

INFORMAL SECTOR IN INDIA

Approaches for Social Security.

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Informal sector in India is broadly characterized as consisting of units engaged in the production of goods and services with the primary objectives of generating employment and incomes to the persons concern. These units typically operate at low level of organisation, with little or no division between labour and capital as factors of production and on a small scale. Labour relations, where they exist, are based mostly on casual employment, kinship or personal or social relations rather than contractual arrangements with formal guarantees. Thus, production units in informal sector are not constituted as separate legal entities independently of the household or house hold members that own them and for which no complete sets of accounts are available which would permit a clear distinction of the production activities of the enterprises from the other activities of their owners. The owners of their production units have to raise the finance at their own risk and are personally liable, without limit, for any debts or obligations incurred in the production process. Expenditure for production is often indistinguishable from household expenditure. For statistical purpose, the informal sector is regarded as a group of production units, which form part of the household sector as household enterprises or equivalently, unincorporated enterprises owned by households.

In India, the term informal sector has not been used in the official statistics or in the National Accounts Statistics (NAS). The

terms used in the Indian NAS are 'organised' and 'unorganised' sectors. The organised sector comprises enterprises for which the statistics are available from the budget documents or reports etc. On the other hand the unorganised sector refers to those enterprises whose activities or collection of data is not regulated under any legal provision or do not maintain any regular accounts. In the unorganised sector, in addition to the unincorporated proprietorships or partnership enterprises or partnership enterprises, enterprises run by cooperative societies, trust, private and limited companies are also covered. The informal sector can therefore, be considered as a sub-set of the unorganised sector.

Magnitude of workforce engaged in the unorganised/informal sector.

The National Sample Survey Organisation (NSSO) carried out a sample survey in 1999-2000 and its results showed that out of total workforce of 397 million, only 28 million workers are employed in the organised sector and remaining in the unorganised sector. It reveals that over a decade, the employment in the organised sector has been almost stagnant or slightly declined.

In the light of definition of informal sector encompassing private unincorporated enterprises as mentioned above, NSS 55th round, 1999-2000 also covered non-agricultural enterprises in the informal sector in India. As per survey, there were 44.35 million enterprises and 79.71 million workers employed thereof in the non-agricultural informal sector of the economy. Among these 25.01 million enterprises employing 39.74 million workers were in rural

areas whereas 19.34 million enterprises with 39.97 million workers in the urban area. Among the workers engaged in the informal sector, 70.21 million are full time and 9.5 million part times. Percentage of female workers to the total workers is 20.2 percent.

Relevancy of the Informal Sector in Indian Context.

Broadly, the informal sector provides income-earning opportunities for a larger number of workers. In India, there is large magnitude of workforce getting their livelihood from the informal sector. The enactment of legislations and other measures to bring them under the regulatory and social protection instruments will adversely affect the existing mechanism prevailing in the informal sector as it would lead to market imperfections creating hurdles in the smooth functioning of the market led economy. Besides, it requires huge infrastructural and institutional arrangements involving financial implications beyond the capacity of the Government in the changing scenario all over the world. The Government has to play a role of facilitator and promoter so that the workers employed in the informal sector are able to get requisite level of protection and security to have decent work environment enabling them to express their skills fully and according to their capabilities necessary for enhancing the competitiveness of their outputs and thereby raising their income and socio-economic status.

Importance of Informal Sector in Indian Economy.

About 370 million workers constituting 92% of the total workforce in a country were employed in the unorganized sector as per NSS Survey 1999-2000. It plays a vital role in terms of

providing employment opportunity to large segment of the working force in the country and contributes to the national product significantly. The contribution of the unorganised sector to the net domestic product and its share in the total NDP at current prices has been over 60%. In the matter of savings the share of household sector in the total gross domestic saving mainly unorganised sector is about three fourth.

Thus unorganised sector has a crucial role in our economy in terms of employment and its contribution to the National Domestic Product, savings and capital formation. At present Indian Economy is passing through a process of economic reforms and liberalization. During the process, merger, integration of various firms within the industry and up gradation of technology and other innovative measures take place to enhance competitiveness of the out put both in terms of cost and qualitative to compete in the international market. The low inefficient units either wither away or merge with other ones performing better. In this situation, there is a special need to take care of the interests of the workers by providing them training, upgrading their skills, and other measures to enable them to find new avenue of employment, improve their productivity in the existing employment, necessary to enhance the competitiveness of their product both in terms of quality and cost which would also help in improving their income and thereby raising their socio economic status. It has been experienced that formal sector could not provide adequate opportunities to accommodate the workforce in the country and informal sector has been providing employment for their subsistence and survival. Keeping in view the existing economic scenario, the unorganised sector will expand further in the years to come. Thus, it needs to

be strengthened and activated so that it could act as a vehicle of employment provider and social development.

Social Security

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 unorganised sector. These may be classified as under:

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

The centrally funded social assistance programmes include the employment oriented poverty alleviation programmes 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 schemes include several schemes launched by the Central and the State Governments 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 sections. 'Janshree Bima Yojana 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 is 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 significant achievement in promoting social security through the formation of cooperatives.

Welfare funds represent one of the models developed in India for providing social protection to workers in the unorganised sector. The Government of India has set up five welfare funds. Central funds are administered through the Ministry of Labour for the beedi 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 effected without linkage to individual worker's contribution. These funds are constituted from the cess 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. There are around 20 million construction workers in the country. A small cess is collected on the basis of the cost of a 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 unorganised 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-tappers etc. The model is so popular that some of the other 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 unorganised sector workers for providing them social security.
