manufacturing organizations, public sector service organizations like commercial banks and insurance, private sector service organizations like banks, transport tourism organization, finance companies or communication like mobile phone services, television etc.

Organised sector is standardized. They operate mostly on systematic lines. Demand for labour in this sector is balanced with the supply of the same through the efforts of the employment exchanges; consultants, advertisements, trade unions etc. There is formal selection procedure used

for appointment. Workers or employees are regulated by formal laws. The organization is also formally controlled, has hierarchy of authority, work well planned, basis adopted as specialization of knowledge, effective line of communication, higher pay-scale according to ability and experience. There is formal indirect contractual impersonal and temporary relationships predominant in such organizations.

Organisation in this sector train and develop the employees through their efforts. They pay the wages / salaries to the employees based on job evaluation and their ability to pay. Trade unions in these organizations are strong. They regulate the HRM practices in these organizations.

### **Nature of work or the pattern of relationships in the formal sector:**

According to the studies conducted by Braverman and others, skill initiative and control are steadily removed from work with the development of mechanized and automated production. In addition, the labour process has been increasingly 'rationalized' in capitalist society. Tasks are minutely divided into simple operations and directed and organized by management. This development applies not only to manufacturing industry, but to work in general. The net results of these changes are (1) deskilling of labour force (2) reduction of its control over the work process and in particular, cheapening of labour power. Workers are forced to sell their labour power in order to subsist. Their work has undergone a process of degradation which involves the removal of skills, responsibility and control and work process is dominated by the employer and management.

Organised sector is restricted to manufacturing, electricity, transport and financial services. Its share is 7% of the total employment in 1999-2000 i.e. 28 mn out of 397 mn total employment.

The organized sector comprises of the public and private sector. Public sector's share in the employment in the organized sector was 71% during 1983-94. Now it is declined due to the government's policy of reducing employment in the public sector.

The share of the private sector has been less than 1/3<sup>rd</sup> of the employment in the organized sector. The private sector is profit motivated and does not generate employment as the public sector.

### **Characteristics of Formal Sector:**

1. It is impersonal or abstract in nature i.e. it is the job or the position which is of prime importance whereas the men who perform the role are secondary in nature.
2. The relationship between the members is designed in such a manner that the formal relationship are in coordination with plans which are laid down to achieve the goals of the organization .

3. It is a part of the wider system and it includes material and non-material elements as well as economic, political and administrative system which may be reflected in the human environment.
4. All individuals in the organization are assigned specific duties and responsibilities.
5. All the activities are directed towards the attainment of the goals.
6. There is a clear distinction between superior and subordinate relationships.
7. There is a system of coordination between the activities of the individuals of the departments.
8. All formal organization have their own rules and regulations.

### **Problems of Formal Sector:**

Some of the problems faced by the workers in the formal sectors are related to automatization, privatization and liberalization. Due to the merger of Indian industries with multinational companies the workers are facing the problems of lay off, voluntary or compulsory retirement. A large amount or number of workers are unskilled or semi-skilled and therefore there is little scope of their employment. Even the skilled workers have to improve their knowledge. There is no job security as the system of 'Hire & Fire' is followed. Information revolution has changed the entire demand and supply pattern. The union have not been able to protect its members because of downsizing and outsourcing. Due to all these factors, the numbers of workers have become less and they have lost their strength to bargain with their employers.

There are problems in the organised sector too. Due to automation, privatisation and liberalisation the industrial scene is mostly changed. Many industries are being merged with many international or multinationals hence their Indian units are closed. Workers are facing lay offs, voluntary retirement or compulsory retirement. Many unskilled or semiskilled workers are losing their jobs as there is no scope of manual jobs.

Even highly skilled labour have to improve or renew their knowledge to maintain their demand. Now no doubt workers are better paid, there is no job security. Workers move from one organisation to another. New generation workers have to work very hard to find suitable jobs for themselves. Industries especially large scale factories are closing down and business processing industries are being, instituted in place of them. Their job is to collect, process data and supply them to their customers. They undertake administrative functions. Information revolution has changed the whole demand and supply pattern.

Though the workers in large industries are unionised, unions fail to protect their jobs. They are also unable to dictate their terms and conditions due to downsizing and outsourcing of industries. Though unions are still

struggling it is not possible to achieve the earlier status. Workers have become less in numbers therefore have lost their strength.

### **Workers in plantation and mines:**

Though these are organised formal sector, working conditions are very bad. Workers have to work under very poor sanitary conditions without adequate ventilation Drinking water supply is absent. Wages are very low. Mostly women and children work who are not given any facilities. In mica industries, it is noticed that very small children who come along with their mothers have to be in their mothers' lap, inhale minute mica particles, their face get covered with sparkling mica. In plantation, workers are not given sanitation facilities, good comfortable houses or even no protection from rain or sun while at work. They are not even given proper rainy shoes. Regarding hours of work it was observed that plantation workers work for 10-12 hours a day even though under the Factory Act 1948 they should not work for more than 8 hours a day.

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## **1.6 SUMMARY**

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The working condition of a worker depends upon the sector in which he/she is employed. The formal sector, involves rigid rules and regulations along with a job security to certain extent. Whereas, the informal sector where the entry is not restricted, it does not provide any kind job security. Even in the formal Sector, workers face a range of issues which if unresolved lead to mass absenteeism and also in severe cases may lead to strikes and eventual lockouts

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## **1.7 QUESTIONS**

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- 1) What do you mean by worker?
- 2) Discuss organization and its function.
- 3) Highlight structure of formal organization.
- 4) Analyse Characteristics of formal sector.

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## **1.8 REFERENCES**

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## INFORMAL SECTOR

### Unit Structure

- 2.1 Informal Sector
- 2.2 Types of workers
- 2.3 Social Security of workers in informal sector.
- 2.4 Difference between formal and informal org.
- 2.5 Summary
- 2.6 Questions
- 2.7 Reference

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### 2.1 INFORMAL SECTOR

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According to the definition given by the Central Statistical Organization the unorganized on the informal sector includes all those incorporative enterprise and household industries which are not regulated by any legislation and which do not maintain an annual account or balance sheet.

According to a noted economist Banerjee- Unorganised sector is one which caters to the local market and to consumer who comes from the lower segment of the society.

**According to Nirmala Banerjee-** The unorganized sector consist of loosely formed groups which includes self-employed person, wage earners, family members and house hold workers. Hence it is therefore called as the informal sector.

It can also be defined as the spontaneous or deliberate. grouping of men in which the structure is not clearly defined or methodically distinguished.

The component organisation in an unorganised sector include small industries, tiny industrial “ units, cottage industries, shops and establishments, hotels, restaurants, mobile business or trading units, taxi operators, agriculture etc.

Demand for and supply of labour in this market is mostly balanced through casual labour and contract labour. These practices are more prevalent in the third world countries. Organisations in this sector do not follow any systematic or scientific method of recruitment or selection. Candidates are mostly informally employed. They also accept low wages. Sometimes their skill is considered.

Organisation in informal sector normally do not design the jobs, do not plan for man power. They do not undertake any measures to train or develop the employees. Performance appraisal through formal means never takes place in the informal ‘organisation‘.

Employees are normally offered minimum wages as announced by the government. Some organisations avoid paying even the minimum wages. Normally the organisations do not provide employee benefits welfare measures, fringe benefits etc.

Most of the organisations do not have trade unions. Trade unions are generally weak even in these organisations wherever they exist. Employee grievances, industrial conflicts etc. are rare to find in this sector as the employees have to accept the wage offered by the employer. Further they also accept other terms and conditions of job.

The informal sector mainly consists of people who are self employed and provide needful services but in unorganised and unauthorised manner e.g. street hawkers. This sector may cover wide range of activities like retail and wholesale trading, repairing and servicing, casual labour and manufacturing etc. By definition the units in the informal sector are considered those which employ less than 10 workers. But it is difficult to distinguish between formal and informal sectors.

Attempts have been made in ILO, studies to identify and to distinguish the informal sector. Taking a cue from the dualistic nature of the urban economies in the developing countries, the nature of organisation (organised and unorganised), the technology used (traditional or modern) the mode of production followed (capitalistic or subsistence) State recognition of the economic activities and State regulation of the product and the labour markets are taken as lines that demarcate the formal and informal sectors.

Thus the areas like manufacturing, construction, transport trade and services may be considered as informal sectors. But then again to differentiate informal sectors from formal areas, some criteria are evolved by the ILO groups which are as follows :

1. **Small size of operation:** The production or manufacturing activities are carried out on a small scale.
2. **Family ownership:** There is informal relations between the employer and employees. There is no functional division of labour or specialisation.
3. **Casual nature of employment:** Jobs are highly temporary.
4. **Use of indigenous and non modern (traditional) technology:** Which is labour intensive with fully manual operations involved in production process.
5. **Lack of access to State benefits:** like the benefits of organised capital market, bank finance foreign technology, foreign exchange concessions, imported raw material, protection from foreign competition and a host of other concessions and incentives which are extended to the enterprises of formal sector by virtue of their having been recognised by the government.

6. **Competitive and unprotected market:** arising chiefly on account of ease of entry, nature of product produced and its demand and the marketing arrangements which are exploitative.
7. **Unprotected labour market:** giving rise to insecure jobs underemployment and depressed wages.
8. **Scattered nature of place of work:** or of employment the place of work is spread out. Different types of activities are taking place in different places even in the same line of production.
9. **Contract nature of labour:** Mostly workers are employed on contract basis hence they are most temporary.
10. **Workers:** Semiskilled and illiterate - mostly skilled or qualified workers do not work. Generally workers are migrants and do not possess sufficient qualification.

ILO has considered this sector as employment generating sector since it can absorb those who cannot enter the organised formal economic system due to some inabilities. It is argued that informal sector provides job and supplies goods and services which are needed by lower and middle classes.

Informal sector is largely unorganised unregistered and therefore unprotected. Generally the migrants enter this sector for dire need of survival. Informal sector is also referred to as large self employed sector.

The informal sector as per the 1993 SNA refers to productive institutional units characterized by (a) a low level of organisation (b) little or no division between labour and capital and (c) labour relations based on casual employment and/or social relationships as opposed to formal contracts. These units belong to household sector and cannot be associated with other units. In such units, the owner is totally responsible for all financial and non-financial obligations undertaken for the productive activity in question. For statistical purposes, the informal sector is regarded as a group of production units that forms part of the household sector as household enterprise or equivalently, unincorporated enterprises owned by the households.

### **Rise and Growth of Informal Sector:**

The importance of the informal sector in supporting livelihoods and contributing to production and consumption activities of developing countries is widely evident. However, lack of consensus across countries in regard to a clear and uniform definition of the informal sector has hampered its identification and measurement for proper comparison. In addition, relationship between informality and economic growth is not straight forward and there is no concrete evidence that this sector enhances economic growth.

The informal sector was originally treated as a residual emanating from the insufficient absorptive capacity of the formal economy. It has been

emphasized in the literature that productivity growth in the formal sector act as a 'pull' factor in drawing informal sector workers and enterprises towards it. Paradoxically, informal sectors of most developing countries have actually increased over time. Informality has been characterized as a response to high transaction costs caused by cumbersome bureaucratic procedures for business start-ups and in some compliance with unclear and prohibitive rules and regulations.

Rise in informality is associated with economic restructuring and economic crises. E.g. The structural adjustment programmes [SAP's] of the 1980's and 1990's is said to have increased the informal economy due to retrenchment of the public sector and associated liberalization policies.

The relationship between informality and growth is not only inconclusive but it can go in both directions.

- i. Economic growth can have expansionary or contractionary effects on the informal economy and
- ii. The informal economy can have a positive or negative impact on economic growth.

Sustained economic growth that is pro-poor is believed to reduce informality.

#### **Developing countries with:**

- a. No growth
- b. Capital intensive growth (jobless growth) or
- c. High- tech growth (rise in demand for skilled services sector jobs rather than unskilled manufacturing jobs) could experience an expansion in their informal sectors.

For eg., In India's case, its GDP growth has been largely capital and information technology intensive rather than labour intensive, with limited formal employment generated in the manufacturing sector till 2002. The informal economy is assumed to be counter cyclical i.e contracting during economic booms and expanding during recessions. However, informal sector activities can also rise during times of economic boom, as exemplified by a recent study, where the informal enterprises were able to quickly respond to a rise in demand by evading the bureaucratic impediments of a formal business setup.

#### **Characteristics of an Informal Organization:**

Any organization or business cannot operate completely within the framework. In reality workers of one department may know other workers from the other department and they together plan various activities which are beyond the control of management. Such organization helps the members to feel that they are human beings and also helps them to gain some recognition in the society.

Sociologists like Peter Blau & Elton Mayo have studied the informal organization and come to the following conclusion. Eg. In the large formal organization a close group emerges which works in an apparently opposite direction but its efficiency is better and more advantageous for the company. At the same time, the study revealed that due to the freedom given to the workers to express themselves, they developed more confidence and could also resolve the problems more efficiently.

Elton Mayo studied a group of industrial workers who had formed their own small groups which had rules that were not necessarily in compliance with those of the management but it was observed that the members followed them because they had the freedom to express their views freely, share their experiences and problems, cooperate with each other and at the same time have some kind of status which would not exist in the formal organization. In fact, on the basis of the relation within the formal organization, social scientists can determine the functioning of the formal organization.

On the basis of these observations we can briefly note the features of the informal organization:-

1. **Ease of entry:** Since there is no need of any formal selection, workers can get a job easily. In the urban areas there is more scope for individuals to get an entry if so desired. This results in the unorganized sector having all kinds of workers viz. skilled, semi-skilled, unskilled, literate, temporary or permanent.
2. **Reliance on indigenous resource:** Informal manufacturing units use goods, raw materials which are easily available and not very expensive. This includes the employment of workers who may not be very skilled or efficient.
3. **Family enterprise:** By this we mean that all family members contribute to the production of goods. As the work is of such a type that no special quality is required to perform the given task.
4. **Small scale of operation:** Production is on a very small scale as a result of which the number of workers required is also very less the capital which is involved is invested at a very small scale.
5. **Labour intensive technology:** In the informal sector there is more emphasis on simple tools and machines or it is done by hands.
6. **The skills** for operating the production of goods is not obtained formally but learnt only by practice. It is only through observation that the workers gradually learn to master the art.
7. **Unstable/unprotected Market:** Since the goods produced by the informal sector are those which can be afforded by the poor or the middle class people, there are no advertisements or campaigns, but they are distributed on a door to door basis. That is why it is said that the market is not stable or protected.

- 8. No Official Recognition:** The informal sector is not officially recognized. Because of this they are not registered with the government. Also due to this they lose many tax concessions and they cannot apply for space, water or power facilities.

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## 2.2 TYPES OF WORKERS

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Workers in India are of various types. To know the working conditions, wage rates, life styles of various workers it is essential to classify workers in different categories. Each category is markedly different from the other ones. Such classification helps us to assess the problems of workers in each category. Though government has tried, to collect data on different types of occupations, establishments which employ labour, the basis of employment, condition of services but it is not sufficient. A vast body of informations collected by Labour Department show that there is wide variety of labour and a large number of workers are employed in different jobs. In 1971, it was studied that 43.34% were cultivators, 26.33% agricultural labourers, 28.9% were in mining, quarrying, livestock, forestry, plantations etc., 3.52% were in- household industry, 5.94% were in manufacturing 1.23% were in construction, 8.0% were in transport, commerce and trade, while 8.75% were in other services.

An analysis of the reports of census on labour shows that a large variety of workers are found both in organized and unorganized sectt. of primary, secondary and tertiary nature. They are also working in private and public sectors.

In absolute terms, however, employment in the public sector rose to 143.98 lakhs and that in the private sector to 70.39 lakhs by end of March 1978. The overall employment in the organized sector - however increased from 207.44 lakhs at the end of March 1971 to 214.37 lakhs at the end of March 78.

To understand the problems of Indian workers, we must study different varieties of workers - their position, nature of employment, working condition, their commitments, attitude of government employers towards them. We can classify the workers in two groups broadly - (1) Permanent and organized, (2) Unorganized under second group. We should study different types of workers like contract women and child labour.

### **I. Permanent Workers:**

Workers are classified as permanent labour when they work in organized sector, their job tenure is long, they are permanently employed and they are receiving statutory provisions like adequate wages, D.A., H.R.A., transport allowances, medical benefits and other facilities. Mostly permanent workers are in factories - the most organized establishments - the number of workers engaged in factory establishments forms the bulk of organized labour. Permanent workers are the confirmed employees, completed at least five years, hence can enjoy gratuity, provident fund and pension provisions as given by the employers or the government.

Permanent workers in factories, plantations, mines or in any sector whether private or public contribute most to the production. They are also organized into unions, can fight for their welfare and see that their benefits cash or in kind as promised by the government are reaching them. They can also protest against any unsafe working conditions, injustice or misbehaviour. Permanent class of workers are the most protected class by the government, employers and also by society.

Today, Indian workers are educated, trained, committed, sincere and responsible towards their work. If they go on strike they give “compensation for that. Permanent employees also do not suffer from any loss either financially or by benefits. Even during lay off periods or retrenchments permanent workers are protected.

In organized sectors, especially in factories, employment is fairly very large and important. Even in plantations and mines 8.9 millions of workers are working. Employment of labour in transport and communications group of industries is also fairly large, of which railways and posts and telegraphs are very important. They represent a great state enterprise. In March 77 the number of workers employed in Railways was 14.73 lakhs. Employment of workers in major ports is also fairly large. Among the industrial labour employed in transport services Indian Seamen constitute an important section.

## **II. Unorganized Labour:**

This group of workers includes those who cannot be identified by a definition but could be described as those who have not been able to organize in pursuit of common objective because

- (a) They are scattered
- (b) The nature of their job is casual or seasonal
- (c) Workers are ignorant and illiterate
- (d) Small size of establishments with low capital investment per person employed
- (e) Superior strength of the employer operating singly or in combination.

It is difficult to take into account every sector of such employment and therefore, only those categories can be considered where the number of workers is large and where information about them is available in some form. For ex.

- (a) Contract labour including construction workers,
- (b) Casual labour
- (c) Labour employed in small scale industry
- (d) Employers in shops and commercial establishments

- (e) Sweepers and scavengers
- (f) Workers in tanneries
- (g) Tribal labour
- (h) And other unprotected labour.

Even those who work in households as domestic servants constitute labour in unorganized sector but they are not registered hence not known. Further, these categories include workers who are protected by some labour legislation and also others who are not thus protected at all.

So, we can see a large variety of workers are working in unorganized sector, they are less protected and not covered under government welfare schemes. They, due to their casual nature of jobs cannot be classified properly. Thus, they are deprived of their due benefits, e.g. women cannot get maternity benefits, leaves or other statutory provisions out of ignorance or due to employers' reluctance.

#### **a) Contract Labour:**

Those who work under contract or sub contract basis i.e. indirectly are called contract labour. Such workers are not taken care, unprotected, temporary, seasonal, and suffer from lack of any government protective or beneficial measures. Employers are not directly responsible for the payment of their wages, conditions of job, hours of work and other minimum facilities which they should get as workers. Mostly women and children are employed under contract. They are the most unprotected and unclassified workers generally employed by labour contractors, Sardar or other intermediaries. The origin of the widespread vogue of contract labour is acute labour shortages which compels employers to seek the help of labour contractors or other intermediaries. From recruitment to engagement by the contractors themselves for specific jobs is an easy step in quarrying mines and some seasonal factory industries. Contractors are still largely to be found in public works, road construction, in sugar, cotton ginning and pressing factories, carpet weaving, in rice and flour mills, building construction and even in engineering and metal works.

Workers may be skilled e.g as fitter, turners, weavers or semiskilled. Most of them, however, are unskilled and they work as coolies or do manual jobs.

‘Contract Labour’ can be distinguished from direct labour in terms of employment relationship with the principal establishment and method of wage payment. Unlike direct labour, which is on the pay or muster; roll of the establishment and entitled to be paid wages directly, contract labour is neither on pay roll nor is paid directly. The establishment! which gives out work to a contractor or contractors does not owe any direct responsibility in regards to his/her labour. In several contracts, the wage rates to be paid to labour are mentioned, but whether payment is made actually is hardly the concern of anyone. Neither the contractor himself nor the

person/organization for whom the contractor works is responsible. The advantages to the employer in employing contract works are :

1. Production at lower cost,
2. Engaging labour without extending fringe benefits such as leave wages, Employee's State Insurance, or Provident Fund and bonus facilities.
3. Eeneral reduction of the overhead cost and the administrative burden of maintaining an establishment and
4. It is always economical to give work on contract basis rather than to invest huge money in installation and start manufacturing.

**Contract labour can broadly be divided into two categories:**

(1) job contracts and (2) labour contracts. Large establishments give out contracts of jobs or of particular operation, e.g. work of loading and unloading of consignments can be given to contractors on lump-sum payment basis. The contractor engages his own workers. The contractor can be an individual or an establishment. The protection received by contract labour varies according to the situation.

The principal industries in which contract labour is largely employed are engineering, Central and State Public works Departments, railways, the cotton textile industry in some areas like Ahmedabad, dockyards, cement, paper, mining etc. In mines as already stated the bulk of the labour is contract labour and the system has spread to plantations also. In Ahmedabad about 10% and in cement, paper, and coir making industries about 20-25% is contract labour. Even in gold mines in Kolar one third of the workers, and in Bengal dockyard about 45% of the workers are employed through contractors.

According to some surveys by the Labour Bureau, when we see the percentage of contract labour to total labour in certain other selected industries, we find that in iron ore and manganese ore as well as in Jute Pressing the contract labour is maximum i.e. more than 70% while in construction (PWD) this labour is nearly 60%. In fire bricks it is 24% while in. quarries, docks, salt, dal mills, toy manufacturing it is more than 32%. Contract labour is also more in wood work, metal rolling, cotton ginning and pressing, rice mills etc. Contracts are usually given out for work involving the employment of unskilled manual work, over which supervision is difficult. Immediate employment of large labour force at short notice in order to speed up the work, the absence for a long time of any suitable machinery for employment, like Employment Exchanges, the lack of sufficient Supervising Staff and the shortages of labour have been some of the reasons for contracting the labour. Generally, manual work like building work, the loading or unloading of consignments, shifting of wooden boxes, removal of cylinders and stocking of goods in godowns, constructing the road etc. are given on contract basis. Even within the factory where labour is unskilled or semiskilled and supervision not

difficult, work is allotted to intermediaries within the establishment. Employers are benefited, it is said by giving out the contract of jobs or of particular operations since they do not have to maintain an establishment. This reduces the cost. By not employing the labour directly the employer does not have to provide any welfare measures to workers. In case of certain jobs as in PWD and construction, the system of contract labour is found to be most convenient. Even in Air India and other such big companies there are certain categories of work which are always given on contract basis.

In the cotton ginning and pressing in U.P. it is estimated that about 75% of the work is done by contract labour. In the sugar factories also contract labour is provided with very low wage rates and very poor working conditions.

But there are many disadvantages of contract labour. Most labour laws do not apply to contract labour and these laws which have been extended are not properly enforced due to migratory nature of contract labour. Most contractors do not possess any sense of moral obligation towards the workers and always exploit the helpless position of the labour in their charge. The contractor gets his contract by the lowest bid therefore he tries to pay as low wages to his workers as possible. The employers also do not provide any welfare work.

Even in construction industry contracting is there. Occupations in which contract labour is employed, range from purely unskilled work categories like loader, unloader, cleaner, sweeper and Khalasi to skilled job like polisher, turner, gas culture and riveter in all distribution and driller, blaster, blacksmith, carpenter and filter in mining industry. Apart from these there are certain regular processes such as nickel polishing and electroplating in engineering establishments, dyeing, bleaching and printing in some units in textiles and designing and raising work in almost all carpet manufacturing units where contract labour is common.

The building and construction industry covers a variety of workers and operations. Its activities range from construction of dams and bridges and roads and track to factories and offices, schools, hospitals and ordinary residential buildings. Together with the requirement of maintenance of construction, this forms a major sector of employment. Most of these operations are seasonal and at times involve changes in the employment pattern largely due to climatic conditions. Big projects may employ workers at a stretch for many years. In urban areas as construction of building or roads, goes on continuously. There has been rapid expansion in building and construction. For the most part such labour is quite unorganized and is scattered all over the country. Central and State Public Works Departments and Railways usually employ contract labour. Most of the construction works are actually executed by big and small contractors, the latter usually working as sub contractors under a principal contractor. Unregulated entry of unqualified workers makes this sector a chaotic area and substandard work is therefore produced.

The National Commission on labour pointed out many evils of the contract labour system. According to it, “there is wide disparity in the wages, and working condition of direct labour and contract labour. Though the Wage Boards- are constituted, in absence of an effective implementation machinery, contract labour is generally paid wages very much below the rates prescribed for regular workers -in the industry.” The Commission also points that “The condition of work of contract labour are far from satisfactory. Working hours are irregular and longer. The period for which payment is made varies from a day to six months. There is no security of employment, the job ends with the contract. Leave with wages is not available to contract labour.”

As regards housing facilities, contract labour is never considered at par with direct labour. Benefits under the E.S.I. Scheme and Employees’ Provident Fund Act are not available to contract labour because they are not qualified. Therefore National Commission has recommended for a stricter regulation of contract work.

### **The Contract Labour (Regulation and Abolition) Act 1970:**

The Act aims at the abolition of contract labour in respect of categories as may be notified by the appropriate government in the light of certain criteria fixed for the purpose and regulation of service condition of contract labour where such abolition is not possible. It provides for registration of establishment employing contract labour and licensing of contractors. The provision and maintenance of certain basic welfare amenities like drinking water and first aid facilities and in certain cases, rest rooms and canteens for contract labour has been made obligatory under the Act. Principal employers have to provide them at the cost of the contractor. Provision has also been made in the Act to guard against default in wage payment.-The Act came into force since February 10, 1971.

### **b) Casual Labour:**

In absence of any permanent worker or to fill the vacancies temporarily casual labour is contracted. They are temporary employees and serve only for a specific period. They are also known as ‘Badli’ workers or substitute workers. In engineering industry casual labour is employed to fill vacancies caused by absenteeism and temporary pressure of work. Employment of casual labour is a common feature in Railways, the Public Works Department, both central and state, the state electricity corporations and employments in the private sector where the nature of work is similar. Employment of casual labour in several categories of work is well recognized and not objected to. It is taken exception to mainly when such labour is continually employed for long periods to circumvent the provisions of law, which confer benefits to permanent workers through better working conditions; more amenities and the like and what is more when used deliberately to restrict the scope of regular employment.

Still a large volume of labour is casual which is engaged for varying lengths of times, not in all cases they are kept casual for bonafide reasons.

**Decasualization of Labour:**

Some factories have tried to regularise recruitment by a system of controlling substitute labour. This system, known as the Badli control system or decasualisation of labour, has been devised with the two fold purposes (a) of giving the badlis regular employment and (b) eliminating the influence exercised by the jobber in the recruitment of labour. Under the system, on the first of each month special badli cards are given to a selected number of persons who are asked to present themselves every morning at the gate when temporary vacancies are filled up from among them. No worker is recruited as long as 'badlis' holding cards, are available and according to seniority the jobs are filled in. Service certificates are issued to registered workers and the length of service is considered in providing jobs. Such workers can also be given some security of job through the scheme.

Generally these workers are less skilled, and are always in search of jobs. They are migratory in character. Because of their continuous movement they cannot get any benefit of regular job.

**c) Seasonal Labour:**

Seasonal Labour is the category in which workers work only for a specific period on contract basis, when some specific order is received. In carpet industries, work is contracted only when some order is received; similarly, loom workers work only on order. Thus road construction is a seasonal job, building houses is also a seasonal job. During rainy season no job is continued especially which are carried in open. Such workers cannot get any benefits as they are purely temporary employees. They are given daily wages and no other benefits like leave with wages, sickness allowances or even full wages are paid.

**d) Self-Employed Workers:**

Workers who are skilled and provide services to others on contract or daily basis are called self-employed workers. They can also call other workers to join them. They are painters, carpenters, plumbers or simple machine operators, e.g. cutting stone or marbles. These workers can install machine in some place and do work on job basis.

**Problems And Social Security of the Workers in Informal Sectors:-**

As compared to the formal sectors, workers in the informal sectors face a plethora of problems which can be enumerated as follows:-

**i. Job insecurity:**

Workers with the informal sector are employed in factories or industries for a temporary period of time. At the same time, the entrepreneur who employs them is also not very rich and therefore cannot afford to give them a proper job security.

**ii. Low Payment:**

Workers in the informal sector specially women are paid very low wages. This is probably because the whole business is not very profitable for the entrepreneur. Besides women are also considered here as a surplus staff that can be removed on any grounds without any intimation.

**iii. Lack of Skills:**

Workers do not possess high skills in the beginning. They learn the skills only during work hence the productivity cannot be increased. Besides the age of the worker may vary from one type of work to the other.

**iv. Workers are unorganized:**

Workers in the informal sectors belong to different caste, religion, language and race. As a result of this they are not organized or unionized as a result of which their bargaining capacity reduces.

**v. Workers are less in numbers:**

Although the numbers of workers in informal sector is high compared to formal sector, but the employers cannot appoint more than certain number of workers. As a result they cannot become powerful. Also the space in which these sectors operate are very small which makes it impossible to hire more and more people and make them work in the same place.

**vi. Large number of women and children as labour:**

Owing to the informal nature of industries and production of goods which requires delicate hands and also no special training, large number of children are employed in informal Sector. Another factor is that many of them are illiterate and therefore the employers can get more work with less pay. Even if they make these children work for longer hours at the cost of their health, they will not say or rebel in any form as they barely realize this is exploitation.

**vii. Loss cannot be implemented:**

Technically loss does not differentiate between organized and unorganized sectors. However, the basic right to the workers is denied to be given by the employer who's intention is to only save money and make profit for himself. The workers are not even granted enough leaves and if they happen to take some, it is at the cost of getting deducted payment at the end of the month. No other provisions like Provident Fund's or Voluntary Retirement are given. Promotions are very rare.

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## **2.3 SOCIAL SECURITY OF WORKERS IN INFORMA SECTOR**

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In India the term social security is generally used in its broadest sense, it may consist of all types of measures preventive, promotional and protective as the case may be. The measures may be statutory, public or

private. The term encompasses social insurance social assistance, social protection, social safety net and other steps involved.

There are number of models of providing social security to the workers in the unorganized sector. These may be classified as under:-

- Centrally funded social assistance programmes.
- Social insurance scheme.
- Social assistance through welfare funds of Central and State Government.
- Public initiatives.

The centrally funded social assistance programmes include the employment oriented poverty alleviation programmers such as Swarnjayanti Gram Swarojgar Yojana, Jawahar Gram Samridhi

Yojana, Employment Assurance Scheme, National Social Assistance Programme [NSAP] comprising old age pension, family benefit and maternity benefits to address the social security needs of the people below poverty line.

The social insurance scheme include several schemes launched by the Central and the State Government for the benefit of weaker sections through the Life Insurance Corporation of India and General Insurance Corporation of India. There are schemes for the employees of shops and commercial establishments and other weaker section. 'Janshree Bima Yojana' is a group insurance scheme and covers natural / accidental death, partial or total permanent disability due to accident and the people below poverty line and marginally above are eligible to join the scheme. Another group insurance scheme for the agriculture landless labour, 'Krishi Shramik Samajik Suraksha Yojana- 2001' launched in July, 2001 provides for pension and insurance besides providing money back. The contribution of the beneficiary in Re.1 per day while the Government contributes Rs. 2/- per day.

Several public institutions and agencies are also imparting various kinds of social security benefits to the selected groups of workers. Among these Self Employed Women's Association SEWA has made significance achievement in promoting social security through the formation of cooperatives.

Welfare funds represent one of the models developed in India for providing social protection of workers in the unorganized sector. The Government of India has set up five welfare funds. Central Funds are administered through the Ministry of Labour for the bed and workers in certain other occupations for whom no direct employers – employee relationship exists and is implemented without any contribution from the Government. The scheme of welfare fund is outside the framework of specific employer and employee relationship in as much as the resources are raised by the Government on non- contributory basis and the delivery

of welfare services is affected without linkage to individual workers contribution. These funds are constituted from the cuss collected from the employers and manufacturers/producers of particular commodity/ industry concerned.

The Government has also enacted a central legislation for the building and other construction workers towards creation of welfare funds at the level of States. These are around 20 million construction workers in the country. A small cuss is collected on the basis of the cost of the construction project which makes the corpus of the welfare fund for the construction workers. All facilities as enumerated above are provided to this section of the unorganized sector workers. Presently three states in the country namely : Kerala, Tamilnadu and Delhi have started implementing schemes under this Act. However, other States are in the process of adopting.

Moreover, the welfare fund model have successfully been implemented by various states for various categories of workers. The State of Tamilnadu is running 11 Welfare Boards for workers like construction workers, truck drivers, footwear workers, handloom and silk weaving workers. Similarly, State of Kerala are also running several welfare funds for agricultural workers, cashew workers, coir workers, fisherman, toddy tapers etc. The model is so popular that some of the States like Andhra Pradesh, Karnataka and Madhya Pradesh are in the process of bringing out their own legislation for creation of Welfare funds in the unorganized sector workers for providing them social security.

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## **2.4 DIFFERENCE BETWEEN INFORMAL AND FORMAL ORGANIZATIONS**

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1. Widespread interest in informal organization developed as a result of the Western Electric Studies in 1930. These studies show that informal organization is an official network of personal and social relations which is not established by formal authority. It arises spontaneously as people associate with one another. The emphasis within informal organization is on people and their relationships whereas formal organization emphasis official position in terms of authority and responsibility.
2. Informal power is attached to the person while formal authority is attached to the position and a person has it only when they occupy that position.
3. Informal power is personal but formal authority is institutional.
4. Powers in informal organization is given by group members rather than delegated by managers. Therefore, it does not follow the official chain of command. It is more likely to come from peers than from superiors or supervisors in the formal hierarchy and it may cut cross organizational lines in other departments. It is usually more unstable then formal authority.

5. As the informal organization is subject to the sentiments of people and because of its subjective nature, informal organization cannot be controlled by management in the way a formal organization is controlled.
6. A manager typically holds some informal powers [personal power] along with formal power [positional power]. But usually a manager does not have more informal power. This means that the manager and the informal leader usually are two different persons in the work group.
7. As a result of difference between formal & informal sources of power formal organization may grow to immense size but informal organization tends to remain smaller in order to keep within the limits of personal relationship. The result is that a large organization tends to have hundreds of informal organizations generating thought.
8. Because of the small size & instability informal organizations are not suitable substitutes for large formal organizational agitations of people & resources that are needed for modern institutions.
9. Workers recognize the differences in rules played by formal & informal organization including the more secondary role normally played by the informal organization. One study of workers & managers saw the informal organization as influential & beneficial. They viewed the formal organization as more influential & beneficial.

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## 2.5 SUMMARY

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Loss of employment in the affected sectors as business closed down & GDP contracted, was considered to be the most important social consequence of the crisis that India is facing. The bulk of the job losses was concentrated in modern sectors that depended on institutional finances, the lack of which resulted in the closures of many firms. As a result, many skilled workers were pushed into taking relatively in period jobs in the informal sector. So India should adopt the super flexible labour market like other countries who allowed their affected employees to be reallocated from formal sector to the informal sector, thus moderating the impact of the recession.

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## 2.6 QUESTIONS

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1. How has the informal sector grown in the Indian Scenario?
2. Discuss social security measures in India ?
3. Explain the characteristics & Functions of a formal sector.
4. Analyze the different types of organizations in the formal sector.
5. How does the formal sector differ from the informal sector?
6. What is an informal sector ? Discuss its characteristics.

7. Discuss the problem faced by the workers in the informal sector & what type of social security is offered to them for the same.

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## 2.7 REFERENCES

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- Anthony Giddens, 'Sociology', Simon Griffiths Polity, 2006.
- Schneider EV-Industrial Sociology, Tata Mcgraw Hill, 1983.
- ILO, 1994, The Urban Informal Sector in Asia : Policies & Strategies.

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## THEORIES OF INFORMAL SECTOR

### Unit Structure

- 3.0 Objectives
- 3.1 Introduction
- 3.2 Dualist Theory
- 3.3 Structuralist Theory
- 3.4 Legalist Theory
- 3.5 Classical/Marxian Approach
- 3.6 Institutional Approach
- 3.7 Summary
- 3.8 Questions
- 3.9 References

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### 3.0 OBJECTIVES

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- To introduce you to the various theories of informal sector
- To analyse various theories of informal sector

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### 3.1 INTRODUCTION

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The concept of the informal sector was not popular till the 1970s, though this sector existed even before. It was only in the early 1970s that the notion of informal sector became popular. Each of the theories has a different perspective on how the informal and formal economies are linked. The term “informal economy” (IE) refers to a broad range of phenomena that vary in size and content both within and between economies. There is general agreement that the informal economy (IE) is the most major source of employment in developing nations and that it plays a sizable role in providing work and income for marginalised people in developed economies, notwithstanding the difficulty in determining the size of the IE. In particular, the International Labour Organization (ILO, 2018a) estimates that 61.2% of all employment worldwide (or nearly two billion people)<sup>1</sup> is informal.

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### 3.2 DUALIST THEORY

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Both Hart (who coined the term informal sector) and the International Labour Organisation (ILO) believed that the informal sector was a transitory phase that would disappear when countries developed. The formal sector would expand and absorb the informal sector. Thus, workers in unregistered small factories would be absorbed as formal sector workers. Hence, the ILO believed that these two sectors were independent of each other, and the informal sector would disappear or decrease

considerably as the formal sector expanded. The dualists argue that informal units and activities have few (if any) linkages to the formal economy but, rather, operate as a distinct separate sector of the economy and the informal workers comprise the less-advantaged sector of a dualistic labour market. This approach is known as the ‘**dualist approach**’, and it is regarded as outdated considering the developments in the economy in recent years. But we find that far from disappearing this sector has grown in all countries including the developed ones.

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### 3.3 STRUCTURALIST THEORY

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The **structuralist theory** developed by Manuel Castells, Alejandro Portes and Lauren Benton in late 1989 argues that far from being independent of each other, the formal and informal sectors are related to each other. To increase competitiveness, capitalist firms in the formal economy are seen to reduce their input costs, including labour costs, by promoting informal production and employment relationships with subordinated economic units and workers. According to structuralists, both informal enterprises and informal wage workers are subordinated to the interests of capitalist development, providing cheap goods and services. The enterprises in the formal sector use the informal sector for manufacturing components as costs are much lower, and informal sector enterprises are not subject to the laws that regulate production in the formal sector. The formal economy thus finds the informal economy as a useful means for increasing its profits. At the same time, the informal economy depends on the formal sector for its sustenance. The structuralists stress the fact that there is a close, symbiotic relationship between the two sectors. We find manufacturers in the developed economies outsourcing their production to the developing countries because manufacturing in the informal sector in these countries is much cheaper due to availability of cheap labour and institutional support. The structuralist approach is relevant while examining economic growth during the phase of liberalisation (from about 1991 in India). An important point raised by the structuralist is that the informal sector exists because of the needs of the formal sector. This implies that the informal sector is not autonomous as the dualists would want us to believe. According to the structuralist, the informal sector plays a key role in manufacture and cost reduction for the formal sector.

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### 3.4 LEGALIST THEORY

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It was developed by Peruvian economist Hernando de Soto (1989). He looks at how state regulations lead to the growth of informal economy. The legalist theory states that the informal sector comprises small operatives who work outside the formal economy because they find the legal procedures too tedious and complicated to follow. These operators prefer to operate informally because the government procedures for giving them formal recognition are long, complicated and difficult for them to understand. Hence these people, instead of being deliberate offenders, simply try to circumvent the rules because they find them too complex and time-consuming. Micro-entrepreneurs such as those owning very small

enterprises, street vendors, and home-based workers choose to operate informally in order to cut down their costs. This could be a result of the tax structure which is tough for small enterprises. Moreover, the process of registration is complicated involving both time and effort. The forms may be so complicated that the semi-literate micro entrepreneur may not be able to understand them. De Soto argues that in most countries, government bureaucracy has tough rules that force the small entrepreneurs to adopt corrupt means.

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### 3.5 CLASSICAL/MARXIAN APPROACH

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The Classical School does not recognise the informal sector as a separate entity in the process of economic development, and the sector was often seen to be a part of the larger pre-capitalist sector (which also includes feudalism and semi-feudalism). In the Marxist tradition, capital and labour are seen as separate, and there is no space for economic entities that cannot be seen as either capital or labour. This approach argues that the informal sector is not merely linked to, but also is a necessary condition for the existence of the modern capitalist accumulation, specifically with its potential to lower consumption and labor costs within the formal sector (Portes and Schauffler, 1993 and Barnes, 2012).

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### 3.6 INSTITUTIONALIST APPROACH

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This approach is founded on relational and organisational issues of any transaction. According to this approach, any type of economic transaction involves discovering efficient terms and conditions. But the parties engaged in economic transactions face 'hold up' problems in distributing ex-post benefit from joint actions because of 'incompleteness' of contracts and 'opportunistic' behaviour of individuals engaged in contracts (Williamson 1985). The participation of third parties or legal institutions to enforce the terms and conditions is either costly or ineffective. Therefore, informal institutions such as norms and trust exist as a mechanism of governance and as a means of enforcement (North 1990; Ostrom 1990). Informality may therefore exist in any society, but is more likely to exist in a society where formal rules and regulations are not in place or are not well enforced.

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### 3.7 SUMMARY

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The concept of the informal sector was not popular till the 1970s, though this sector existed even before. It was only in the early 1970s that the notion of informal sector became popular. Each of the theories has a different perspective on how the informal and formal economies are linked. Both Hart (who coined the term informal sector) and the International Labour Organisation (ILO) believed that the informal sector was a transitory phase that would disappear when countries developed. The **structuralist theory** developed by Manuel Castells, Alejandro Portes and Lauren Benton in late 1989 argues that far from being independent of each other, the formal and informal sectors are related to each other. An

important point raised by the structuralist is that the informal sector exists because of the needs of the formal sector. This implies that the informal sector is not autonomous as the dualists would want us to believe. . The legalist theory states that the informal sector comprises small operatives who work outside the formal economy because they find the legal procedures too tedious and complicated to follow. These operators prefer to operate informally because the government procedures for giving them formal recognition are long, complicated and difficult for them to understand. In the Marxist tradition, capital and labour are seen as separate, and there is no space for economic entities that cannot be seen as either capital or labour. According to the institutional approach, any type of economic transaction involves discovering efficient terms and conditions. But the parties engaged in economic transactions face 'hold up' problems in distributing ex-post benefit from joint actions because of 'incompleteness' of contracts and 'opportunistic' behaviour of individuals engaged in contracts (Williamson 1985).

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### 3.8 QUESTIONS

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1. Explain the various theoretical perspectives of Informal sector?
2. Explain any 2 theoretical perspectives of Informal Sector.

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### 3.9 REFERENCES

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- Anthony Giddens, 'Sociology', Simon Griffiths Polity, 2006.
- Schneider EV-Industrial Sociology, Tata Mcgraw Hill, 1983.
- ILO, 1994, The Urban Informal Sector in Asia : Policies & Strategies.

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### MIGRATION AS A LIVELIHOOD STRATEGY

#### Unit Structure

- 4.0 Objectives
- 4.1 Introduction
- 4.2 Conditions of Women Migrant Wage Workers
- 4.3 Migrant Workers - Working and Living Conditions
- 4.4 Employment Profile of Migrant Wage Workers
- 4.5 Living Conditions of Migrants
- 4.6 Contract workers
- 4.7 Problems and issues of contract workers: Case study\*
- 4.8 Agricultural Workers
- 4.9 Summary
- 4.10 Questions
- 4.11 References

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#### 4.0 OBJECTIVES

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- To introduce you to the concept of Migration
- To understand how migration is the livelihood strategy
- To understand the problems of migrant workers

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#### 4.1 INTRODUCTION

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The problems of the women workers in general and in the unorganised sector in particular deserve special emphasis and focus in view of their marginalised position within the class of workers. Even when women are not employed in the sense of contributing to the national output, a considerable share of their time is consumed by socially productive and reproductive labour. This is what is called the ‘double burden of work’ that distinguishes women from men. For women workers in the informal economy the double burden of combining the tasks of production and reproduction is even more arduous because they are already engaged in activities that require long hours to obtain a subsistence wage. The problems of women workers can be discussed at different levels like :

- (a) The larger issue of double burden of work,
- (b) Women workers and their invisibility, and

(c) Conditions of work as well as discrimination.

The reproductive role of women is less visible and less recognized by the society. She engages in multiple livelihood activities to fulfil her productive and reproductive role. Women spend nearly 35 hours a week on care of children, old and the sick at home and household maintenance compared to less than 4 hours spent by men ( NCEUS 2007).

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## **4.2 CONDITIONS OF WOMEN MIGRANT WAGE WORKERS**

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They gain access only to low paid work available. Women migrant workers face even greater insecurity and are more prone to exploitation than their male counterparts. Women casual workers are largely engaged at construction sites, fishing industry as in the case of coastal areas or more prominently as domestic maids. Their presence is also visible in brick-kilns, personal services such as entertainment, housekeeping, child-care in the unorganised sector. Millions of women migrants face hazards that reflect the lack of adequate rights, protection and opportunity to migrate safely and legally. Migrant women workers are a marginalized group and there is a gross neglect of their concerns. This can be attributed to their lower socio-economic status and the under-valuation of their work. Their situation is weakened by the gender stereotypes and biases, leading to discrimination, besides the additional fear of sexual assaults and exploitation. As per 1991 census there were almost 3million migrant women who cited employment and business as the reasons for migration .

The states that reported higher women migration for economic reasons are Tamil Nadu, A.P, Gujarat, Karnataka, Kerala and Maharashtra. Interestingly, these are also the states with relatively higher levels of industrialisation, commercialisation of agriculture and a higher share of workers outside agriculture. It is plausible that changes in aspirations that accompany economic growth and diversification are also factors that propel more women to migrate for work. Women are more concentrated in the shorter duration and distance (more intra-state than inter-state) migration than their male counterparts.

Migrant women suffer from difficulties of gaining employment compared to migrant men. Even when they are hired, the terms and conditions are more adverse and wages paid lower than for men and local female wageworkers. Very often the norms of the Minimum Wage Act 1948 are not followed. They are paid in piece rate and are hence preferred by employers as it helps them in cost cutting. There is no fixity of working hours. They are made to work for long hours with no increase in wages. Work conditions are extremely arduous. Often, as in the construction industry, women workers are illiterate and unskilled. They are unaware of the prevailing wage rates and accept work at lower wages. Most women remain manual, load carrying and unskilled workers. Wages are not paid in time and are more like a subsistence allowance. Women migrant workers are even more insecure because of the odd work hours. They face

exploitation in terms of adverse working conditions, lower wages and insecure living conditions and, at times, sexual harassment.

Living conditions are deplorable with workers residing in make-shift shanties and huts with no access to drinking water and other basic amenities. Often women workers move with the family and have the additional burden of domestic chores and child rearing. Inevitably, their health suffers. They also suffer from malnutrition. That maternity benefits are not provided further worsens their situation. Child-care facilities are also lacking subjecting their children to the hazards at the workplaces when they have to accompany their parents to the work site. They are thus also deprived of basic education. The conditions of migrant domestic servants bring out the many facets of deprivation, vulnerability and exploitation faced by women.

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### **4.3 MIGRANT WORKERS - WORKING AND LIVING CONDITIONS**

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Migrant workers are mostly those who are driven from their homes in search of means of earning a livelihood. Lacking any skills and assets they tend to end up in the unorganised sector, both in rural and urban areas. Such labourers are often sourced by labour brokers. More often than not, they end up in rural areas as farm labourers and construction workers or rickshawalas or street vendors in urban areas. Women from poor rural households often end up as domestic servants in urban centres. The bonded labourers have a different kind of predicament, with no freedom to change their employment. Sometimes the disadvantages of migration and bondage intersect as in the case of migrant bonded labourers in construction sites, quarries and brick kilns.

Migration by individuals and/or households is undertaken for both economic and social reasons. These include migration by marriage, as has been the case of a large majority of the female migrants or due to economic reasons such as seeking better employment opportunities. Migration can be within the country, i.e. internal migration which can be within the district, intra/ inter-district or intra/interstate (rural to rural, rural to urban, urban to rural and urban to urban) or it can be international migration.

Migrant workers comprise the petty self-employed and the unskilled casual wage workers who are highly disadvantaged and vulnerable and are subject to extremely adverse working conditions and economic exploitation. The migrant workers are largely in the unorganised sector, which is why they face exploitation at the hands of employers and middlemen who help them get employment in destinations away from their places of origin. In India, there is a large-scale migration of unskilled wage labourers from not necessarily the resource-poor areas but also the areas which have widespread poverty, low demand and wages for unskilled labour. They migrate to areas where there is greater demand for such labour. These comprise both rural to rural and rural to urban migration. Migration is critical for the livelihood of these poverty-ridden,

skill and asset-deficient persons, especially in rural areas which include economically and socially backward groups such as the tribal and other deprived groups. They are further disadvantaged because of the absence of laws that specifically address their problems.

There is some conceptual difficulty in defining migration. This is mainly because people move away from their place of residence or origin for varying time intervals. At one end is the long-term/ permanent migration and at the other is the short duration one of less than a year. Between these two extreme points, the varying periods have to be reckoned with in any meaningful understanding and measurement of migration. In addition to the time dimension, there is also the aspect of reason for migration. This has not drastically changed over the years. Employment continues to be the main reason for men while marriage is the main reason for women. In the case of men, employment as a reason for migration was seen to rise in the nineties. This could be reflective of the impact of structural changes on the availability of employment opportunities, largely generated in urban centres and that too for the more skilled among the workers. With improved infrastructure and connectivity, migration has been facilitated as information regarding opportunities is available in far-off places. This has led to greater mobility of workers, a welcome fact, if it arises out of choice and not sheer economic compulsion. According to the 2001 Census, the total migrant population in the country was 314.5 million. Both the Census and the NSSO indicate that the rate of migration has increased. Temporary or short-duration migrants need special attention because they face instability in employment and are extremely poor. They are engaged in the agricultural sector, seasonal industries or in the urban sector as casual labourers or self-employed. Migrant workers form a substantial proportion of both the organised and unorganised workforce in urban India. In the early 1990s a study (Acharya and Jose 1991) of low-income households in Mumbai city found that 80 per cent of the workers were migrants.

In recent times it is observed that regional imbalances in development within the country along with rising unemployment have accelerated the pace of migration. The rural poor, especially from the low productivity eastern and central states, migrate to western and southern India where jobs are being created especially in urban centres. Rural-urban migration is found to be temporary or semi-permanent. Migrant casual workers belong to the poorest sections of the population characterised by meagre human capabilities and capital assets. It is the absence of resources or lack of access to resources in their native places that force them to migrate to other regions to eke out a living. Migrant labour is a compensating mechanism used by households to reduce their disadvantageous position. Poor migrant households are characterized by lower education levels, lower levels of income from agriculture, and an inferior geographical location

Migrant labourers primarily belong to socially deprived groups such as Scheduled Castes and Scheduled Tribes and other weaker sections including women and children. Among the ST and SC migrants, short-

duration migration is higher. Migration in the working age group of 15-59 years is very high.

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#### **4.4 EMPLOYMENT PROFILE OF MIGRANT WAGE WORKERS**

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A recent study (Srivastava and Sasikumar 2005) found that migrants are engaged in different kinds of employment in rural and urban areas. In rural areas self-employment is the main activity followed by casual work. In urban areas, male migrant workers are primarily engaged in regular employment followed by workers in self-employment and then casual work. Migrant workers, particularly at the lower end, including casual labourers and wage workers in industries and construction sites, face adverse work as well as living conditions. This group is highly disadvantaged because they are largely engaged in the unorganized sector with weakly implemented labour laws. Migration often involves long working hours, poor living conditions, social isolation and inadequate access to basic amenities. It is the poor households that largely participate in migration to earn a living. Thus, states where poverty levels are very high including Bihar, U.P and Orissa have a high rate of out-migration to relatively better-off states such as Punjab, Haryana, Maharashtra and Gujarat. These groups of migrants are characterized by meagre physical and human capital assets and belong to socially deprived groups such as the Scheduled Castes (SCs) and Scheduled Tribes (STs) and weaker groups such as the women.

The poor migrant workers are extremely vulnerable and often resort to employment through exploitative contractors and middlemen rather than taking up individual contracts directly with their employers. This greatly increases the dependency of the group on these middlemen and uncertain in the rural agricultural sector employment is mainly through such middlemen who recruit at entry points such as railway stations and bus stands, while in the urban informal sector friends and relatives also act as the link between the employer and the migrant worker. To reduce costs and risks migrant workers also seek employment on their own and move in groups.

Several cases cited in Srivastava and Sasikumar (2005) indicate that in the unorganised sector there is a high degree of organised migration such as in the construction industry where workers are recruited through contractors who fix wages and retain some parts of their earnings. Sometimes, as in the case of domestic maids, agencies and voluntary organizations get involved as mediators for employment as the women mainly come from tribal areas. Further, even those who enter the market independently have to face the dominance of contractors and sub-contractors.

Migrant wage workers often face economic exploitation when they are paid wages which are lower than what is received by local counterparts. Employers prefer migrant labourers to local workers because the former is cheaper. Statutory minimum wage rate guidelines are rarely observed. Wages for women migrant workers are lower than the male migrant

workers. For example, in the construction industry, they are treated as assistants and given unskilled manual worker wages. Further, payments are irregular and, sometimes, are not made in time. Piece rates are prevalent as it provides greater flexibility to employers. Migrant workers also prefer this system as it assures some savings. However, often migration interlocks credit and labour such that the net returns to labour may have no relation to wages in the destination areas.

Migrants from backward regions are willing to accept any distress wages as long as they have access to employment. In the bargain, they undercut the employment prospects of the local labour. Their excess supply also contributes to reducing the wage rate. Work conditions of migrant workers are severely adverse with long working hours in hazardous environs. The migrant workers, in most cases, stay at the work site in temporary huts and shanties. Often the employer expects them to be available for work all 24 hours of the day. There is no fixity of hours. This is not only true of workers at construction sites or mines and brick-kilns but also in the case of domestic servants who stay at the employers' places and are expected to be available for work round the clock, irrespective of the nature of work.

Deplorable living conditions increase the health hazards of the migrant workers making them more susceptible to disease and infection because of the unhygienic living conditions. Occupational health problems are also high especially for those working at the construction sites, quarries and mines as lung-related health issues become common among them. Employers do not take care of the safety measures which increases the rate of accidents. The temporary status of the workers limits their access to public health services and programmes. Women are not given maternity leave. That childcare facilities and crèches are also not available forces the women to bring children to the workplace and expose them to health hazards. Problems such as bodyaches, sunstrokes and skin irritation are endemic among the workers, such as in the fish processing units where the conditions are damp, dingy and dirty. The extremely unsanitary working conditions cause infections. There are reports of eye irritation, respiratory disorders, arthritis, rheumatism, skin disorders and nausea. There are occupational hazards and accidents and the management provides no compensation.

Lack of a permanent residence often adversely affects the education prospects of the children of the migrant. Workers who in the process are deprived of even the basic elementary education. While the families of the migrant workers who stay back in their native places face financial/economic and social/emotional insecurities and the migrant is also left isolated and lonely in an alien environment.

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## 4.5 LIVING CONDITIONS OF MIGRANTS

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Migrant workers not only face adverse working conditions, their living conditions are also often deplorable. With little or no assets of their own, the migrant wage workers often live in temporary hutments located at the site of work, such as in the case of the construction industry. There is no

facility for safe drinking water or hygienic sanitation. Often, they live on pavements or in slums, stations and parks in the cities. In the case of temporary migration, the migrants are not able to make use of the public distribution system due to the availability of ration cards.

Over the years there has been massive poverty-induced migration of illiterate and unskilled workers into mega cities such as Mumbai, Delhi, Kolkata, and Chennai. These workers are absorbed in poor urban informal sectors and eke out a living in miserable conditions in urban slums, which has also contributed to urban degradation. Since these metropolises have failed to provide migrants and residents minimum shelter and subsistence employment poverty, unemployment, extreme housing shortages and frequent breakdowns of essential urban services (like water, electricity, sewerage, and transport) are visible in these cities (Bhagat 2005). Further, since employment generation in the megacities is limited, especially because of the capital-intensive industrialisation, the incoming illiterate and unskilled migrants are absorbed in very poorly paid urban informal sectors which are characterized by low productivity, insecurity, and exploitation. Such a kind of migration helps avoid starvation, yet it does not improve the economic conditions of the migrants.

Migrant workers, thus, suffer from a lack of regulated working hours and harsh working and living conditions but have also been facing social consequences in terms of the wrath of local elements. There are several instances of migrant labourers being made victims by terrorists such as in Kashmir, Punjab and more recently in Assam. Several studies have pointed out that migrant workers should be assured the right to safe and adequate accommodation, right to organize, right to safe travel, assured minimum wages and access to health and education services.

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## 4.6 CONTRACT WORKERS

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With globalisation, the employment structure in the Indian economy has been undergoing certain changes. It has given rise to several non-permanent employment structures in the form of casual workers, contract workers and subcontractors. A contract labourer is defined in the Contract Labour Regulation and Abolition Act, 1970 as one who is hired in connection with the work of an establishment by a principal employer through a contractor. While a contractor tries to produce the given results with the help of contract labour for the organisation, a principal employer is a person responsible for the control of the establishment. A contract worker changes principal employers quite often, as per the arrangements of the contractor. Contract labour already provides employers with a highly flexible system of employment which fits in well with the objective of a flexible labour market.

The principal reasons for the increase of the contract labour system are;

- (i) The cost of employing contract labour is way below that of an equivalent regular labour force. This is because wages paid to contract workers are far lower than those paid to regular employees,

the gap is rarely less than 40 per cent and often as large as 70 per cent of the regular workers' wages. Besides, the fringe and terminal benefits payable to contract labour are very few if at all;

- (ii) Contract labour has no job security thereby giving to the principal employer a high degree of flexibility in the volume of labour employed;
- (iii) Enforcing high work norms on contract labour is easy since such labour is highly vulnerable to summary dismissal;
- (iv) It has also been reported that during recent years, the government imposed a freeze on fresh recruitment of regular employees and hence many public sector units are compelled to employ contract labour to make good the vacancies in regular cadres and also to meet contingencies in the volume of work to be performed;
- (v) In most units it was found that work which is perennial and an essential part of the work of the unit is given out on contract in violation of the relevant law. Such work includes maintenance and actual operation of equipment, transportation of materials within and outside the premises of the unit, cleaning and housekeeping, canteen work and so on. There are cases in which contract workers are employed in clerical work, stenography, office equipment operation and so on.
- (vi) A set of contractors remains on the scene in many of the units bidding for and securing contracts of work as they arise. A bulk of the labour working under contractors also generally remains on the scene though individual workers may work under different contractors from time to time and also on different jobs;
- (vii) Contract labour is largely non-unionised because workers fear victimisation at the hands of the contractors if they try to form unions. But in a few units, they are unionised usually with the active help from the unions of regular employees. In some cases, contract workers are organised in the same unions as the regular employees.

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## **4.7 PROBLEMS AND ISSUES OF CONTRACT WORKERS: CASE STUDY**

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The largest proportion of contract labour works in the construction industry. In 1995-96, out of an estimated 12.9 million workers in construction, 10.7 million were contract workers. The study on this industry showed that job opportunities in this industry are relatively good even for unskilled workers while skilled workers are in great demand everywhere. Because of this situation in the job market, wages even for unskilled workers are not too low while skilled workers are virtual wage-makers. But since both categories work under contractors, there is no security of employment nor any kind of fringe benefits or any social security. Work is very hard, working conditions harsh and living conditions deplorable. Man and wife, a both, and often even children,

work and the entire family lives at or near the site of work in makeshift shelters, moving from place to place as the work site shifts. The workers' children have little access to any opportunities for education. The contractor employing the workers has little interest in training them to upgrade their skills, productivity and earnings. Workers have to acquire skills on the job through years of actual work. The study revealed that construction workers are largely illiterate, drawn from scheduled castes or tribes, backward communities and Muslims. Women constitute as much as a fourth of all construction workers under contract. Almost 90 per cent of these workers work in construction because they have no other choice and also because an entry into this industry is relatively easy.

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## 4.8 AGRICULTURAL WORKERS

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The definition of agricultural worker is given by the Agriculture Labor Enquiry Committee. Agricultural labourers are those people who derive their source of income mainly by working on farms and lands of other people. They work for the wages.

The work of the agricultural labour involves cultivating the soil, growing, or harvesting any agricultural crop or horticulture commodity, and management of livestock, bees, cows, goats, etc.

The agricultural labour enables the backward and other low classes of people to come to the level of other people. The people work for their living. The common problems such as underemployment, underdevelopment, and the surplus population are overcome by agricultural workers.

Agricultural labour increases the production of goods and commodities and encourages the traditional way of agriculture. In the early times, the lands were available in plenty. So, people who were not capable of getting a job decided to earn their living by farming.

### **Problems Faced by the Agricultural Workers:**

#### **Marginalization of Agricultural Labourers:**

The cultivators and agricultural labourers were about 97.2 million in the year 1951. And it increased to 185.2 million in the year 1991. Between the years 1951 to 1991, this number increased from 27.3 million to 74.6 million. Hence, we can conclude that the number of labourers increased three times from the year 1951 to the year 1991. And the percentage increase from the year 1951 to the year 1991 was 28 per cent to 40 per cent. Thus, we can say that the casualization of the workers in India kept on increasing at a faster rate. The cost of the shares of the land and the agricultural activities also declines over the years.

### **Reorganization of the agricultural labour:**

The agricultural labourers in India are unorganized and scattered. They are ignorant and illiterate. As a result, the agricultural labourers have no ability to bargain and fight for their daily fare.

### **Wages and income:**

The wages of the workers and the family income are very less in India. The money wage rates started increasing, but the wages of the labourers did not increase. To date, the labourers are getting only Rs. 150 per day. This amount is not sufficient to support the living of a family.

### **Employment and working conditions:**

As we have already discussed, agricultural labourers face problems such as underemployment and unemployment. They work only for some part of the year, and the rest of the time, they remain idle because there is no work on the farm or there is no alternative work available for them.

### **Indebtedness:**

Banking systems are not available in the rural areas of the country. So, when the farmers and agricultural labourers face a lack of money, they borrow from the landlords at a high rate of interest (sometimes 40 % to 50 %), which eventually leads them into debt.

### **Low wages for women in agricultural labour:**

In a country like India, the system of the male patriarchy is still dominant. The women are allowed to work very hard on the farms and the lands, but they are paid less as compared to their male counterparts.

### **High incidence of child labour:**

The rate of child labour in India is very high. It is concluded from a survey that the number of child workers varies between 17.5 million to 44 million, which is very, very high. About one-third of child labourers in Asia are in India.

### **Increase in migrant labour:**

The wages of the labourers in the irrigation areas are less compared to the wages of the labourers in the rain-fed areas. This led to the migration of the labourers from the dry areas to the heavy rain areas.

Steps taken by the government to improve the conditions of the Agricultural Workers

### **Abolition of Bonded Labor:**

Several attempts have been made to wipe out the bonded labour as it is exploitive, inhuman, and violative. Legislative attempts have also been made to remove bonded labour. In 1976, the Bonded Labour System

(Abolition) Act was passed. According to this act, about 2.51 lakhs of bonded labourers were identified and freed in different parts of the country.

### **Minimum Wages Act:**

This act was passed in the year 1948. It started to fix the minimum wages of agricultural labourers.

### **Distribution of Landless Laborers:**

According to this Act, the State Government was advised to distribute surplus lands to the agricultural labourers.

### **Various employment schemes:**

Various employment schemes are run by the government to ensure the employment of the workers:

- Rural Works Programme
- Crash Schemes for Rural Employment
- Food for Work Programme
- Jawahar Rozgar Yojana

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## **4.9 SUMMARY**

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Due to lack of opportunities and a number of reasons people migrate to different places, especially urban areas for livelihood. The problems of the women workers in general and in the unorganised sector in particular deserve special emphasis and focus in view of their marginalised position within the class of workers. Even when women are not employed in the sense of contributing to the national output, a considerable share of their time is consumed by socially productive and reproductive labour. The living conditions of migrants who work as agricultural labourers, contract workers and women workers are extremely poor. Government has come up with various policies in favour of migrants and with an intention to help them survive in urban areas.

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## **4.10 SUMMARY**

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1. Explain Migration as a livelihood strategy
2. Explain the issue of Migrant Workers.

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## **4.9 REFERENCES**

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## WORKERS IN INFORMAL SECTOR

### Unit Structure

- 5.0 Objectives
- 5.1 Introduction
- 5.2 Women and Work
- 5.3 The sexual division of labour
- 5.4 Feminization of work
- 5.5 The informalisation of women's work
- 5.6 Characteristics of women workers
- 5.7 Problems faced by women at work
- 5.8 Contract workers
- 5.9 Agricultural Workers
- 5.10 Summary
- 5.11 Questions
- 5.12 References

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### 5.0 OBJECTIVES

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- To introduce you to the problems of the workers in the Informal sector
- To understand the concepts like Feminization of Work and Sexual division of labour

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### 5.1 INTRODUCTION

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In recent times it is observed that regional imbalances in development within the country along with rising unemployment have accelerated the pace of migration which is indirectly a cause for increase in the informal sector. The rural poor, especially from the low productivity eastern and central states, migrate to western and southern India where jobs are being created especially in urban centres. Rural-urban migration is found to be temporary or semi-permanent. Migrant casual workers belong to the poorest sections of the population characterised by meagre human capabilities and capital assets. It is the absence of resources or lack of access to resources in their native places that force them to migrate to other regions to eke out a living. Migrant labour is a compensating mechanism used by households to reduce their disadvantageous position. Poor migrant households are characterized by lower education levels, lower levels of income from agriculture, and an inferior geographical location.

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## 5.2 WOMEN AND WORK

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The extent of empowerment of women is determined largely by three factors- economic, social and political identity. Women's contribution to the economy remains significantly invisible in national accounts. Due to as social-cultural environment in India statistical invisibility is particularly predominant. Studies conducted have shown that women are looked upon as secondary and are compelled to work for low wages without social security measures that are extended to an industrial workers in general. Hence they are the last to be hired and the first to be fired.

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## 5.3 THE SEXUAL DIVISION OF LABOUR

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Discrimination on the lines of gender is visible in subtle forms such as work performed, the skill required to perform work and the valuation of the skills and technology used by men and women. Occupational segregation represents a form of discrimination when large segments of the labour force are in essence restricted from entering any occupations. Occupational segregation is found in the Textile industry, Health sector, education sector and agricultural sector etc.

In the textile industry the jobs of the supervisors and machine operators are male-dominated, while the preparatory work of making fibre, spinning and winding are dominated by women. In tailoring, sewing and embroidery work women dominate work. In the health sector, women are concentrated in work as nurses, and midwives and are likely to be paid low wages than men. In the education sector, men are found in higher education in comparison to women who work in rural areas and pre-primary schools. In the construction industry, they are concentrated as casual workers. In the ceramic industry and brick kilns, the skilled activity performed by women is valued as the lowest. In the agricultural sector ploughing and harvesting are done by men whereas women do the weeding.

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## 5.4 FEMINIZATION OF WORK

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Globalization is a gendered phenomenon (Hawkesworth 2006). This means that globalization affects men and women differently and that the socio-economic changes it brought about also affect the power relations involved in masculine domination. In some areas, patriarchal domination is modified to accommodate global capital, whereas, in others, we witness the process of depatriarchalisation –the progressive dismantling of patriarchal mechanisms.

In the past 20 years or so more and more women are entering the paid workforce. This comes in addition to the informal work they do as well as the subsistence work they provide free to their families. This increase in the number of women in paid employment is referred to as the feminization of the labour force. It means that by and large, the proportion of female workers has increased in different sectors of the economy, beyond household-based production. This trend is directly related to

globalization. The feminization of labour is made up of 2 components, i) changes in the percentage of women of working age who are either economically active and are seeking such activity ( ie trends in female labour force participation), ii) changes in women's economic rates activity relative to those of men ( ie trends in women's share of the labour force).

The feminization of the workforce is also part of a general shift towards a service economy which is divided into well-paying and male-dominated sectors such as law, Financial Services and information technology and low-paid, highly feminised sectors such as Home Care, elder care, child care, retail or domestic labour and cleaning services. The greater number of female professionals in the high-paying sector in core countries has immensely increased the demand from semi-peripheral and peripheral countries needed to do housework and care work. Finally, the feminization of the labour force also means the feminization of working conditions through the process of informalisation and flexibility of employment. Informalisation refers to a process whereby workers are employed not directly by the company that will sell the products of their work but by a subcontractor or sometimes layers of subcontractors.

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## **5.5 THE INFORMALISATION OF WOMEN'S WORK**

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The feminization of labour is taking place over time and paid work is becoming increasingly informal. Though women's economic activities have been characterised by a considerable degree of informality, unpaid productive labour on farms and family enterprises, paid work in domestic service in other people's households, street trading and sex workers are some of the examples of more traditional informal activities in which women are disproportionately represented. Informal employment continues to make up a much larger share of women's non-agricultural employment than men in most developing countries. The search for increasing flexibility of labour has provided for new processes of informalisation that affect the pattern of women's labour market activity. Banerjee (1985) in a study in urban West Bengal found that the decline in the percentage of women in domestic service, the main source of employment in the urban context, was accompanied by an expansion of various kinds of non-traditional forms of work. This increase in female labour force participation reflected efforts by large-scale formal enterprises to circumvent labour legislation and union activity by increasingly subcontracting orders to smaller workshops in the informal economy or to home-based workers. The process of informalisation has led to the displacement of women from formal employment and their replacement by informal forms of female labour. Home-based workers working on their account or subcontracted basis have been found to make a variety of products for the local as well as a global economy, ranging from clothing and footwear to artificial flowers, carpets electronics and tele services.

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## 5.6 CHARACTERISTICS OF WOMEN WORKERS

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A high proportion of working women in India are employed in the unorganised sector mainly in agriculture, livestock and forestry. There are certain broad features of working conditions of women in the unorganised sector. They are

- The exploitation of women in the unorganised sector is on an increase concerning wages. Women are not paid equal remuneration.
- No job security for women workers is there in these industries. Due to the restructuring and modernisation of industry women are the first to be fired.
- Younger women are often subjected to sexual exploitation in the workplace.
- The basic facilities like first aid medical facilities rest room and crèches are not provided to them.
- Equal Remuneration Act, Factories Act and Plantation Labour Act are not implemented properly.
- The new forms of employment are fragile and insecure. Women's livelihood in rural areas has been affected by the agrarian crisis. In the industrial sector, women are engaged in the informal sector without job security. Within manufacturing, they predominate in garments, textiles food and electronics.
- The seasonality of work and lack of other avenues for work makes them vulnerable to exploitative practices. One finds an increase in the tertiary sector with more women in trading, retailing and caring activities which offers them less in terms of remuneration or a skill endowment.

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## 5.7 PROBLEMS FACED BY WOMEN AT WORK

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Problems faced by women workers have increased several times with the advent of the neo-liberal policies of globalization, liberalisation and privatisation. In the era of globalisation working women have become more vulnerable to exploitation, there are exposed to more risks and are forced to endure more stress both physically and mentally.

The problems faced by unorganized sector women works in workplace are:

### **1) Wage discrimination and poor working conditions:**

The women workers are paid lower than their male colleagues. They are given work that is often unskilled or low-skilled and low-paid. Availability of work is irregular and when work is available they have to work for longer hours. They work in poor working and living conditions.

### **2) Weak collective bargaining capacity:**

The collective bargaining capacity of the women is weak and therefore they cannot pressurise the employer for their rights which leads to their exploitation.

### **3) Lack of facilities:**

Women working in the informal sector do not have any childcare facilities. They also do not have the benefit of several laws such as the Minimum Wages Act or the Factories Act.

### **4) Sexual harassment at work:**

Sexual harassment is another hazard faced by women working in the unorganised sector. A large number of working women face sexual harassment at the workplace that makes them vulnerable.

### **5) Lack of social security measures:**

Women lack social security and are not guaranteed even the minimum wage. The elements of job quality, job security, working conditions and remuneration as per the work, social protection are missing in the informal sector. They work around the year with no regular employment and are not entitled to any social security benefits. The International Labour Organisation termed women as the ultimate entrepreneurs for their ability to sustain livelihoods with very little capital.

### **6) Health problems:**

Women get less money for the work, get no medical and other benefits that the employment rules provide. Women bear the triple burden of the production, reproduction and domestic work. A large number of women workers complained of frequent headaches, back pain fatigue and emotional and mental disorders. Poor nutritional status, and anaemia, poverty and cultural practices lead to fatigue among women. Lack of basic facilities like toilets, dining spaces etc. at the workplace add to the fatigue. Unemployment, underemployment and temporary work are common among women. With no social security and Health Care benefits, the work related illnesses which they suffer from remain hidden. A large number of women workers complained of symptoms such as irritability, mood swings and depression, concentration problems which are related to work and work conditions.

### **7) Double burden of work:**

The major problems of working wives arise out of the dual responsibilities of housework and the office work. Women are paid less and therefore their status in decision-making is low. Though women contributes substantially to the family income as well as look after the children and other family responsibilities they are not respected and valued.

## **8) Social restriction and control:**

The fact that women workers have restricted mobility because of which their capacity to engage in economically productive work is restricted is clearly brought out by their place of work. Lack of clear cut employer-employee relationship in the case of self-employed and home workers and lack of designated place of work for the majority adds to the problem of invisibility of such enterprises. Workers engaged in enterprise on casual basis tend to change employers frequently. It is easy for the employer then not to recognise the worker and deny them any additional benefits. Unorganised workers in both self-employed and wage employed categories remain by and large legally unrecognised as workers which implies that the existing laws relating to minimum wages or social security are not applied to them. Besides lack of legal recognition, lack of designated business place also worked to increase their vulnerability and exposes them to exploitation by the authorities.

## **9) Exploitation:**

Female and children domestic workers constitute a large portion of the migrant worker population. They are most at the risk of exploitation and rights abuse. Working in the unregulated domain of a private home, mostly without the protection of national labour legislation, allows for the female domestic workers to be maltreated by the employers with impunity. Women are subjected to long working hours and excessively arduous tasks. They are frequently victims of sexual abuse and rape and torture. They are subjected to subhuman conditions of work with no job security, no benefits and no dignity. Due to lack of education and skills and become easy victims of exploitation. They are excluded from labour laws that look after the employment related issues such as Work, wages, security, old age pensions and maternity leave.

## **10) Dependence on middlemen:**

The homeworkers are dependent on the subcontractors for supply of work, raw material and sale of finished goods. They are also isolated from their fellow women workers in the same trade. Their dependence on the contractor together with their isolation undermines their ability to bargain for a higher piece rates, time rates or overtime payment. Delayed payment and arbitrary cuts in wages on the pretext of poor quality also add to the hidden costs.

## **11) Globalisation:**

Globalization has posed new challenges to women working in the unorganised sector. In the changed economic scene, privatisation, competition, free marketing and specialisation have systematically kept the women out from the production processes. With the onset of economic liberalisation and globalization of the Indian economy, it is likely that women from the disadvantaged sections will be further marginalised. The higher the technology, the greater is the demand for basic skills and education and specialized training.

The overall picture that emerges from the above is one of greater disadvantage for women workers in general:

They gain access only to low paid work available. Women migrant workers face even greater insecurity and are more prone to exploitation than their male counterparts. Women casual workers are largely engaged at construction sites, fishing industry as in the case of coastal areas or more prominently as domestic maids. Their presence is also visible in brick-kilns, personal services such as entertainment, housekeeping, child-care in the unorganised sector. Millions of women migrants face hazards that reflect the lack of adequate rights, protection and opportunity to migrate safely and legally. Migrant women workers are a marginalized group and there is a gross neglect of their concerns. This can be attributed to their lower socio-economic status and the under-valuation of their work. Their situation is weakened by the gender stereotypes and biases, leading to discrimination, besides the additional fear of sexual assaults and exploitation. As per 1991 census there were almost 3million migrant women who cited employment and business as the reasons for migration .

The states that reported higher women migration for economic reasons are Tamil Nadu, A.P, Gujarat, Karnataka, Kerala and Maharashtra. Interestingly, these are also the states with relatively higher levels of industrialisation, commercialisation of agriculture and a higher share of workers outside agriculture. It is plausible that changes in aspirations that accompany economic growth and diversification are also factors that propel more women to migrate for work. Women are more concentrated in the shorter duration and distance (more intra-state than inter-state) migration than their male counterparts.

Migrant women suffer from difficulties of gaining employment compared to migrant men. Even when they are hired, the terms and conditions are more adverse and wages paid lower than for men and local female wagedworkers. Very often the norms of the Minimum Wage Act 1948 are not followed. They are paid in piece rate and are hence preferred by employers as it helps them in cost cutting. There is no fixity of working hours. They are made to work for long hours with no increase in wages. Work conditions are extremely arduous. Often, as in the construction industry, women workers are illiterate and unskilled. They are unaware of the prevailing wage rates and accept work at lower wages. Most women remain manual, load carrying and unskilled workers. Wages are not paid in time and are more like a subsistence allowance. Women migrant workers are even more insecure because of the odd work hours. They face exploitation in terms of adverse working conditions, lower wages and insecure living conditions and, at times, sexual harassment.

Living conditions are deplorable with workers residing in make-shift shanties and huts with no access to drinking water and other basic amenities. Often women workers move with the family and have the additional burden of domestic chores and child rearing. Inevitably, their health suffers. They also suffer from malnutrition. That maternity benefits are not provided further worsens their situation. Child-care facilities are

also lacking subjecting their children to the hazards at the workplaces when they have to accompany their parents to the work site. They are thus also deprived of basic education. The conditions of migrant domestic servants bring out the many facets of deprivation, vulnerability and exploitation faced by women.

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## 5.8 CONTRACT WORKERS

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- (iv) It has also been reported that during recent years, the government imposed a freeze on fresh recruitment of regular employees and hence many public sector units are compelled to employ contract labour to make good the vacancies in regular cadres and also to meet contingencies in the volume of work to be performed;
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### **High incidence of child labour:**

The rate of child labour in India is very high. It is concluded from a survey that the number of child workers varies between 17.5 million to 44 million, which is very, very high. About one-third of child labourers in Asia are in India.

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## **Steps taken by the government to improve the conditions of the Agricultural Workers:**

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Several attempts have been made to wipe out the bonded labour as it is exploitive, inhuman, and violative. Legislative attempts have also been made to remove bonded labour. In 1976, the Bonded Labour System (Abolition) Act was passed. According to this act, about 2.51 lakhs of bonded labourers were identified and freed in different parts of the country.

### **Minimum Wages Act:**

This act was passed in the year 1948. It started to fix the minimum wages of agricultural labourers.

### **Distribution of Landless Laborers:**

According to this Act, the State Government was advised to distribute surplus lands to the agricultural labourers.

### **Various employment schemes:**

Various employment schemes are run by the government to ensure the employment of the workers:

- Rural Works Programme
- Crash Schemes for Rural Employment
- Food for Work Programme
- Jawahar Rozgar Yojana

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## **5.10 SUMMARY**

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The Informal sector, even though it provides an opportunity to earn some amount to the workers, who otherwise would have been left out of the workforce, it comes with its own set of disadvantages. Due to lack of support, constant opposition, lack of knowledge, the workers continue to suffer. The women, contractual workers and agricultural workers suffer from a range of difficulties throughout their life. Living conditions are deplorable with workers residing in make-shift shanties and huts with no access to drinking water and other basic amenities. Often women workers move with the family and have the additional burden of domestic chores and child rearing. Inevitably, their health suffers. They also suffer from malnutrition. That maternity benefits are not provided further worsens

their situation. Child-care facilities are also lacking subjecting their children to the hazards at the workplaces when they have to accompany their parents to the work site. They are thus also deprived of basic education. The conditions of migrant domestic servants bring out the many facets of deprivation, vulnerability and exploitation faced by women.

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### 5.11 QUESTIONS

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1. Explain the condition of workers in Informal Sector
2. Explain the hardships faced by women in informal
3. Explain feminization of work.

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### 5.11 REFERENCES

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## **CONDITIONS OF WORK AND WAGES – HOME BASED WORKER, LEATHER WORKERS, SANITATION WORKERS**

### **Unit Structure**

- 6.0 Objectives
- 6.1 Conditions of Work and Wages in Informal Sector
- 6.2 Home based Workers
- 6.3 Leather workers
- 6.4 Sanitation workers
- 6.5 Summary
- 6.6 Questions
- 6.7 References and further readings

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### **6.0 OBJECTIVES**

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- To learn about the conditions of work for home based, leather, sanitation workers.
- To understand the impact in their lives due to their nature of work.

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### **6.1 CONDITIONS OF WORK AND WAGES IN INFORMAL SECTOR**

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In this chapter we will discuss about the nature of informal sector jobs and three different informal jobs like home based, leather workers, sanitation.

Contract and casual labor, where contract labour is compensated less by contractors and casual labour fills in for absent employees, are characteristics of the informal sector. The workers in this industry deal with a number of issues, including job insecurity, low pay, a lack of skills, disorganised working conditions, the nature of the work being both official and unofficial, a large proportion of women and children being used as labor, and the usage of a contract system. The absence of weekly off days, inconsistent and interchangeable work, and alternative revenue sources are other traits of the informal economy. More than 92% of the workforce in India is employed in the informal sector, which is substantial. Creating connections between the formal and informal sectors through training, managerial and entrepreneurial skills transfers, can bring an impact in this sector. Both time wage workers, who sell their labour power in exchange for low-paying time rates of wage, and piece wage workers, who operate autonomously but are controlled by employers, are employed in the informal sector.

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## 6.2 HOME BASED WORKERS

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Home-based workers, sometimes known as industrial out-workers, are a category of workers who use conventional skills and labor, frequently from the comfort of their own homes. They work on a range of projects, including producing clay pots, rolling beedis, and stitching. There are two types of home-based workers: independent contractors who bear all risks and expenses, and subcontracted employees who are employed by business owners or organizations. This personnel deal with difficulties like unreliable job orders and late payments. There are many industries that allow for remote employment, including information technology, electronics, and textiles. Home-based employees contribute significantly to their families, communities, and economies, yet it is still difficult to count them due to insufficient reporting and a lack of statistics.

Self-employed and subcontracted home workers are the two categories into which home-based workers fall. Self-employed individuals are liable for any risks associated with operating as independent contractors and are in charge of acquiring their own supplies, tools, and raw materials. They mostly sell their final goods to local clients, but they also occasionally sell to foreign markets. Contrarily, subcontracted labour are hired by individual business owners or organizations, frequently through a middleman, and are typically provided with the raw supplies as well as paid per piece. However, they pay for a lot of manufacturing expenses, including the workplace, tools, materials, utilities, and transportation. They frequently don't know where or for whom the finished things will be marketed, and they rarely sell the finished goods themselves.

Both varieties of home-based workers deal with issues like poor pay, irregular or cancelled work orders, an unstable raw material supply, late payments, and returned goods. Larger economic factors that affect both groups, but especially the self-employed, such as shifting demand and rising input prices, are dealt with by these employees.

Traditional labour-intensive occupations like those in the textile, apparel, and footwear manufacturing industries are not the only ones that may be done from home. High-end modern sectors including the production of aeroplane and automobile parts, electronics assembly, and pharmaceutical packaging all employ people who work from home nowadays. Home-based administrative work as well as higher-skilled jobs in information technology, communications, telemarketing, and technical consulting have increased, particularly in developed countries.

Home-based employees contribute significantly to their families and communities despite the difficulties. Their income frequently keeps their families from living in abject poverty. They can provide care for children and the elderly and uphold the standard of family life because they work from home. Since they do not commute daily and frequently use bicycles, foot traffic, or public transportation, home-based workers also minimise emissions and traffic. They create goods at cheap costs for domestic and international value chains as well as offer the general public goods and

services at affordable prices. Home-based workers are economic actors who spend money on supplies, equipment, raw materials, transportation, and services. While businesses farther up the supply chain that sell pay taxes on the raw materials, supplies, and equipment they purchase.

Despite recent improvements in data on home-based employees, difficulties still exist in compiling statistics for this “invisible” sector. In certain nations, questions about the workplace are omitted from demographic and labour force surveys. The answer to this query will help you identify home-based workers. Home-based workers should be reported as simply performing (unpaid) domestic work because enumerators are frequently not trained to count them. Additionally, many people who work from home do not consider themselves to be “workers” or disclose it. The figures are substantial, even when understated. For instance, the National Sample Survey Organization (NSSO) of India estimated that 37.4 million people in India worked from home in 2011–12.

It has been discovered that workers who work from home participate in the informal economy, which can make it difficult to control and oversee working conditions, including concerns about health and safety. Additionally, many of these workers lack social security and have limited access to benefits like paid time off, pensions, and healthcare.

Home-based employees continue to play a significant part in many economies throughout the world despite the difficulties they encounter. Governments and legislators are becoming more aware of the need to offer these employees support and protections, including initiatives to enhance working conditions, guarantee fair pay, and increase access to social protections. The relevance of home-based work is probably going to continue to increase given the growth of the gig economy and the increasing tendency of remote labour.

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### **6.3 LEATHER WORKERS**

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At both the local and international levels, India’s leather sector has a huge social and environmental impact. The effects of the sector include underage labor, unjust wages, discrimination against Dalits, exposure to harmful chemicals, and challenges with trade union formation. A study on the labour practises in the leather industry was undertaken by the India Committee of the Netherlands, which revealed that three major manufacturing centres—Kolkata, Agra, and Tamil Nadu—supply hides, leather, clothing, and footwear for export. According to the research, Dalits, women, and children are most likely to experience human rights breaches. Caste prejudice still exists despite the modernity of the leather industry. Additionally, among the most vulnerable workers are women who work from home on a particularly labor-intensive aspect of the shoe industry, along with little children who often are seen to be working in very small tanneries and workshops.

The waste water from tanneries contains hazardous substances that have a detrimental effect on employees’ health, and the leather sector is also well

known for having a substantial environmental impact. Solid and liquid garbage that has been dumped into the environment contains harmful substances like residual chromium. Caste and gender discrimination are among the structural problems that the research notes as having an impact on labour conditions in the Indian leather sector. Big brands also use the Indian leathers for cloths and accessories making it as a luxurious product but the wage labourers earn very little. The report also points out that nearly 2.5 million workers in the leather industry belong to the Dalits, Muslim.

This section addresses the leather and footwear industries in three different Indian states: Tamil Nadu's Vaniyambadi-Ambur cluster, West Bengal's Kolkata, and Uttar Pradesh's Agra. In India, these areas are home to 90% of the country's tanneries. With 70 to 75 export-oriented factories that primarily ship to Europe, Agra is an important hub for the production of footwear. There are thought to be 5,000 small-scale businesses with a combined annual production capability of 200 million pairs of shoes and sandals. With about 500 tanneries, 1,500 leather products manufacturing facilities, 3,000 shoe manufacturing facilities, and 240 industrial glove manufacturing facilities, Kolkata is the second-most significant tanning centre in India. Vaniyambadi and Ambur are the primary centre for leather and leather products in Tamil Nadu. There are thousands of people employed by these informal units even though they are not regulated or recorded. It can be also observed that there are subcontracts more in the northern India while in the Southern part of India the leather work is carried out in large factories.

### **Environment and Impact on Health:**

Due to the use of chemicals like chromium sulphate, the leather industry in India is the main cause of the country's high pollution levels. For every 500 kg of leather, up to 250 kg of chemicals are used in the tanning process. Chromium and other hazardous substances found in the solid and liquid waste from tanneries are released into the environment, severely polluting the Vaniyambadi-Ambur cluster and the Tamil Nadu tannery belt. The river Palar is contaminated by tannery effluent discharge, which creates a major drinking water crisis in the nearby settlements. The water and air pollution brought on by burning leather trimmings and toxic waste water also has an impact on the Kolkata region.

Given that leather workers are exposed to harmful chemicals, which can cause serious health issues like fever, eye irritation, skin conditions, and lung cancer, their health and safety are a key worry as well. Tannery workers are not adequately protected or trained to ensure their safety, and the dangers of the toxic workplace have occasionally led to accidents and fatalities.

## Check Your Progress

1. Discuss some of the environment impact of leather industry

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2. Home workers lack social security and have limited access to benefits like paid time off, pensions, and healthcare – do you agree to this – comment.

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## 6.4 SANITATION WORKERS

Cleaning public spaces, wet latrines, septic tanks, gutters, and sewers by hand is known as manual scavenging. In India, this practise is still widespread and due to caste, patriarchy, as well as differences in class and money. Many manual scavengers in the nation are from marginalized castes and subcastes. While men normally clean septic tanks, gutters, and sewers, women are typically responsible for cleaning, removing, and transporting waste from toilets. These are the lowest-paying employment, with some employees earning as little as 150 rupees a month and a few slices of bread. Additionally, these jobs pose serious health concerns.

Additionally, there are serious health dangers associated with these tasks, and each year, inadequate safety precautions and lack of protective gear result in at least 1,370 fatalities. Due to ongoing exposure to toxic gases and disease-causing bacteria, workers in this occupation are more likely to have health issues like nausea, skin infections, anaemia, diarrhoea, vomiting, jaundice, and trachoma. Additionally, cardiovascular deterioration, musculoskeletal issues, infections, skin diseases, and respiratory conditions are frequently experienced by labourers. These workers experience undernourishment and have insufficient access to healthcare services as a result of their low earnings.

In the past 20 years, the central government has attempted to address the issue of such work and its conditions by passing two laws. The Employment of Manual Scavengers and Construction of Dry Latrines (Prohibition) Act, 1993, which aimed to control the conditions of such work rather than outright prohibit it, also included no actual provisions for penalising those who disobeyed. It comes as no surprise that it has little to no effect on addressing the reality or the character of this practise.

The Prohibition of Employment as Manual Scavengers and their Rehabilitation Act, 2013, was the result of persistent agitation and lobbying by the Safai Karmachari Andolan (SKA) and others. This law made it illegal to build or maintain unsanitary restrooms and to engage in or employment of anyone as a manual scavenger. Additionally, it prohibited hiring people for dangerous sewer or septic tank cleaning (i.e., without sufficient safety equipment and other safeguards), even in an emergency. Violations might result in a year in jail, a 50,000 rupee fine, or both. Even with safety equipment and other safeguards, if a worker perished while conducting such task, the company was obligated to compensate the family with Rs 10 lakh.

In addition, the law compelled the government to survey, estimate, and take rapid action to rehabilitate such workers with other jobs. Each municipal authority, cantonment board, and railway authority was given the mandate to survey any filthy (dry) latrines under its control and build sanitary community latrines. All of this was further strengthened—at least legally—by the 2014 Safai Karamchari Andolan v. Union of India decision, in which the Supreme Court demanded the execution of rehabilitation programmes for such workers and ordered the end to the practise of manual scavenging. Regrettably, it appears that very little has been accomplished despite all of this, with ineffective implementation and scant punitive action. Those still the practice has continued.

The SKA calculates that there are roughly 1.2 million manual scavengers in India, which is closer to more than six times the 1,806,57 found in the Socio-Economic Caste Census of 2011. Given that the country had an estimated 2.6 million dry latrines in 2011 and that many more had been built since then, the latter option appears more logical.

Public entities rather than private contractors are some of the worst perpetrators of manual scavenging. For instance, the Indian Railways employ the most manual scavengers. Since they are considered “sweepers,” it is impossible to say how many are needed, but the number must be enormous given that the vast majority of trains in the system rely on open bathrooms that spill faeces onto railroad tracks. The majority of the labourers hired through contractors and have to clean this up (manually, of course) make a daily salary of at most Rs 200, they are lucky to receive gloves and receive very little else in the way of safety or protection. (If they did get these, they are not seen as manual scavengers as they are temporary labourers and do not receive any benefits which a permanent employees received. At present only 1/3 of all the coaches have the bio toilet fitted in them.

During the Covid 19 the sanitation workers faced the highest risk and working long hours facing both mental and physically challenging work. Many a times, they workers had to loose their jobs once the covid 19 got over even though they take the biggest risk of saving and helping lakhs of patients.

Every day is a challenging one for a Sanitation worker who cleans gutter like when he gets into manholes there are many a times glass pieces lying and which hurts his legs, hands, bodies. There are also poisonous gases released which has even killed the workers immediately and as they are contract labourers there is no voice for them. The contractor refuses to take the responsibility and the buildings who hire the contractor neither take the responsibility in a way, it is the family and the dependents who suffer.

### Check Your Progress

1. According to Safari Karamchari Andolan how many manual scavengers are in India.

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2. List acts which prohibits manual scavenging.

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## 6.5 SUMMARY

Home-based employees continue to play a significant part in many economies throughout the world despite the difficulties they encounter. Governments and legislators are becoming more aware of the need to offer these employees support and protections, including initiatives to enhance working conditions, guarantee fair pay, and increase access to social protections. The relevance of home-based work is probably going to continue to increase given the growth of the gig economy and the increasing tendency of remote labour. This chapter also discusses the workers who work in the leather industry. At both the local and international levels, India's leather sector has a huge social and environmental impact. The effects of the sector include underage labor, unjust wages, discrimination against Dalits, exposure to harmful chemicals, and challenges with trade union formation. A study on the labour practises in the leather industry was undertaken by the India Committee of the Netherlands, which revealed that three major manufacturing centres—Kolkata, Agra, and Tamil Nadu—supply hides, leather, clothing, and footwear for export. According to the research, Dalits, women, and children are most likely to experience human rights breaches. Caste prejudice still exists despite the modernity of the leather industry. Additionally, among the most vulnerable workers are women

who work from home on a particularly labour-intensive aspect of the shoe industry, along with children. The chapter also discusses the working conditions of the sanitation workers who are many a times employed as contract labourers and who working in the worst conditions. The chapter also discusses the health impact on these workers due to the nature of the work they carry out.

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## 6.6 QUESTIONS

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1. Write a note on the condition of leather workers
2. Write a note on the condition of sanitation workers
3. Discuss the condition of home-based workers

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## TOWARDS DECENT WORK AGENDA

### Unit Structure

- 7.0 Objectives
- 7.1 Introduction
- 7.2 What is decent work?
- 7.3 Right at work
- 7.4 The Sustainable Development Goals and decent work agenda
- 7.5 Questions
- 1.6 Summary
- 7.7 References

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### 7.0 OBJECTIVES

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- To learn about the meaning of decent work
- To understand the different aspects of decent work agenda.

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### 7.1 INTRODUCTION

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Underemployment and irregular employment are the main issues in developing countries: 1.4 billion people work in jobs that are unstable or have no regulation followed. Individuals accept working under difficult circumstances. These jobs have little pay and have a substantial turnover for the companies employing. Many even admit to being underemployed and juggling multiple jobs in an effort to make ends meet. As a result, there are a lot of working poor in emerging countries.

Informal employment is the norm in the majority of developing countries, with women and children being the most susceptible. In the majority of developing countries, the percentage of population working in informal sector is 82% in South Asia, 66% in Sub-Saharan Africa, 65% in East and Southeast Asia, and 51% in Latin America. Out of which the informal employment makes up more than 50% of all non-agricultural employment. Let's first study what "decent work" is before learning about the Decent Work Agenda.

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### 7.2 WHAT IS DECENT WORK?

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The concept of decent employment has changed since the ILO was established in 1919. Philadelphia Declaration in 1944, ILO constitution revision in 1946, Universal Declaration of Human Rights in 1948, first Human Development Report in 1990, World Summit for Social Development in 1995, ILO Declaration on Fundamental Principles and

Rights at Work in 1998, World Economic Forum in 1999, Global Compact in 2000, and United Nations Global Compact in 2001 are just a few of the significant turning points along the way which contributed to the discussion of bringing positive change for informal workers. Throughout this process, we can observe the concept's development and operationalization, as well as its institutionalisation and political distribution also changed (2).

According to the International Labour Organization (ILO), productive employment for women and men with freedom, justice, security, and human dignity is known as decent work. In decent work there is fair pay, steady employment and safe working conditions, equal chances and treatment for everyone, social security benefits for employees and their families, opportunity for personal growth, and social integration. The work is also seen as respectable. The employees also have rights through which they can come together and express their concerns.

The era of globalisation and economic liberalisation began in the 1990s. The socialist bloc, which included the USSR and Eastern Europe, had disintegrated. Afterwards, these nations rebuilt their economies by reducing protectionism and opening up. India is one of the nations that underwent liberalisation and re-construction. Although the liberalization policies may have contributed to increasing prosperity, they also contributed to greater inequality. The nature of employment was one of the obvious shifts. It was evident that employment in the formal sector had declined while employment in the unorganised sector had expanded. This was caused by a number of factors, including the outsourcing of production to less developed nations, the disappearance or replacement of high-paying positions in industrialised nations, and the modification of labour laws in an increasing number of nations. Hence, a large number of unorganized sector labourers emerged who were unprotected too. These workers live in constant threat of working under pressure and have to perform better every day in their work or else they could lose their work. This leads to both physical, mental pressure on these individuals.

In the context of this crisis, the ILO came up with the concept of decent work as a way to give workers back their dignity. The fundamental principles of decent employment include freedom, equity, and dignity, where freedom would imply that employees' rights were safeguarded. Equity suggested fair compensation for labour, and dignity would entail social protection. Also, it indicated that everyone would have complete access to chances for employment. Four pillars—right at work, right to employment and work, social protection, and social dialogue—form the foundation of decent work. Let's examine further detail on each of these points.

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### **7.3 RIGHT AT WORK**

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The concept of decent work encompasses more than just the right to a permanent job; rather, it also has a wide range of ethical and legal consequences for all aspects of decent labor. First and foremost, there

shouldn't be any form of bias in the workplace. No one can be discriminated on the basis of Gender, ethnicity, religion, and in India, caste and language. Although the Equal Remuneration Act of 1975 was passed to prevent gender discrimination in some occupations like construction, plantation labour, mining, and agriculture. Women continue to earn less than males, according to our research. Women's rights are regularly ignored or infringed at work.

While having laws in place to protect workers is important, it is even more crucial that these laws are enforced. Although India and other countries have comprehensive laws for safeguarding workers, they are often not properly implemented. The World Bank believed that policies to protect workers should be replaced with free market policies, as providing greater protection to workers could discourage foreign investment. The government did not modify existing laws but instead introduced measures that weakened them. Under the previous laws, employers could not shut down a workplace or factory if it was unprofitable. To circumvent this, the state introduced a scheme called voluntary retirement from service (VRS), which allowed companies to downsize and let go of permanent employees. As a result, many businesses were able to reduce their workforce.

While the VRS policy helped companies reduce their workforce, it also led to the displacement of many permanent workers who had spent years serving their respective employers. This had a significant impact on the social and economic conditions of affected individuals and their families. Additionally, the weakened labor laws made it easier for employers to exploit their workers and violate their rights without facing legal consequences.

Despite these issues, there has been a growing movement in recent years towards improving workers' rights and strengthening labour laws. Advocates for workers' rights have been pushing for greater accountability for employers who violate labour laws and for the government to take a more proactive role in enforcing these laws. Some have also called for reforms to the VRS policy to provide greater protection for workers who are affected by downsizing.

Overall, it is clear that having laws to protect workers is not enough on its own - these laws must also be effectively implemented and enforced. Without proper enforcement, workers remain vulnerable to exploitation and abuse, and their rights and wellbeing are put at risk. As such, it is important for governments and employers alike to take a proactive role in ensuring that labor laws are enforced and that workers are treated fairly and with respect.

Many countries are worried about the issue of child labour. In India, the use of child labor is not entirely prohibited like it is in other developing nations. The Child Labour Act of 1986 establishes the minimum employment age at 14 and prohibits children from working in hazardous industries. While these laws are designed to prevent child labour, they prove to be ineffective when children are still being employed. Often,

families are unable to earn sufficient income to meet their basic needs, and as a result, children are sent to work in order to bridge the income gap.

**Employment:**

Decent work encompasses various types of employment opportunities, including wage-based jobs, self-employment, home-based work, and casual work for men, women, and children. The provision of employment is a critical element of decent work, and it should provide workers and their families with a remuneration that meets their basic needs. The issue of a need-based minimum wage is essential to consider when discussing employment. In India, there are measures in place to determine the need-based minimum wage, and laws such as the Payment of Wages Act of 1935 and the Minimum Wages Act of 1948 enforce the payment of wages. Therefore, it is crucial to acknowledge the importance of employment and the need for a fair wage to support workers and their families.

**Check Your Progress**

1. List out two acts connected to wages.

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2. Explain the meaning of Decent work.

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The legislation established the standards for how wages should be paid, and if a company chooses a minimum wage, it is required to pay it to all of its employees. The minimal wage would allow a family to live honourably and perhaps even advance the general welfare of the dependent members. In other words, the family’s children would be able to receive an adequate education, and women would also gain certain advantages. Employment would come with a fair income, as well as protection from accidents, unsafe and unpleasant working conditions, and long hours. A worker also needs some form of social security, such as a pension, health insurance, and savings account. Smaller companies have thin profit margins, which leads to spending very less money for the employee’s welfare and for their needs.

**Social Protection:**

People typically experience a lot of insecurity in their daily lives, especially the most vulnerable groups. The biggest source of uncertainty

for the working class is work, and if a person is not a permanent employee, the fear lasts in the mind that whether there will be employment the following day. There is no protection for workers in India's informal economy who are subject to this kind of instability. The vast majority (93%) of working-class people are employed in the informal sector, although they do not receive the majority of the benefits. For instance, the worker does not receive benefits when he becomes too elderly to work. As a result, he is forced to rely completely on his savings or the income of his children or on certain social security benefit programs, including a life or health insurance program. This segment of the population had access to free healthcare facilities earlier. But, following liberalization, government hospitals began taking fees for admission, procedures, and medications. Social protection is not only available in hospitals. Its goal is to offer protection from a range of events and weaknesses, such as sickness, maternity demands, accidents, and civil unrest.

All segments of the population should have access to social protection, not just the employment. Only after this we can discuss the viability of decent job. More importantly, it is essential to recognize the contribution that membership-based organizations and trade unions have made to expanding the reach and coverage of social security programs in India.

### **Social Dialogue:**

The fourth element of decent work is social dialogue, which comes after workers' rights, employment, and social protection. This chapter discusses the significance of negotiations. Social dialogues emphasize the need of having a conversation about issues at work with both the employer and the employee. Together, they can come up with answers to these issues. Hence, social discourse fosters methods for peaceful resolutions and aids in avoiding conflict. From the perspective of the worker, social dialogue gives the contributors to the production process a voice and representations. It gives them the tools to advocate for their priorities, express their concerns, and enter into negotiations.

Many workers lack institutional representation, which means they lack organizations that advocate for their interests. These people include hawkers on the street, housewives, temporary employees, etc. Some of these businesses, like street vending, may be deemed illegal, and the state makes little effort to even hear about their issues. Others, like domestic employees and home-based workers, are numerous but unstoppable, so the state may ignore their issues. Institutional representation is particularly necessary in these situations.

The legal protections that employees in the formal employment sector enjoy are not available to those working in the informal sector. Very few laws exist to protect these workers, and the government makes no real effort to support institutional representation so that they may communicate their issues as a group. The recent Street Vending Act exists but the implementation is still not completed. The various organizational structures and production systems must be taken into account in social

dialogue. It cannot represent the opinions of a single group within the work source. The state must foster the formation of diverse associations for negotiation if social conversation is to be successful. The marginalized groups would gain influence as a result, giving them a voice. Additionally, it suggests that the state must foster the conditions necessary for their production.



Chart showing areas where the ILO is working to provide Decent Work

## 7.4 THE SUSTAINABLE DEVELOPMENT GOALS AND DECENT WORK

The new 2030 Agenda for Sustainable Development was adopted during the UN General Assembly in September 2015, and it included decent work and the four tenets of the Decent Work Agenda: employment creation, social protection, rights at work, and social dialogue. The ILO and its stakeholders are going to concentrate heavily on Goal 8 of the 2030 Agenda, which calls for the development of sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work. Furthermore, several of the other 16 goals of the UN's new development vision include fundamental components of decent employment as aims this vision. Remarks made by leaders and plans for action by the G20, G7, EU, African Union, and others.

“Decent Work for All” serves as the ILO’s guiding philosophy. By committing to the Asian Decent Work Decade (2006–2015) to advance this objective, the ILO’s Asia Pacific members reiterated their commitment to provide all of their citizens with full, productive, and decent employment by the year 2015. The following five regional priority areas have been chosen to aid in achieving the Decade’s goals:

Promoting sustainable businesses in Asia and the Pacific; Labour market regulation in Asia and the Pacific; The youth employment crisis in Asia and the Pacific; Protecting migrant workers; and Local development for decent work are some of the topics covered under the headings of competitiveness, productivity, and jobs.

These priorities support the unique objectives of each member nation, which are listed in their National Decent Work Country Programmes. By 2030, there must be around 600 million additional jobs just to keep up with the growth of the working-age population. i.e. creating About 40 million jobs for people annually. Additionally, we must enhance working conditions for the 780 million men and women who are employed. but not earning enough to escape the \$2 per day poverty trap for themselves and their family. We have to create more chances for decent work as well as more robust, inclusive, and poverty-reducing growth if we prioritise job creation in economic policy-making and development strategies. The developing and rising nations that made the greatest investments in high-quality employment starting in the early 2000s expanded more quickly each year after 2007 and had fewer income disparities.

Job-focused economic expansion generates aims at generating income for women, youth, small businesses, providing safety for workers.

### Check Your Progress

1. By 2030, there must be around \_\_\_\_\_ additional jobs just to keep up with the growth of the working-age population. Fill the above blanks.
2. Why was equal remuneration act passed?

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### 7.5 SUMMARY

The decent work for all is the ILO directive for providing social justice for the marginalized people and for sustainable and inclusive growth. The goal is Decent for work for all. It aims through the sustainable development goal of 2030 to provide decent work encourage small business, creation of job for youth, reduce child labour, provide safe working conditions, social welfare schemes for the people. The ILO

through the decent work agenda aims at providing support for fisher men, reducing child labour, providing education, reduce poverty, reduce hunger, provide clean energy, sanitation etc.

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## 7.6 QUESTIONS

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1. Elaborate on the concept of decent work
2. Explain right to work
3. Write a note on social dialogue
4. Discuss the Sustainable Development Goals and decent work agenda

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## 7.7 REFERENCES

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## SOCIAL SECURITY AND ROLE OF THE STATE

### Unit Structure

- 8.0 Objectives
- 8.1 Introduction
- 8.2 Defining Social Security
- 8.3 Labour Laws in India
- 8.4 Challenges for Informal Workers to Access Social Security
- 8.5 Summary
- 8.6 Questions
- 8.7 References and Further Readings

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### 8.0 OBJECTIVES

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- To understand the importance of social security for informal workers
- To familiarize students with the situation of social security in India.

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### 8.1 INTRODUCTION

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A key concern related to the functioning of labour markets is how social protection policies can impact the conditions and incentive mechanisms that underpin the informal economy. This concern is in particular relevant among low- and middle-income countries where informal employment represents between 80–90 and 35–60 per cent of total non-agriculture employment, respectively.

Workers in the informal economy perform productive activities outside regulatory frameworks and conventional labour standards; usually do not pay taxes on income and capital, or contribute to social security systems, but neither do they benefit from contributory social insurance benefits or tax credits. Consequently, they are often subject to precarious working conditions, exploitation, and hazards, and are exposed to, and unprotected from, idiosyncratic and covariate risks associated with economic and political business circles, weather, and health shocks as well as life-course contingencies.

India's social security system, whose origin dates to 1947, carries little for the workers in the informal sector. However, over the years, a large majority of the Indian workforce has joined the informal sector. Lack of social security to this section of workers is a serious question mark on the productivity of the entire Indian economy. The Indian labour market has been, and continues to be, predominantly informal. In the year 2018-19,

the nature of employment for around 90 per cent workers in India's labour market was informal.

These workers are either inadequately covered or not at all covered under the existing labour legislations, social protection schemes, and other employment benefits. Due to lack of governmental oversight, a large proportion of these workers work in exploitative and precarious conditions. According to the International Trade Union Confederation, India is amongst the 10 worst countries in the world in terms of worker rights in 2020.

The National Commission for Enterprises in Unorganized Sector (NCEUS) was commissioned by Government of India in 2004 to take an in-depth look at the issues that enterprises in the informal sector faced and suggest a way forward. In its report, it asserted that providing social security should not be seen as a burden to the economy, and instead, is an important bedrock for a developing country to build from.

In the context of widespread chronic poverty and unrelenting wealth inequality, social security can offer resilience against socio-economic shocks. Research has also shown that a comprehensive social security net in developing economies can enhance labour-market efficiency and stimulate socio-political and economic growth. Government of India has introduced several policy initiatives on labour and welfare to extend social security benefits to informal workers in the country. Despite that, their reach remains limited.

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## 8.2 DEFINING SOCIAL SECURITY

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The concept of social security has evolved over time. One of its earliest mentions was in the Beveridge Committee Report in 1942, where it was described as “freedom of want,” and its provisions were limited to maintenance of employment, children's allowances, and comprehensive health services. Subsequently, in 1952, the International Labour Organisation (ILO) proposed a more nuanced understanding of social security- as protective measures against social and economic distress. These included protective measures against abrupt reduction or stoppage in income resulting from sickness, maternity, employment injury, unemployment, disability, old-age death, and provision for medical care.

ILO's approach to social security was criticized for being limited to the experience of developed countries. Developing countries had and continue to have a much larger informal sector, higher levels of poverty, low levels of industrialization, among other constraints. They require a wider conception of social security. Jean Drèze and Amartya Sen argue that, in developing countries, social security should be seen more broadly as pro-poor measures implemented through public means.

Thus, in developing countries like India, social security is best understood as pro-poor measures that can be: a) promotional, aiming to augment income, such as through the Mahatma Gandhi National Rural Employment

Guarantee Act (MGNREGA); b) preventive, aiming to forestall economic distress, such as through Provident Funds (PF); and c) protective, aiming to ensure relief from certain external shocks, such as remuneration provided through insurance schemes in the case of injury or death of a primary breadwinner.

### Check Your Progress:

1. What is social security?

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## 8.3 LABOUR LAWS IN INDIA

To ensure social security in unorganized sector, the schemes like Public Distribution System (PDS), Targeted Public Distribution System (TPDS), Annapurna Scheme, Antyodaya Anna Yojana and Mid-day Meal Scheme (MDMS) have been launched especially to provide food security to all age groups in unorganized sector. Similarly schemes like Food for Work Programme (FFW), Jawahar Rozgar Yojana (JRY), Sampoorna Gram Swarozgar Yojana (SGSY), Jawahar Gram Samridhi Yojana JGSY, Employment Assurance Scheme (EAS) and Pradhan Mantri Gram Sadak Yojana (PMGSY) have been launched to provide employment opportunities in informal sector. Schemes like National Old Age Pension Scheme (NOAPS), National Maternity Benefit Scheme (NMBS) and Janani Suraksha Yojana (JSY) are undertaken to provide social security for workers in unorganized sector. These schemes are basically implemented at national level.

The Government of India has initiated major labour law reforms in the country in recent years. Following the recommendation of the 2nd National Commission of Labour, the Ministry of Labour and Employment had begun categorizing all existing labour laws into four 'Labour Codes'. The four Labour Codes are: (a) The Code on Wages, 2019; (b) The Occupational Safety, Health, and Working Conditions Code, 2020; (c) The Code on Social Security, 2020; and (d) The Industrial Relations Code, 2020.

The Code on Social Security was passed by the Parliament in September 2020. The Code on Social Security, 2020, directs the Union and the state governments to consider designing welfare schemes to provide social security to gig economy workers such as, online-platform based taxi drivers, delivery persons, etc. The Code provisions for the Union government to introduce social security schemes for workers. Such social security measures include schemes such as: Employees' Provident Scheme; Employees' Pension Scheme; schemes for the benefit of unorganized workers, etc. It also directs governments to consider the

welfare of gig economy workers such as for-hire drivers or delivery persons.

There are multiple thresholds for eligibility in different schemes, depending on the number of workers employed in the establishment and the income being drawn. As per the Code, to provide social security for unorganized workers, gig workers and platform workers, the Union government can frame suitable welfare schemes on matters relating to life and disability cover, health and maternity benefit, old age protection, and education. Similarly, the state governments can frame schemes on aspects such as provident fund, employment injury benefit, and housing, educational schemes for children, etc.

### Check Your Progress:

1. What is Social Security Code, 2020?

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## 8.4 CHALLENGES FOR INFORMAL WORKERS TO ACCESS SOCIAL SECURITY

Of late, the issue of provision of social security to the growing segment of unorganized sector workers gained enhanced significance in the development discourse in India. Various efforts of the Government of India, in recent years, such as designing of new social security schemes, recasting of earlier schemes, introduction of innovative methods towards effective identification and enrolment of beneficiaries, contemplation of comprehensive legislations to ensure social protection for unorganized sector workers and so on testify a paradigm shift in the social security front.

However, key benefits are not available to informal workers in Social Security Code 2020. Besides, there are some key challenges, that informal workers face in getting social security, such as:

### Registration barrier:

To avail social security, an informal worker **must register herself on the specified online portal** to be developed by the central government.

### Absence of definition:

The absence of definite and unambiguous provisions in the present code would further complicate achievement of universal registration.

### **Lack of awareness:**

Experience shows that there is an awful lack of awareness among informal workers regarding social security schemes.

### **Lack of digital literacy:**

Online registration places a further challenge as most informal workers lack digital literacy and connectivity.

### **Lack of documents:**

Informal workers also find it difficult to furnish all documentary papers required **as part of the registration process.**

- Furnishing proof of livelihood and income details in the **absence of tangible employer-employee relations is very difficult.**

For the most vulnerable, exclusion from social security benefits they are entitled to, can be debilitating. In fact, for many schemes, the issue of exclusion has been identified long back.

### **Check Your Progress:**

1. Explain the reasons for least social security being utilized by the informal workers.

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## **8.5 SUMMARY**

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Informality in developing economies is often characterized by low human capital, low productivity, limited access to basic services, limited financial inclusion, low earnings, and irregular, unpredictable income. Despite these vulnerabilities, informal economy workers are not typically covered by social protection programs. Safety net programs exist in most countries, but coverage is low and most provide support only to extreme poor.

Social security means the overall security for a person in the family, work place and society. Social security, as a system to meet the basic needs as well as contingencies of life in order to maintain an adequate standard of living, is not charity but the right of all workers, because they are the contributors towards the national income of the country. Social security is defined as labour right because it is originated from work and is claimed out of the income towards which the labour has contributed.

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## 8.6 QUESTIONS

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1. Why is social security important for countries like India?
2. What challenges do the informal workers face?
3. What is the state intervention for providing social security in India?

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## **ORGANIZING THE UNORGANIZED: SELF-HELP GROUPS AND MICROFINANCE**

### **Unit Structure**

- 9.0 Objectives
- 9.1 Introduction
- 9.2 Understanding Self-help groups
- 9.3 Understanding Micro finance
- 9.4 Difference between Self help groups and microfinance
- 9.5 Summary
- 9.6 Questions
- 9.7 References and further readings

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### **9.0 OBJECTIVES**

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- To learn about the self help groups
- To understand about microfinance

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### **9.1 INTRODUCTION**

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In this chapter we are going to study about two important topics namely self help groups and microfinance. The number of people who are dependent on informal jobs, blue collar jobs are large. There is also large section of women who do not work. It is due to multiple reasons like lack of skills, education and opportunities, guidance. To solve these problems of unorganized sector the self-help groups, microfinance play a important role. Let us look into it in details.

#### **Origin of Self-help groups:**

Muhammad Yunus is associated with creating the idea of self-help groups and being the father of microfinance. (SHGs). Yunus, a professor of economics in Bangladesh, developed an interest in exploring strategies to assist the underprivileged in gaining access to credit and other financial services in the 1970s. He established the Grameen Bank in 1983 to offer micro-loans to the underprivileged who lacked access to conventional financial institutions. The technique proved to be quite effective in decreasing poverty and empowering women. The loans were issued to groups of five persons, who were jointly liable for repayment. Yunus advocated the creation of SHGs because he understood their potential to offer financial services to the underprivileged. SHGs as a means of encouraging self-help and fellowship among the underprivileged. The Grameen Bank model was adopted by several nations, and the idea of

SHGs has subsequently evolved to encompass a variety of development initiatives outside of microfinance. Yunus is now regarded as a pioneering social entrepreneur and has won various honours including prestigious Noble prize for his efforts to fight poverty and advance social enterprise.

Self-Help Groups (SHGs) first emerged in India in the 1980s, when a number of non-governmental organisations (NGOs) began to experiment with microfinance initiatives intended to empower rural women. The Self-Employed Women's Association (SEWA), which was established in the state of Gujarat in 1972, was one of the first NGOs to introduce SHGs in India. When SEWA realised that women in rural areas frequently encountered considerable obstacles for obtaining credit and other financial services, it started to group women into small groups in order to facilitate credit access, skill development, and mutual support.

The Indian government started assisting SHG establishment in the late 1980s and early 1990s as a means of advancing financial inclusion and eradicating poverty. The National Bank for Agriculture and Rural Development (NABARD) was founded in 1982 to offer financing and other forms of assistance to rural areas. As a means of reaching the poorest and most marginalised communities, NABARD started to promote the development of SHGs.

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## 9.2 UNDERSTANDING SELF-HELP GROUPS

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Self-reliance is the guiding philosophy of self-help groups. These were started to address the shortcomings of traditional financial institutions that mobilise common individuals savings and successfully recycle them. In the Self-help groups, the participants combine their resources, which makes it possible to meet the credit demands of the underprivileged. It facilitates the creation of a forum for the exchange of experiences through accumulated knowledge and the development of problem-solving abilities. The self help groups help the underprivileged, particularly women, develop their confidence and ability to make decisions, plan ahead, and collaborate democratically. The guiding idea of self-help groups is “all in all.”

Self-help groups are for the people, by the people, and of the people, and it is primarily focused on the poor. It is a tiny, micro-scale volunteer self-help organisation with a lot of potential for raising awareness about daily issues, promoting savings, and building assets. Based on the concepts of reciprocal collaboration and interdependence, they are made up of 15–20 individuals from a certain location and similar socioeconomic origins in rural India. One of the important features is to encourage people to not rely on government or non-governmental organisations and to improve infrastructural facilities in the villages. Preference is given in membership to the poorest of the poor, handicapped, deserted, dalits, and traders for becoming group members.

As a result, during difficult financial circumstances, Self help groups might offer members small loans for commercial objectives

through mutual support. It is an unofficial organisation that is owned, run, and managed by the members who have the want to engage in group activity. The funds can be used for both consumption and production by rural or urban males or females of any socioeconomic class. As a result, it is a microfinance institution that participates in the rural credit delivery system. Generally, one individual from a family becomes a member as this would give a chance to have larger number of people joining Self help groups. There are mixed groups too like men and women or there is many a times only womens group too found.

### **Objectives of Self-help groups:**

- 1) Develop the practise of banking and saving
- 2) Increase confidence and trust between bankers and the underprivileged
- 3) To foster group interaction through various welfare and development initiatives in accordance with members' perceptions.
- 4) To achieve the women and child welfare program by including women in a small intimate family, national immunization programs, etc.

Norms for group management bind members. There are weekly scheduled meetings. Members are free to discuss issues and contribute to decision-making. The Group Corpus Fund, which is utilised to extend loans, is a minimum voluntary savings requirement that must be met by the group. Simple fundamental records are kept, such as a cash book, loan register, attendance register, etc. Transparency is therefore necessary. As a result, the groups are distinguished by their limited size, shared interests, common occupation, homogeneity, and issues. They are adaptable and quick to respond when needed.

Although there are leaders, there is also collective leadership, which promotes group awareness, empowerment, and solidarity. It is based on the members' own resources i.e. within themselves like neighbors, people of same area, and the members are aware of the rules, aims, and objectives. These groups may receive help from outside organisations like NGOs. All of the members are jointly responsible for repaying the loans taken out from outside sources. A registered or unregistered group could be involved. Social workers, health professionals, village workers, bankers, farmers clubs, and the Nabard Vikas Volunteer Vahini project. All of these organisations are crucial in the development of self-help groups.

### **Benefits of Self-help groups:**

Self help groups encourages the practise of saving, offers access to a legal pool of resources, acts as an outlet for greater technical and career development, and increase credit availability, increases access to various forms of aid. Before these groups begin, development workers must

frequently visit the community to understand the issues, meet with elders and local leaders, sensitise and inspire community members through street plays and puppet shows, and give a clear explanation of the self-help group programme. It is crucial that the impoverished are made aware of the importance of teamwork in resolving issues that seem insurmountable to solve on their own. often on the basis of gender, neighborhood, community from a similar social background, and occupation, these groupings can be found. etc., like the Self-Employed Women's Association (SEWA). The SEWA members engage in a variety of income-generating activities rather than just one. They therefore have a variety of jobs that provide revenue.

Therefore it provides full employment through greater work security, income security, social security like health care, child care insurance, shelter and self-reliance through asset creation, leadership development and so on. SEWA have different cooperatives for eg- Vendors, midwives, rack pickers , weavers cooperatives. There are also men self-help groups, mixed self-help groups. Self-help groups can have linkages with the banks or the groups formed by the NGOS or banks enable the poor to have easy access. Government organisations also form Self-help groups to carry out their developmental activities like irrigation development, forest developments and so on.

By providing the members with skills and vocational training in a variety of crafts and occupations, by using self-help groups poverty and standard of living of people has improved to a large extent. Different strategies are being implemented in numerous districts that are socioeconomically backward in terms of high mortality and illiteracy rates and the self-employment of the first rural poor women.

In India, self-help groups have taken on various occupations where people have been trained for, for example, the productive activities that they have been involved in occupations like hand loom, weaving, toy making, making agarbattis, etc. A large number of self-employment opportunities have been created under the developmental programmes in the informal sector, which consists of agricultural labor, self-employment, small scale and cottage industries. The total export production has increased as a result of self-help groups' expansion in the informal sector. and it has also made a contribution to GDP. A lot of NGOs are supporting self-help groups focused on by offering financial loans. The group's members are in charge of managing and administering the credit. Banks get in as outside financial arbitrators and offer credit facilities to self-help organisations. Thus, in today's time the shgs are playing the role a participatory mechanism through which there is change in the society for the marginalized groups and creating social development.

Through self help groups in today's time women are becoming aware about their rights, learning about gender equality there is also political empowerment as the members are able to form a group. As a result, there are skill sets like leadership qualities development and they ask for the rights. There is also mushrooming of small business-like candle making,

pickle making, growing vegetables at kitchen, in fields and marketing them among their own members as these are daily consuming products. People are also making use of the Kisan Vikas Kendra where through it these women sell their products. Let it be turmeric powder to home made soaps. The self-help groups has also improved the savings habit among the people. As now they are able to save even small amount like Rs. 50-100 and are able to pay it as instalment for the loan they have taken. In the state of Maharashtra there are 2800 self help groups across the fifteen districts at present. *There are also accounts that Maharashtra has some earlier informal SHG as old as in 1947. Where people saved as little as 25 paise. Later in 1988 the Chaitanya Gramin Mahila, Bal Yuvk Sanstha started promoting SHGs in Pune.*

The impact created by self help group is not just financial but its huge. For example – In many households women stay whole day at home and are cooking, cleaning, taking care of elders. Since, through self help groups they are bringing some money into the home their importance increase, they are able to learn a skill and earn in their free time. In fact, it gives them atleast a reason to step out of their house, routine and interact with fellow women from different background. The group acts as a community where by competitions are held like rangoli, chief guest are invited to deliver speeches which inspires these women. These women step out of their home in new sarees to attend meetings this shows the importance they share to the group.

There are though some difficulties like those who do not have the same village address in any legal document let it be Aadhar card are not included in the groups, specially if the females is married from another village in some self help groups. There is also group defaulting members and thereafter breakage of the group or turning into a bad debt etc. Though the positive impact is higher than the negative impact through self help groups.

The Reserve bank of India talks about the guidelines for forming an Self help group like SHGs should be in active existence for at least 6 months as per their books of accounts (and not from the date of opening of S/B account). (ii) SHGs must be practicing 'Panchasutras' i.e., regular meetings, regular savings, regular inter-lending, timely repayment and up-to-date books of accounts.

### **Case Study:**

The State Women's Development Corporation of the Government of Maharashtra, known as Mahila Arthik Vikas Mahamandal (MAVIM), was created on February 24, 1975, in honour of International Women's Day. On January 20, 2003, the Maharashtra government designated MAVIM as a Nodal agency to carry out various programmes for women's empowerment through Self Help Groups (SHGs). The corporation's stated goals are to "achieve gender justice and equality for women by investing in their human capital and their capacity-building, thereby enabling them to access sustainable sources of income.

A community-based programme in Kerala called Kudumbashree aims to reduce poverty by empowering women through self-help organisations. It has more than large number of members and has been successful in raising Keralite women's socioeconomic level.

Jeevika is a self-help group initiative with an emphasis on eradicating poverty and rural development in Bihar. It has been effective in raising women's socioeconomic position and contributing to the growth of the neighbourhood economy. The chief minister has said that there are nearly 1 crore people associated with the group at present from the state. Jeevika is also known as jeevika didi which has empowered lot of people.

### Check Your Progress

1. SHGs must be practicing 'Panchasutras' what are these?

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2. What are the objectives of SHG?

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## 9.3 UNDERSTANDING THE MICROFINANCE

Giving low-income customers financial services is known as microfinance. It is also the process through which there is a supply of appropriate financial services to substantial numbers of low-income, economically active persons in order to enhance their situations and local economies. A bundle of financial services (loans, savings, insurance) are offered to underprivileged people and households is also referred to as micro-finance. This is viewed as a crucial instrument to increase social and economic empowerment and helps to lessen the vulnerability of the poor. The parties involved in introducing, promoting, and maintaining microfinance practises are the State and NGOs. The RBI has defined microfinance as a collateral-free loan to a household having an annual income up to Rs 3 lakh, among other changes.

A wide range of services, including deposits, loans, payment services, money transfers, and insurance products, are provided to low-income people and microbusinesses under the umbrella of microfinance. With the help of microfinance, high-cost debt from unofficial sources can be replaced, boosting discretionary income. It fosters financial responsibility, leading to asset ownership, and improves shock tolerance thanks to access

to savings, goods, credit, and insurance. Microfinance has contributed to the expansion of the breadth of financial services in low-income nations with weak institutional infrastructure.

Those who are arranged into self-help groups are frequently given financial credit. The establishment of The Indian Co-Operative Act (1904), which allowed cooperative credit societies to operate at various levels and issue loan facilities, was one of several causes that led to the emergence of microfinance as a development approach. In 1969, the government nationalised a few consumer banks. We also have a system of local rural banks that was set up in the 1970s to satisfy the needs of development objectives.

The government pushed the financial organisations to make it easier for rural residents to access formal loan options. Yet several people, however, continue to rely on money lenders because of institutional rigidities that prevented them from repaying the loans. Later, a number of anti-poverty initiatives aimed at particular target populations were funded by financial grants obtained through connections with commercial banks, such as the Mutually Aided Cooperative Societies, the Swarna Jayanti Swarozgar Yojana (SGSY), and the Integrated Rural Development Program (1980–1981). (MACS). Local banks also made an effort to affect change. For instance, the SJSY gave the poor access to income-generating assets by offering credit options and government subsidies, especially for those who were living below the poverty line.

NGOs in India that took measures to experiment with the microfinance throughout the 1970s. With time the Self Employed Women's Association (SEWA), a pioneer in microfinance in India created in 1974 to address various challenges affecting women. The SEWA bank was established to provide credit to women working in the informal sector but also to encourage them to save. This highlighted credit as a crucial component in its strategy. Other women's organisations, such as the Working Women's Forum (WWF) and the Annapurna Mahila Mandal (AMM), also engaged in savings and credit, established cooperatives, and mobilised women on gender-related issues including dowry and domestic violence.

NGOs pick women and place them in self-help groups so they can benefit from funds that are also offered by foreign organisations. They have done this because they have had limited access to the formal financial system. With the money these women have saved, they often start new businesses or expand their current ones, which will boost their income and allow them to buy assets like jewellery, livestock, and real estate, among other things. In the new economy, micro-finance becomes a potent tool for eradicating poverty. The SHGs-Banks connection Programme, which aims to provide a cost-effective framework for providing financial services to the underserved poor, dominates the microfinance landscape in India.

The self-help group-bank linkage initiative was also run by the NABARD. With 500 districts in 30 states and union territories, this initiative is thought to be the biggest and fastest microloan programme. There are

2800 NGOs in all, and there are 30000 branches of 500 banks involved in microcredit programmes. With the NABARD, the government has begun urging NGOs to support microfinance for women's emancipation. For the impoverished, microcredit has created a sizable market, especially for credit, helping them to get past the dire circumstances on the financial market. Yet, structural issues like the unequal distribution of wealth, education, and basic amenities must be addressed. Moreover, there must be efficient monitoring systems in place to guarantee the timely flow of funds.

### **Challenges of microfinance:**

The microfinance sector in the nation, however, also saw significant difficulties in the 2010s, particularly with regard to excessive debt and high interest rates. In order to address these problems, the Reserve Bank of India (RBI) enacted policies that included capping interest rates and required MFIs to register as non-banking financial firms. Despite these obstacles, microfinance in India nevertheless contributes significantly to economic growth and the reduction of poverty. It has also given low-income people better access to financial services as well as chances for entrepreneurship and revenue generating.

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## **9.4 DIFFERENCE BETWEEN SELF HELP GROUPS AND MICROFINANCE**

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Despite considerable differences in their methods and goals, self-help groups (SHGs) and microfinance are both significant tools for advancing financial inclusion and economic development.

Low-income people who band together to save money and lend to one another as a community-based organisation is Self help group. SHGs' primary goals are to help members support one another and achieve financial independence. SHGs frequently revolve around a particular social or economic activity, including small business development, agriculture, or handicrafts it can be as simple as buying a cattle, sewing machine.

Contrarily, microfinance refers to a variety of financial services that are offered to low-income people and groups who do not have access to typical banking services, including loans, savings accounts, and insurance. Microfinance's major goals are to support financial inclusion and give individuals who are shut out of the conventional financial system access to financial services.

SHGs and microfinance institutions (MFIs) differ significantly in that SHGs are normally self-managed by its members whereas MFIs are typically managed by professional employees. SHGs also place more of an emphasis on community building and helping one another, whereas microfinance places more of an emphasis on financial inclusion and facilitating access to financial services.

Another distinction is that SHGs might not always charge interest on loans as their primary goal is to foster financial independence among its members. MFIs, on the other hand, generally add interest to their loans to cover costs and make a profit. Notwithstanding certain differences, self-help groups and microfinance are both crucial tools for advancing financial inclusion and economic development, and they can combine their efforts to accomplish the goals.

### Check Your Progress

1. List out two differences of SHG from microfinance.

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2. List out challenges of microfinance

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## 9.5 SUMMARY

In this chapter we learnt about the self help groups which became popular through the Bangladeshi Professor Muhammad Yunus. Self-reliance is the guiding philosophy of self-help groups. These were started to address the shortcomings of traditional financial institutions that mobilise common individuals savings and successfully recycle them. In the Self-help groups, the participants combine their resources, which makes it possible to meet the credit demands of the underprivileged. It facilitates the creation of a forum for the exchange of experiences through accumulated knowledge and the development of problem-solving abilities. The self help groups help the underprivileged, particularly women, develop their confidence and ability to make decisions, plan ahead, and collaborate democratically. The guiding idea of self-help groups is “all in all.” The goal is to empower the marginalized section to become financial independent. So, that they could start a business or learn some skill set so that they could earn and lead their livelihood and improve their standard of living. On the other hand, the chapter also discusses about the microfinance. Giving low-income customers financial services is known as microfinance. It is also the process through which there is a supply of appropriate financial services to substantial numbers of low-income, economically active persons in order to enhance their situations and local economies. A bundle of financial services (loans, savings, insurance)

are offered to underprivileged people and households is also referred to as micro-finance.

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## 9.6 QUESTIONS

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1. Discuss the origin of Self-help groups
2. Discuss the difference between microfinance and that of self-help groups
3. Write a note on self help groups.

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## 9.7 REFERENCES AND FURTHER READINGS

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### INFORMALIZATION OF WORK

#### Unit Structure

- 10.0 Objectives
- 10.1 Introduction
- 10.2 Meaning and Nature
- 10.3 Growing Informalization and Challenges for Workers
- 10.4 Summary
- 10.5 Questions
- 10.6 References and Further Readings

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#### 10.0 OBJECTIVES

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- To understand the concept of informalization of work
- To familiarize students with its ramifications

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#### 10.1 INTRODUCTION

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Urban way of life is generally considered to be associated with industrial production. Reality in most third world cities, however, indicates otherwise. Only half and sometimes less of urban population finds employment in factories or similar organizations. Rest all are engaged in 'informal' economic activities which are casual, unskilled, with no fixed working hours, low income, with nature of work largely fluctuating and seasonal. Several studies and reports have come out in last twenty years, which depict the miserable working conditions of India's informal sector workers.

While workers in the informal sector contribute a considerable amount of output to the country's GDP, the conditions under which they labour are usually deplorable. Although precise data is not available, we can safely say that nearly all workers in the informal sector lack any form of social security. India has a labour force of nearly 400 million persons, about 13 percent of the entire world's labour force. More than 70 percent of the nonagricultural labour force is in informal employment. If we include agriculture into this, it will be over 90 percent.

Work in the informal sector is so common today that it is almost a norm. Today, due to policies of globalization, facilitated by advances in technology, labour is losing its formal and organized character. Workers are divided into two groups, who are employed and who are in the reserve army of labour, willing to do anything to obtain employment. Large number of workers in India, who form this reserve army, miserably

wander between cities, town and villages, living in different phases of employability in seasonal cycles.

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## 10.2 MEANING AND NATURE

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India's total workforce can be disaggregated according to two dimensions: (a) sector of work, based on the type of enterprise or production unit where the person is employed; and (b) type of employment, defined in terms of employment status and other job-related characteristics. Sector of work can further be sub-divided into three categories: the formal (or organized) sector; informal (or unorganized) sector; and the household sector. Similarly, the type of employment can be categorized as formal and informal.

The informalization of the workforce refers to a situation where the workforce in the informal sector increases to the total workforce of the country. According to the composition of the workforce in India, it has been divided into two categories; Formal or Organized Sector and Informal or Unorganized Sector. The Formal Sector consists of jobs that have specific working hours and fixed wages; whereas, the Informal sector is where the workers or employees don't have fixed working hours and wages.

Predominance of informal employment has been one of the central features of the labour market scenario in India. While the sector contributes around half the GDP of the country, its dominance in the employment front is such that since early 1980s and even before that, more than 90 percent of total workforce has been engaged in the informal economy. As per the estimates of the National Commission for Enterprises in the Unorganized Sector (NCEUS), the unorganized sector/informal sector workers comprise about 86 per cent of workforce in the Indian economy in 2004-2005 and informal employment, both in the organized and unorganized sector as 92 percent. This national level pattern of informal workers occupying around 90 percent of the workforce is similar in the case of most of the prominent states in the country.

Among the unorganized sector workers, a considerable proportion (about 65 percent) 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. Temporal data suggests that within the formal sector also the proportion of informal/unorganized workers are on the increase. The enhanced prominence of the informal sector is duly recognized in the recent policy documents of the Government of India, which discusses the ways and means of employment generation, to benefit the growing mass of unemployed. It has been 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 workforce 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.

Expansion of the informal sector has meant the introduction of new economic activities which are informal employment or are within informal sector along with a predominant process of shrinkage of the existing formal sector and conversion of the formal to informal. These tendencies are dynamic in nature and broadly define the process of informalization. Interestingly, in India, along with employing a large population, the informal sector also employs around 94% of the country's female workforce. Considering the employment generated by the informal sector, women account for a greater employment level than men in India.

### **Check Your Progress:**

1. What is 'informalization of work'?

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## **10.3 GROWING INFORMALIZATION AND CHALLENGES FOR WORKERS**

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. A growing body of literature suggests 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 labour 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 most of the workforce, along with a marked reduction in the scale of social welfare/security programmes. Thus, an important challenge raised by the exploding informal economy is the need for ensuring adequate social safety nets and welfare measures to provide social security to the growing segment of unorganized sector workers. Accordingly, during the past decades, government in India, both at the centre and state levels, as discussed in the previous units, have been striving towards designing and implementing more effective measures to strengthen and expand the social protection in the unorganized sector workers.

The phenomenon of increasing informalization of industrial labor is a serious issue because if industrialization does not create many good jobs for people to shift from low productivity occupations, it cannot make a significant contribution to economic development. Available data show that wages and employment benefits received by casual workers are much lower than those of regular salaried/wage workers and the incidence of poverty is much greater among casual workers than regular salaried/wage workers.

Casual workers not only get a significantly lower wage, they are also deprived of various benefits and social security. Increasing casualization implies not only increase in vulnerability in terms of employment and earnings, but also means that a larger proportion of workers have neither social protection nor productive resources to fall back upon, as most casual laborers are without assets.

### **Check Your Progress:**

1. What challenges do workers face due to increasing informalization of work?

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## **10.4 SUMMARY**

Employment relations across the world are going through a significant transformation after the inducement of economic reforms in many developed and developing countries. In India, significant changes are taking place in the labour market, viz. expansion of platform economy, development of global value chains and embedded labour processes, declining share of labour share in the production processes and replacing standard regular jobs with precarious ones. The most significant of these changes is the rise of precarious workers.

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## 10.5 QUESTIONS

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1. Why is informal sector significant in India?
2. Does informal sector contribute significantly to the Indian economy? Explain why?

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## **DOWNSIZING, OUTSOURCING, NETWORK SOCIETY AND THE ROLE OF ICTS**

### **Unit Structure**

- 11.0 Objectives
- 11.1 Introduction
- 11.2 Downsizing & Informal Sector
- 11.3 Outsourcing & Informal Sector
- 11.4 Network Society
- 11.5 ICTs & Informal Sector
- 11.6 Questions
- 11.7 References and Further Readings

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### **11.0 OBJECTIVES**

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- To understand the concepts such as downsizing, outsourcing, Network society and ICTs.
- To familiarize students with the interconnections between the informal sector and these concepts.

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### **11.1 INTRODUCTION**

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The Information and Communication Technology (ICT) has been a pioneer and a powerful catalyst in addressing the needs and interest of the informal sector's income in developing countries like India. Globalization has had deep inroads in the India since post 1990s. It sets off, inter-alia, market liberalization and emergence of IT sector. IT industry enjoys natural comparative advantages of 12-hour time gap with most of the overseas countries. In India, a large part of the economy is informal sector or unorganized sector where low-tech tools are widely used. There is also a growing literature on the use of ICTs by informal workers, largely focused on the use of mobile phone applications to facility financial or payment services. Some informal workers are using digital platforms or mapping software in their work.

There is also growing interest in innovation within the informal economy. It is imperative to understand how ICT sectors location and utilization improve or impede the competitive business environment under which the informal sector operates. Various authors have outlined the importance and impact of ICT on development. Better ICT services expand overall economic potential by allowing firms to be more accessible and hence more productive and attracting more investment to a particular area.

Therefore, there are strong overlapping interconnections between the informal sector on one hand, and ICTs, network society, downsizing and outsourcing on the other. India is well-known around the world for its rapid economic growth rates over the last thirty years or so, fueled by the spectacular growth in its export-oriented software and ICT based services sector. India is also one of the model countries for global outsourcing. Informality has thus had a strange influence on these latest facets of globalization.

Individuals find the informal sector an attractive source of income because entry is easy, it requires little capital and equipment, it can easily accommodate a small, one -percent operation, and the skills required are low. Further, labourers in the informal sector are poorly protected; they have no formal labor contracts and rarely can improve their skills through formal training. Hence, as we shall explore ahead, the informal sector has not been able to escape from the global phenomena.

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## 11.2 DOWNSIZING & INFORMAL SECTOR

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Over the past three decades, despite predictions to the contrary, employment in the informal economy has risen rapidly in all regions of the developing world and various forms of non-standard employment have emerged in most regions of the developed world. However, in the wake of the repeated financial crisis, most of these countries experienced a substantial decline in formal wage employment and a concomitant rise in informal employment. Among a set of reasons for the rising informal sector, economic restructuring, and economic crisis are also seriously responsible.

Available evidence suggests that during periods of economic adjustment, whether due to economic reforms or economic crises, the informal economy tends to expand. This is because, retrenched workers move into the informal economy when public enterprises are closed or the public sector is downsized. Downsizing is the process whereby a corporation makes itself smaller in response to changed market circumstances. Although downsizing implies a reduction in assets, it is not (as its critics often maintain) merely a reduction in human assets. Other terms have been used to distance the concept from its association with ruthless job-slashing—for example, rightsizing and restructuring.

There has been a long-standing concern that the competitive pressure introduced by trade reforms could induce reallocation of firms and workers from the formal to the informal sector. The basic argument is that negative demand shocks would push formal firms to downsize, hire a larger share of informal workers, or exit altogether. Workers laid off from the formal sector would subsequently seek employment in the informal sector, and potential entrants could be discouraged to enter the formal sector and choose informality instead.

During economic transition there is the shrinkage of the public sector and expansion of the not working population, simultaneously with the

expansion of both the formal and informal private sectors. As such, during the rapid downsizing of the public sector, the informal sector expanded more rapidly than the formal private sector. Further, the links between the formal and informal sectors are complex and differ by gender.

### Check Your Progress:

1. Why has the informal economy continued to expand and grow?

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## 11.3 OUTSOURCING & INFORMAL SECTOR

Under a more “entrepreneurial” view of the informal sector, outsourcing is seen as a vehicle for the modernization of the informal sector. The formal firms establish outsourcing relationships only with modern informal firms. Outsourcing has been described as a strategy for formal firms to cut costs and increase flexibility considering India’s strict labour regulation and increased competition following the economic reforms of the 1990s. Formal firms wishing to reduce labour costs outsource activities to informal firms, which by means of evading legal restrictions can offer lower labour costs.

By their superior status in terms of size and capital, formal firms can impose stringent conditions on informal firms regarding prices, thus extracting most of the value added and leaving informal firms stagnated. In fact, formal firms can benefit from the “race-to-the-bottom” in terms of labour costs in the informal sector, as it directly translates into higher profitability from outsourcing.

Stagnant, survivalist informal firms are part of the traditional segment of the informal sector. Thus, formal sector growth can occur at the expense of the modernization of the informal sector when exploitative subcontracting relationships are the norm. An increase in the incidence of outsourcing (as a result of competitive pressures brought about by trade liberalization, for example) would only result in expansion of the traditional segment of the informal sector.

In undertaking the decision of outsourcing, formal firms have three aims: first, minimizing costs, so that the price of the outsourced activity is as low as possible; second, maximizing the quality of the outsourced product, so that the quality standards of the final product are not compromised; and third, minimizing the risk of vertically disintegrating the production process, so that the decision of outsourcing does not compromise the delivery time of the final product.

In the Indian context, pressure to cut costs and increase flexibility, together with strict labour laws affecting only formal firms, form clear incentives for formal firms to outsource activities to the informal sector.

### Check Your Progress:

1. What is 'outsourcing'?

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## 11.4 NETWORK SOCIETY

The *network society* is an emerging societal structure where human relationships are increasingly organized around technologically assisted information "flows." This spaceless and timeless world without boundaries has transformed elements of human identity, relationships, consumption, and work. It is also changing worldwide economies and state powers. It has created unprecedented opportunities while sharpening inequalities related to technological access.

According to Manuel Castells, network society is "structured in its dominant functions and processes around networks." Network Society is structured from a historical convergence of three independent processes

- The Information Technology Revolution
- Restructuring of capitalism and of statism in the 1980s
- The cultural social movements of the 1960s, and their 1970s aftermath.

Amongst its main features, flexi-workers remain significant feature of network society. Under this, development of the network enterprise translates into downsizing, subcontracting, and networking of labour, but while it encourages flexibility and individualization of contractual arrangements for the workers, the industrial age concept of job tenure and social benefits associated with a 'permanent' job is reversed; the 'organization man' is out, the 'flexible woman' is in. Individualization of work, and therefore of labour's bargaining power, is the major feature characterizing employment in the Network Society.

Eventually, globalization of the economy and individualization of labour weaken social organizations and institutions that represented/protected workers in the Information Age, particularly labour unions, and the welfare state. Further, with greater levels of individualization come inequality, social polarization, and exclusion.

## Check Your Progress:

1. What do you mean by network society?

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## 11.5 ICTs & INFORMAL SECTOR

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In the contemporary world, ICTs have emerged as a powerful tool to organize every aspect of life of the people in the society. Now ICT has been a tool for communication, networking and work participation of every segment of the population. The workers in the informal sector, who are predominantly from the socially and economically marginalized section of the society, have met ICTs an efficient tool in their everyday working life.

Digital technologies empower the lives of the people who have access to them and those with little or no access face social and economic inequalities. Informalization is to be found in both traditional jobs as well as new jobs that are emerging with the rapid development and accelerated adoption of information and communication technology (ICT). For example, a lot of traditional jobs (like courier or janitorial services) have become short term and contractual while new technologies (ride hailing apps, online freelancing) have enabled a new kind of employment relations that have given rise to what is called the “gig economy.”

With the expansion of the gig economy, new employment opportunities are being generated. In India, multinational companies and large firms have embraced the concept of gig economy rapidly, but start-ups were the early adopters. However, the scope for high-skilled freelancers is limited relative to low-skilled freelancers. Under the gig economy workers are termed as “liquid workforce” because there is no fixed term benefit and workers are given short-term contracts. They are independent contractors and freelancers instead of fulltime employees.

Digitization and information technology have played a seminal role and have transformed the Indian market with the emergence of several business models such as Uber, Ola, Airbnb, OLX, Quikr, UrbanClap and Magic bricks. These applications generate employment for drivers, cleaners, gardeners, housekeepers, electricians, plumbers, carpenters, beauticians, teachers, air conditioning technicians and other tradespersons, all adding to ever increasing informal economy.

There is an extensive literature on the role of ICT in facilitating escape from poverty in developing countries for millions of poor people involved in running tiny informal enterprises. It has been argued that use of ICT can enable socioeconomic development of informal entrepreneurs by enabling

market integration and enhanced access to social capital through easy access to information. However, the impact of ICT on development of informal enterprises is uneven, since the informal sector itself is heterogeneous.

While information technology may have streamlined the business process, it has also created job redundancies, downsizing, and outsourcing. ICT can make someone more efficient at their job; a company can therefore employ less people to complete that job. For example, in a factory, skilled technicians and machinists can be replaced by computer-controlled robots which can work faster, for longer and more consistently.

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## 11.6 QUESTIONS

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1. What have been the form and extent usage of ICTs in informal sector?
2. How have the ICTs been able in bringing change in the working condition in Informal Sector?
3. How do ICTs and network society influence the informal workers?
4. What are the consequences of outsourcing and downsizing on the informal sector?

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## **LABOUR REFORMS AND ITS IMPACT; PROBLEM OF UNIONIZATION AND LABOUR BOARDS**

### **Unit Structure**

- 12.0 Objectives
- 12.1 Introduction
- 12.2 Labour Reforms in India
- 12.3 Key Issues for the Informal Workers
- 12.4 Indian Labour and Unionization
- 12.5 Summary
- 12.6 Questions
- 12.7 References and Further Readings

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### **12.0 OBJECTIVES**

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- To understand the various kinds of labour reforms and its impact on the informal sector
- To familiarize students with the problems associated with labour unions

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### **12.1 INTRODUCTION**

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Labour falls under the Concurrent List of the Constitution. Therefore, both Parliament and state legislatures can make laws regulating labour. The central government has stated that there are over 100 state and 40 central laws regulating various aspects of labour such as resolution of industrial disputes, working conditions, social security, and wages. The Second National Commission on Labour (2002) (NCL) found existing legislation to be complex, with archaic provisions and inconsistent definitions. To improve ease of compliance and ensure uniformity in labour laws, the NCL recommended the consolidation of central labour laws into broader groups such as (i) industrial relations, (ii) wages, (iii) social security, (iv) safety, and (v) welfare and working conditions.

In 2019, the Ministry of Labour and Employment introduced four Bills on labour codes to consolidate 29 central laws. These Codes regulate: (i) Wages, (ii) Industrial Relations, (iii) Social Security, and (iv) Occupational Safety, Health and Working Conditions. While the Code on Wages, 2019 has been passed by Parliament, Bills on the other three areas were referred to the Standing Committee on Labour. The Standing Committee submitted its reports on all three Bills. The government has replaced these Bills with new ones in September 2020.

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## 12.2 LABOUR REFORMS IN INDIA

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### Salient Features of Four Labour codes:

#### 1. The Code on Wages, 2019:

- It seeks to regulate wage and bonus payments in all employments where any industry, trade, business, or manufacture is carried out.
- Subsumes 4 Labour Acts, namely, the Minimum Wages Act, 1948; the Payment of Wages Act, 1936; the Payment of Bonus Act, 1965 and the Equal Remuneration Act, 1976
- Universalizes minimum wages to all employees in all sectors as against employees of scheduled employment, at present
- Central Government to fix National Floor Wages
- Revision of minimum wages ordinarily at an interval of 5 years
- Universal applicability of provisions of timely payment of wages

#### 2. The Industrial Relations Code, 2020:

- Subsumes 3 Labour Acts, namely, the Industrial Disputes Act, 1947; the Trade Unions Act, 1926; the Industrial Employment (Standing Orders) Act, 1946.
- The IR Code, 2020 has been notified on 29.09.2020.
- Recognition of trade unions or federation of trade unions by the Central and State Government to replace Code of discipline
- Concept of Recognition of Negotiating Union/Council introduced
- Definition of Worker (limit for declaring supervisor to be notified) and definition of Industry
- Fixed Term Employment worker category included
- Re-skilling Fund for training of retrenched employees
- Concerted casual leave by 50% or more workers on a day to be treated as strike
- Set up Industrial Tribunal by replacing multiple adjudicating bodies like the Court of Inquiry, Board of Conciliation, Labour Courts.
- Reference of dispute to Industrial Tribunal by Appropriate Government done away.
- Two Members Industrial Tribunal. Each individual Member can adjudicate all issues except matters relating to retrenchment, closure, strike, etc.

- Dispute of registered trade unions included within the purview of Industrial Tribunal as demanded by Trade Unions
- Incorporation of 14 days' notice period for all strikes and lockouts which was earlier required for public utility services only
- Introduction of provision of compounding of offences

### **3. The Occupational Safety, Health and Working Conditions Code, 2020:**

- Subsumes 13 Labour Acts relating to Factories, Mines, Dock, Construction Workers, Plantation, Motor Transport & Beedi and Cigar, Contract Labour & Interstate Migrant Workers.
- The OSH Code, 2020 has been notified on 29.09.2020.

#### **Code envisages:**

- Occupational Safety standards for different sectors Health and Working Conditions: ventilation, drinking water, etc.
- Hours of Work, Overtime hours, Leave, Holiday, etc.
- Welfare provisions: canteen, crèche, rest rooms, first aid, etc.
- Mandatory provision for granting appointment letter by the employer.
- Annual health check-up / examination had been provided in respect of tests etc. as prescribed for such employees or description or class of employees or establishments or description of establishments above the prescribed age, and the cost for the same to be borne by the employer
- Duties of employers, employees, manufacturers, etc.
- Registration of establishments including deemed registration,
- Common Licence for contract worker, Factories, Beedi & Cigar.
- Definitions in various Acts rationalised Including in case of “worker”, “establishment”, “industry”. Definitions reduced to 65 as against 160 in the 13 Acts.
- One registration for establishments having 10 or more employees as against separate registrations under 6 Central Acts including BOCW Act, The Contract Labour Act, Inter-State Migrant Workmen Act, Motor Transport Workers Act, Plantation Labour Acts and Factories Act.
- The ambit of the benefit to ISMW have been replaced to provide (a) lumpsum allowance for undertaking journey by migrant worker to visit his native place in a period to be decided by appropriate Government; and (b) to formulate a scheme for providing portability

of benefits of public distribution system and portability of benefits to a worker who is engaged in building and other construction work in one State and move to another State by appropriate Government.

- An all-India license de-linked from “work order” introduced to avoid obtaining of repeated license for each work under existing Contract Labour Act.
- Ambit of cine worker has been expanded to include all audio-visual workers and workers in the electronic media
- Multiple committees under five labour Acts have been merged into one National Occupational Safety and Health Advisory Board. Provision of state advisory board has been provided.
- Different applicability thresholds for welfare provisions like crèche, canteen, first aid, welfare officer etc in different Acts have been rationalized.
- Compounding of offences has been introduced.
- A part of the penalty for any violation of the provisions of the Code leading to death or serious bodily injury to any person, can be given to the victim or the legal heirs of the victim by the Court.
- Web-based inspection introduced.
- Number of returns reduced

#### **4. The Code on Social Security, 2020:**

- Subsumes 9 Labour Acts including Employees’ Provident Funds & Miscellaneous Provisions Act, Employees’ State Insurance Act, Payment of Gratuity Act, Maternity Benefit Act, Employees Compensation Act, Building and Other Construction Workers Welfare Cess Act.
- The Code on Social Security, 2020 has been notified on 29.09.2020.
- Proposes to create a comprehensive framework legislation for social security
- A right based system for phased universalization of social security contribution to be made by the employer/employee
- Government may contribute for deprived category of worker

#### **Check Your Progress:**

1. What are the reforms in labour laws in India?

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## 12.3 KEY ISSUES FOR THE INFORMAL WORKERS

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The 2<sup>nd</sup> National Commission on Labour (NCL) recommended consolidation of central labour laws. It observed that there are numerous labour laws, both at the centre and in states. Further, labour laws have been added in a piecemeal manner, which has resulted in these laws being ad-hoc, complicated, mutually inconsistent with varying definitions, and containing outdated clauses. For example, there are multiple laws each on wages, industrial safety, industrial relations, and social security; some of these laws cater to different categories of workers, such as contract labour and migrant workers, and others are focused on protection of workers in specific industries, such as cine workers, construction workers, sales promotion employees, and journalists.

Further, several laws have differing definitions of common terms such as “appropriate government,” “worker,” “employee,” “establishment,” and “wages”, resulting in varied interpretation. Also, some laws contain archaic provisions and detailed instructions. The Commission emphasized the need to simplify and consolidate labour laws for the sake of transparency, and uniformity in definitions and approach. Since various labour laws apply to different categories of employees and across various thresholds, their consolidation would also allow for greater coverage of labour.

While the Codes consolidate and simplify existing laws to some extent, they fall short in some respects. For example, the Codes on occupational safety and social security continue to retain distinct provisions of each of the laws that these Codes subsume. For example, while the Occupational Safety Code contains provisions on leaves for all employees, it continues to retain additional leave entitlements for sales promotion employees. Similarly, while the Codes rationalize definitions of different terms to a large extent, they are not uniform in all respects. For example, while the Codes on wages, occupational safety and social security contain the same definition of “contractor”, the code on industrial relations does not define the term. Finally, while the government stated that 40 central labour laws would be subsumed, the four Codes only replace 29 laws.

Contrary to the notions that such reforms create formal employment, they deteriorate the quality of jobs, and the nature of employment then being created can only be characterized as semi-formal. This is mainly because the current reforms are located within the longer-term processes of informalization, contractualization and casualization of work in the country. Providing legal and social protection to the informal or unorganized sector workers — one of the key objectives of the labour law reforms being planned may be easier said than done.

For one, no one even knows the actual size of the informal workforce, least of all the government. The sector being virtually out of legal protections, the working conditions and social security for informal workers are understandably poor. These rules, for example, mandate the registration of all workers (with Aadhaar cards) on the Shram Suvidha

Portal to be able to receive any form of social security benefit. Now, on the one hand, this would lead to Aadhaar-driven exclusion and, on the other, workers will most likely be unable to register on their own due to lack of information on the Aadhaar registration processes. Also, a foreseeable challenge is updating information on the online portal at regular intervals, especially by the migrant or seasonal labour force.

The codes also seem to fail to extend any form of social protection to most informal sector workers which is predominant in rural areas including migrant workers, self-employed workers, home-based workers, and other vulnerable groups. The Code does not emphasize social security as a right, nor does it refer to its provision as stipulated by the Constitution.

### **Check Your Progress:**

1. What are the issues associated with the labour reforms?

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## **12.4 INDIAN LABOUR AND UNIONIZATION**

There are many registered trade unions, including several within an establishment. There are no criteria to determine which unions can formally negotiate with the management. Settlements made with unions are only binding on the participating unions. This has affected collective bargaining rights of workers. Further, questions have been raised on the extent to which non-employees may be permitted in trade unions.

As of 2015, there were 12,420 registered trade unions in India with an average membership of 1,883 persons per union. A large number of unions within an establishment hampers the process of collective bargaining as it is difficult to reach a settlement with all of them. Employers may also seek legitimacy for a favourable settlement by reaching an agreement with a compliant union though it may not have the support of most workers. The NCL recommended giving 'recognition' to a union with the support of 66% members.

If no union has 66% support, then unions that have the support of more than 25% should be given proportionate representation on a negotiation college. The vote for recognition may be cast based on a regular subscription to a union through deduction from the wages of a worker – this system of regular payment of subscription would verify relative strength of different unions on a continuing basis. In establishments with less than 300 workers, the mode of identifying the negotiating union may be determined by Labour Relations Commissions to mitigate any possibility of victimization by the management of the company.

Further, to counter low unionization in the unorganized sector, it was recommended that a specific provision may be made to enable workers in the unorganized sector to form trade unions (with any number of workers) and get them registered even where an employer- employee relationship does not exist or is difficult to establish. The Industrial Relations Code makes provisions for recognition of a negotiation unions with 51% membership. In the absence of such support, a negotiation council may be formed. However, the Code does not clarify how vote will take place. Further, no changes have been made to the extent of participation of outsider (up to 33%, subject to a maximum of five members). Up to 50% may be outsiders in unorganized sector unions. However, the Code weakens collective bargaining rights by requiring a two-week notice for strikes.

### **Check Your Progress:**

1. Do the informally employed want to be organized by trade unions?

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## **12.5 SUMMARY**

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Today, the unorganized or the informal sector account for more than 90 per cent of the workforce in the country and almost 50 per cent of the national income evolves from this sector. Ever since the initiation of the liberalization policies in the early nineties, informalization of jobs has become a matter of concern. Growing competition combined with increased market opportunities and limited resources have led to the emergence of an informal economy. The predominance of the informal sector has led to a situation of the benefits of economic growth being concentrated among few with a growing proportion of the population living as working poor. Though the Government changed its policy strategy to that of inclusive and sustainable growth in the last decade, the fundamental issues leading to growing informalization are yet to be targeted.

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## **12.6 QUESTIONS**

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1. What is the main aim of these labour reforms?
2. When were the Labour Reforms introduced?
3. How does the labour reforms affect the processes of unionization?

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## 12.7 REFERENCES

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