

# Asian Resonance

## Trend and Pattern of Employment in India

### Abstract

The objective of the paper is to analyse the trend and pattern of employment informal and informal sector in India. The study is based on secondary data collected by the National Sample Survey Organisation (NSSO) and other reports. More than 90 percent of workforce and about 50 percent of the national product are accounted for by the informal sector. The growth rate of total formal sector workers is 2.94 percent which is little bit higher as compared to informal sector growth rate (2.88 percent). In the non- agriculture sector, nearly 71 per cent of the workers in rural areas and 67 in urban areas were engaged in the informal sector. In general, poorer states such as Bihar, Chhattisgarh, Jharkhand, Odisha and Uttar Pradesh have high proportion of workers engaged in casual work and very low proportion of regular employment.

**Keywords :** Employment, Informal Sector, Labour Force, Women, Worker.

### Introduction

The informal sector is a pervasive and persistent economic feature of most developing economies, contributing significantly to employment creation, production, and income generation. It is estimated that more than 90 percent (447 million people in a labour force) of almost 500 million workers in India are engaged in the informal sector. The concept of the informal sector was introduced into international usage in 1972 by the International Labor Organization (ILO) in its Kenya Mission Report, which defined informality as a "way of doing things characterized by

- (a) Ease of Entry
- (b) Reliance on Indigenous Resources
- (c) Family Ownership
- (d) Small Scale Operations
- (e) Labor Intensive and Adaptive Technology
- (f) Skills Acquired Outside of the Formal Sector
- (g) Unregulated and competitive markets".

The informal sector has also been termed "The non-farm economic activities" especially in relation to rural economy. This implies that there are other economic activities carried out by the peasants and farmers which are not related to the farming economic system or are being carried out in parallel with farming activities (Papola, 1981). The informal sector is broadly characterized as consisting of units engaged in the production of goods or services with the primary objective of generating employment and incomes to the persons concerned (Mitra, 2001).

Unorganised or informal sector constitutes a pivotal part of the Indian economy. More than 90 per cent of workforce and about 50 per cent of the national product are accounted for by the informal economy (Kundu and Sharma, 2001). A high proportion of socially and economically underprivileged sections of society are concentrated in the informal economic activities. Women workforce constitutes an integral part of total workforce in India. In India 120 million are women workers. These women are often illiterate, unskilled socially backward and economically weak which often hide their work participation. Poverty, lack of access to education and inadequate health facilities are their major problems. Manohar (1983) discussed the exploitation of women in unorganised sector with reference to male dominance. He stated that women were dependent and subservient, which forced them to live under miserable social and economic conditions. In this context, the objective of the paper is to analyse trend, status of women in informal sector in India. The study is based on secondary data collected by the National Sample Survey Organisation (NSSO) for 1999-2000, 2004-05 and 2009-10 and other reports.



**Kabita Kumari Sahu**

Assistant Professor,  
Deptt. of Economics,  
North Orissa University,  
Baripada, Odisha

## Review of Literature

There is plethora of literature on employment and an attempt is made to review important and relevant literature on formal and informal employment. Bandopadhyay, Kumar Titas (2006) has examined the impact of output subsidy given to the informal sector on urban unemployment, informal sector's employment and on the domestic factor income of a small open economy where capital is perfectly mobile among the three sectors. The simultaneous existence of urban informal sector and urban unemployment has been explained in terms of efficiency wage theory which is applicable to the low wage informal sector. Informal sector also produces traded goods and the presence of trade union in the urban formal sector makes the formal wage endogenous. This is highly observed in many developing countries like India where handloom and handicraft products are internationally traded and the trade union activities are flourishing. Output subsidy given to the urban informal sector lowers urban unemployment and raises domestic factor income provided that the rural sector is sufficiently labour intensive.

Chaudhuri, S., D. Banerjee (2007) states the theoretical possibility that recession in the skilled sector might even raise the wage of the informal workers appears quite robust. Developing and transition countries are repositories of large unorganized and/or informal sectors that deal largely with non-traded commodities and services and in some cases tradable goods as well, the global recession may not be able to penetrate very far into these economies. They establish that a fall in the price of those commodities and services that employ white-collared workers may in fact turn out to be favorable for the purveyors of non-traded goods in general and the informal sector in particular. Women workforce constitutes an integral part of total workforce in India. They constitute one third of labour force and supply two third of the total working hours and yet they are earning only one-tenth of the income (Saravanavel, 1987). Women's work in India is invisible, unrecognised and unremunerated. In India, 31 percent of workers are women and 94 percent of women are in informal Sector.

Anvita Gupta et.al states that there is discrimination in wages, nature of work, availability of work, on the basis of sex. Bargaining power is mostly with the employers, so exploitation is naturally the fate of these poor workers. They come from that section of the society which must work to earn their livelihood and which is socially, economically and traditionally backward and least privileged. Bairagya Indrajit stated

that as trade liberalization or country's openness increases the size informal sector also increases in absolute terms, while the relative size of the informal sector decreases. During this study period there has been a decreasing trend in the unorganized sectors share. In spite of that decreasing trend, still it accounts for a large share (almost 60%) in total NDP. Informal employment increases overtime along with the estimated population and labour force, while the formal employment decreases in recent years. In this context, it is very important to note that though the size of unorganized sector in terms of its percentage shares in NDP decreases overtime, in terms of informal employment it is increasing overtime.

## Aim of the Study

The aim of this study is to investigate the trend and pattern of employment in formal and informal sector in India across the states and gender.

## Composition of Employment in Formal and Informal Sector in India

Formal-Informal employment is spread across two sectors viz; organised (formal) and unorganised (informal). The National Commission for Enterprises in the Unorganised Sector (NCEUS) has defined the informal/ unorganised sector as all unincorporated private enterprises owned by individuals or households engaged in the sale and production of goods and services operated on a proprietary or partnership basis and with less than ten workers. Informal workers being spread both in the organised and unorganised sector, the NCEUS also gave a definition of informal workers as, "Informal workers consist of those working in the informal sector or households, excluding regular workers with social security benefits provided by the employers and the workers in the formal sector without any employment and social security benefits provided by the employers". The present article uses the NCEUS definition to identify the spread of formal/ informal employment across organized and unorganised sectors.

The composition of employment in the organised vs unorganised sector was in the proportion 13:87 in 2004-05 and 17:83 in 2011-12 (Table-1) indicating an increase in organised sector employment from 13 percent in 2004-05 to 17 percent in 2011-12. But this increase in organised sector employment was informal in nature (48 percent in 2004-05 increased to 55 percent in 2011-12) while the share of organised formal employment decreased (52 percent in 2004-05 decreased to 45 percent in 2011-12).

**Table- 1**  
**Formal and Informal Employment in Organised and Unorganized Sectors**

Year	2004-05			2011-12		
	Organised	Unorganised	Total	Organised	Unorganised	Total
Formal	32.06 (52)	1.35 (0.3)	33.41 (7.3)	37.18 (45.4)	1.39 (0.4)	38.56 (8.1)
Informal	29.54 (48)	396.66 (99.7)	426.20 (92.7)	44.74 (54.6)	390.92 (99.6)	435.66 (91.9)
Total	61.61 (13)	398.01 (87)	459.61 (100)	81.92 (17.3)	392.31 (82.7)	474.23 (100)

**Source;** NSSO, Various Rounds, Figures in Brackets Indicate Percent Share

But in the unorganised sector the share off or mal employment marginally in creasedfrom0.3to 0.4 percent and that of in formal employment declined marginally from 99.7to 99. 6percent.On the whole the number of form allyemployed in creased from33.41million in2004-05to38.56million in2011-12, while in for mally employed increased from 426.20million to435.66million during this period.

**Table - 2**  
**Percentage of Unorganized Workers by Gender Across the States 2013-2014.**

S. No.	Name of the States	Unorganised Workers		
		Male	Female	Total
1.	AndhraPtadesh	92.5	96.1	94.0
2.	ArunachalPradesh	83.9	94.4	88.9
3.	Assam	89.8	91.4	90.2
4.	Bihar	97.1	99.2	97.5
5.	Goa	71.9	75.0	72.8
6.	Gujarat	88.6	97.6	91.6
7.	Haryana	87.4	96.6	90.2
8.	Himachal Pradesh	85.5	95.8	90.2
9.	Jammu&Kashmir	85.7	96.3	88.5
10.	Karnataka	90.0	95.3	91.9
11.	Kerala	82.0	79.6	81.3
12.	MadhyaPradesh	93.1	98.2	94.8
13.	Maharashtra	86.6	95.0	89.6
14.	Manipur	84.8	95.5	88.8
15.	Meghalaya	88.4	91.1	89.6
16.	Mizoram	81.0	92.9	83.9
17.	Nagaland	76.0	94.7	83.9
18.	Odisha	92.9	97.7	94.5
19.	Punjab	89.5	94.3	90.9
20.	Rajasthan	93.0	98.5	95.2
21.	Sikikim	82.2	90.5	84.8
22.	TamilNadu	87.2	94.3	89.9
23.	Tripura	89.5	88.5	89.4
24.	UttarPradesh	94.6	98.8	95.8
25.	West Bengal	90.5	93.8	91.2
26.	Delhi	94.6	98.8	95.8
27.	West Bengal	90.5	93.8	91.2
28.	Chhattisgarh	92.7	98.6	95.2
29.	Uttaranchal	87.0	97.1	91.0
30.	<b>All India</b>	<b>90.7</b>	<b>95.9</b>	<b>92.4</b>

**Source-** National Commissionfor Enterprises in the Unorganized Sector (NCEUS)

Table-2 shows the details o fthe unorganized workers by gender across the states in the year2013-

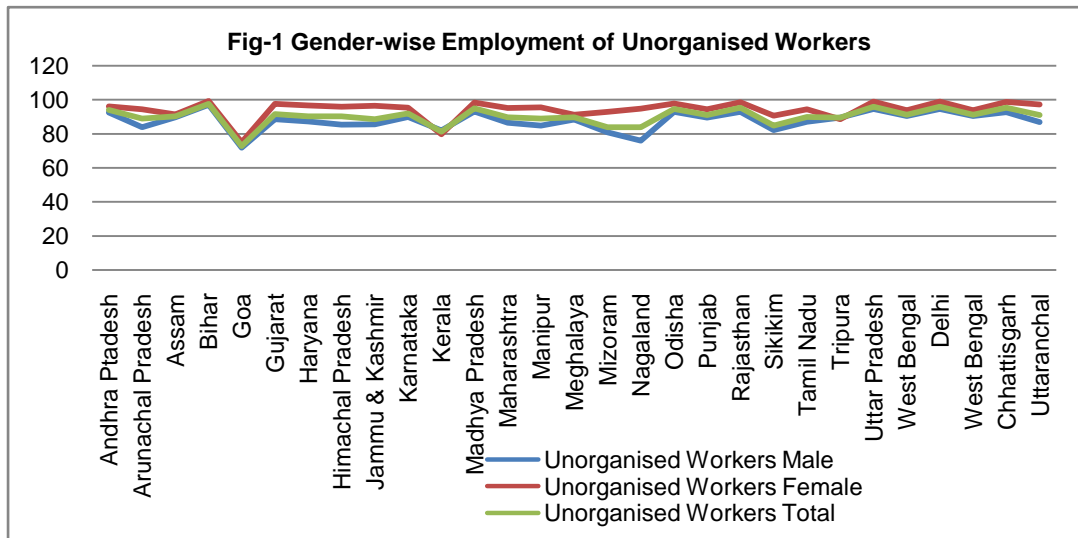
2014.The male work ersare 90.7 and female work ersare 95.9% in unorganized work force.The female work ersare more than male work ers in unorganized sector aswell as unorganized workers. The unorganized work erso fmale and female are higher in Bihar.I tis very lowin Goastate.The summary statistics of state wise percentage of employment in unorganized sector is given below in table-3. The average female employment in unorganized sector is 94.12 percent which is higher than male employment of 87.88 percent. The state wise variation is very high as the variance (31.29) is more in male employment than female employment (Variance = 29.32).

**Table-3**  
**Summary Statistics**

	Male	Female	Total
Mean	87.88	94.12	90.09
Standard Error	1.04	1.01	0.95
Median	88.60	95.30	90.20
Mode	89.50	94.30	90.20
S.D	5.59	5.41	5.09
Variance	31.29	29.32	25.94
Kurtosis	1.37	6.05	3.67
Skewness	-0.99	-2.32	-1.50
Range	25.20	24.20	24.70
Minimum	71.90	75.00	72.80
Maximum	97.10	99.20	97.50
Sum	2548.50	2729.40	2612.60
Count	29.00	29.00	29.00

**Source-** Computed using EXCELL Statistics

**Figure-1**  
Shows State-Wise and Gender-Wise Employment in Unorganised and Organized Sectors



**Composition in Informal Employment in Non-Agricultural Sector**

The sector-wise distribution of informal employment in the non-agricultural sector is captured in table-4. The distribution of informal employment both in the organised and unorganised sector shows that

manufacturing, construction and trade, hotel & restaurant are the main employment generating sectors. Informal employment in the non-agricultural sector increased from 160.83 million in 2004-05 to 204.03 million in 2011-12, an increase of 27 percent.

**Table- 4**  
Informal Employment in Non-Agricultural Sector

Sector	2004-05			2011-12		
	Organised	Unorganised	Total	Organised	Unorganised	Total
Non-Agricultural Sector	0.91	0.90	1.81	0.99	0.80	1.79
Mining	9.64	38.28	47.92	13.23	39.26	52.49
Electricity & water supply	0.16	0.08	0.24	0.78	0.43	1.21
Construction	5.60					
Trade, Hotel & Restaurant	1.71	44.30	46.02	2.57	47.60	50.17
Transportation, Storage & Communication	1.35	13.31	14.66	2.31	15.71	18.02
Real Estate other Business Activities	0.49	2.93	3.43	1.05	3.96	5.02
Education	2.40	2.75	5.15	3.55	2.75	6.31
Finance	0.41	0.72	1.13	0.67	1.14	1.81
Health	0.61	1.49	2.10	1.02	1.66	2.68
Public Administration, defence	1.09	0.08	1.17	1.11	0.00	1.11
Other services	0.64	11.62	12.26	0.58	13.92	14.50
Total	25.01	135.81	160.83	44.00	160.04	204.03

Source-NSSO, Various rounds of data

Informalisation almost double in the construction sector where the informal employment increased from 24.94 million to 48.92 million during this period, with the increase being concentrated in the unorganised sector. In the manufacturing sector

the increase in informal employment was mainly in the organised sector, while in the trade and transport sector the increase in informal employment was evenly spread among both sectors.

**Table- 5**  
**Decade wise Employment Growth Rates in India**

Employment growth	1986-1995	1995-2005	2005-2014
<b>Rural</b>			
Male	1.93	0.80	2.20
Female	1.37	0.03	3.61
Persons	1.73	0.51	2.71
<b>Urban</b>			
Male	3.23	2.86	3.28
Female	3.78	1.50	5.41
Persons	3.34	2.58	3.71
<b>Total</b>			
Male	2.52	1.35	2.51
Female	1.67	0.19	3.90
Persons	2.06	0.98	2.95

**Source-** Computed by the Author using NSSO data

The percentage of Indian employment growth during three decades is not so significant highlighted in table -5. It is because of population growth rate. India's journey on the path of economic reforms has transformed it to one of the world's fastest growing economies. It's large and growing population is it's best asset and can quadruple GDP and catapult India to the league of developed economies over the next decade. All this if a billion

could be trans formed into a productive work force. For over half a decade now, India has been chanting the demographic mantra with little real progress. Because, with opportunities come challenges. The services sector needs many million knowledge workers. Lack of employability is endemic. India's large labour force has been stubborn in transition. Over 90% of the labour force is inadequately trained.

**Table- 6**  
**Population, LFPR,LP and Employment During 2009-10 to 2014-15**

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Total Population	1177	1193	1208	1224	1239	1254
LFPR (%)	44.2	44.4	44.8	45.1	45.4	45.8
LabourForce (In Millions)	520	530	541	552	56.2	57.4
Annual In cremental labour force (InMillions)	10	10	11	11	11	11
Scenario I- Employment growth (2%) (InMillions)	506	516	526	537	548	559
Scenario II- Employment growth (2.25% ) ( InMillions)	506	517	529	541	553	566
Scenario III- Employment growth ( 2.5% ) ( InMillions)	506	519	532	545	559	572

**Sources -** Computed from NSSO data

It is seen from table-7 that the informal employment increases overtime along with the

estimated population and labour force, while the formal employment decreases in recent years.

**Table-7**  
**Total Number of Estimated Population, Labour Force, Informal Employment and Formal Employment in India (In Millions)**

	1983	1988	1994	1999-2000	2004-05	2009-10
Estimated Population	718.21	790.00	895.05	1004.10	1092.83	1235.35
Labour Force	308.64	333.49	391.94	406.05	438.36	487
Employed	302.75	324.29	374.45	396.76	457.46	474.9
Unemployed	5.89	9.2	7.49	9.74	10.97	12.1
Formally Employed	24.01	25.71	27.37	35.02	34.85	27.5
Informally Employed	278.74	298.58	347.08	361.74	422.61	447.4
Percent of Informal Employment	92.06	92.07	92.69	91.18	92.38	94.21

**Source-** Various Rounds of Employment-Unemployment Survey of NSSO

It is important to see that overtime changes of formal and informal employment in terms of their percentages share. Though there was a slight increase in the percentage share of formal employment in the year 1999-2000, it has decreased again afterwards. The informal sector employment is

94.21 percent of total employment in 2009-10 which has increasing trend since 1983.

### Suggestion and Conclusion

Informal employment still constitutes an overwhelmingly large proportion of employment in India. An important step for making our growth more inclusive would be to reform the informal sector. To

# Asian Resonance

create an inclusive growth process it is necessary to transform informal units into a vibrant group of forward looking, technologically up-to-date smart firms. The Indian labor market is segmented between formal and informal employment. The paramount importance of informal sector in Indian economy is well recognized from the point of view of not only its contribution and share but also for sustaining the livelihood and wellbeing of a large section of population. This necessitates a new focus by governments on the informal sector in recognition of its contribution to employment and income generation. Government policies measures are required which give priority to the development of the informal sector, supported by the integration of informal sectoral initiatives into existing government policies. A holistic approach is needed to address the issue of informalisation, which to a larger part is due to the socio-economic fabric of the society comprising of a large number of poorly educated labour force, traditional occupations, poor financial inclusion, combined with lack of motivation or aspirational skills. The trend of informalisation would see a reversal with an improvement in skill levels of the work force that match the requirements of the job market and at the same time improve the bargaining power of the work force to settle for decent wages, social security and job security. The Government should implement various welfare programmes for informal sector for not only enhancing the livelihood security for the poor, but towards building capacities for sustainable productive employment opportunities.

## References

1. Bhalla Sheila (2007), "Policy Paper On Definitional and Statistical Issues Relating to

Unorganised and Workers in Informal Employment", NCEUS.

2. Kundu, A. and Sharma, A.N.(eds) (2001), "Informal Sector in India: Perspectives and Policies", Institute of Human Development, Delhi.
3. Mitra, A. (2001), "Employment in the informal sector", in A. Kundu and A.N. Sharma (eds) "Informal sector in India: perspectives and policies", Institute of Human Development, Delhi.
4. NSS 66th ROUND, (July 2009 – June 2010), Informal Sector and Conditions of Employment in India, Report
5. Papola, T.S. (1981), "Urban informal sector in a developing economy", Vikas Publishing House, New Delhi
6. Raveendran, G. (2005), "Estimating Employment in the Informal Economy through Labour Force Surveys: An Indian Attempt", Report of the Eighth Meeting of the Expert Group on Informal Sector Statistics.
7. Raveendran, G., Murthy, SVR. And Naik, A.K. (2006), "Redefining of Unorganized Sector in India", Paper No-2, Paper presented at Delhi Group meeting, New Delhi.
8. Sastry, N.S. (2004), Estimating Informal Employment & Poverty in India, Discussion paper series 7, Human Development Resource Centre, UNDP, India.
9. Swaminathan, M. (1991), "Understanding the informal sector: A survey", WIDER WP 95. Finland
10. Unni, Jeemol and Murthy, S.V.R. (2005), "Review of Current Definitions of the Unorganised and Informal Sector in India: Suggestions for Consistent Definition", NCEUS.