



# INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

## INFORMAL EMPLOYMENT IN INDIA: ISSUES AND CHALLENGES

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### Abstract:

The paper summarises the issues and challenges of Informal Employment in India. The informal sector is considered to be a vital sector of the Indian Economy. The works of the informal one are excluded in the GDP and GNP of India. Thus, India being one of the developing countries, the informal employment accounts for the majority of employment, however, it is not considered much, in comparison to the formal sector. It also gives out the definition of employment in the Informal Sector as per the International Labour Organisation (ILO) and is an assemblage of employment in micro, small and medium enterprises, casual, self-employed and rural workers, impact of economic reforms on informal employment in India, rural and urban informal employment and labour migration and employment conditions of Indians working as informal workers abroad. An effort has been made to highlight the difficulties of the informal and unorganized economy in the country through various diameters such as work deficit, labour market distress and poverty. The various measures by Government such as Pradhan Mantri Mudra Yojana (PMMY) and Government Policy regarding informal enterprises and informal labour in India have been highlighted in the paper, to the best extent possible.

### Keywords:

Informal employment, informal economy, informal sector, informal workers, issues and challenges, Government measures.

### Introduction:

At present, the unorganised sector gives to all round greater than 90 percent of the manpower, almost 50 percent of the total national income evolves from this sector.<sup>[1]</sup> Informal employment has many a times been said to have been a labour engaged in “traditional activities”. Informal employment may or may not be self-employment, however, it is “neither taxed nor monitored by any form of government.” The informal sector is highlights easy entry. “Also the informal sector is characterized by:

- Absence of official protection and recognition.
  - Non coverage by minimum wage legislation and social security system
  - Predominance of own-account and self-employment work
  - Absence of trade union organization
- 
- Low income and wages
  - Little job security
  - No fringe benefits from institutional sources.’<sup>[2]</sup>

India has witnessed faster growth in informal employment than the formal employment growth. However, women are less taken into consideration in this sector. Thus, this becomes a major challenge including the social and the regional disparities existing in the employment world. In spite of the various challenges at this realm, government has launched and implemented various programmes and schemes to cope up with the prevailing issues.

### **Definition:**

According to the ILO report on ‘Decent work and the Informal Economy’ (ILO 2002b) *Labour Statisticians (15<sup>th</sup> ICLS)* as consisting of all activities and the persons involved in informal sector enterprises, irrespective of whether this was a primary or a secondary work.<sup>[3]</sup>

### **Conceptual and Theoretical Perspective of Informal Sector:**

This section deals with the action and the ideas and principles of this action on which the informal sector is based upon. Informal Employment in India has been “divided under the mentioned four heads.

#### **1. In terms of Occupation:**

Small and marginal farmers, landless agricultural laborers, share croppers, fishermen, those engaged in animal husbandry, beedi rolling, labelling and packing, building and construction workers, leather workers, weavers, artisans, salt workers, workers in brick kilns and stone quarries, workers in saw mills, oil mills, etc. come under this category.

#### **2. In terms of Nature of Employment:**

Attached agricultural labourers, bonded labourers, migrant workers, contract and casual labourers come under this category.

#### **3. In terms of Specially Distressed Categories:**

Toddy tappers, scavenger, carriers of head loads, drivers of animal driven vehicles, loaders and unloaders come under this category.

#### **4. In terms of Service Categories:**

Midwives, domestic workers, fishermen and women, barbers, vegetable and fruit vendors, newspaper vendors etc. come under this category.’<sup>[4]</sup>

### **International Labour Organisation and Informal Employment:**

ILO’s definition points out the fact that the informal employment involves activities such as the manufacturing of the goods and services with their main motive towards generating employment. The main aim of the framework representing the concept by the ILO is relation of the business idea of informal not employed sector in a compatible way with a job-related concept of informal unemployment. A new ILO report speaks that more than 60% of the developing countries have people working informally.

## **Informal Enterprises: Issues and Challenges:**

Informal enterprises comprises of all those enterprises on which no taxes are to be paid and can be called as “Grey Market.” Informal Enterprises are said to have little or very less capital, give a low level of productivity with not a considerable and consists of small enterprises and others self-employed such as shoe – shiners, hawkers, artisans, street-vendors etc.

The challenges of the informal enterprises are no social security, low job security, low incomes, long working-hours, improper working conditions, forced labour and discrimination with undervalued jobs (highlighting the women sector). To convert informal enterprises to formal enterprises, serves as the greatest challenge for the Indian Economy.

## **Employment in MSME enterprises and Challenges:**

The informal employment contribute roughly 40% of the lending to the MSME enterprises. The informal sector continues to rise inspite of the Government’s policies like GST and demonetisation. However, the maximum of the informal manpower is unskilled due to low levels of formal education and low wages in this sector. Micro, small and medium enterprises consisting of the home-based workers or the rag-pickers face such as poor remunerative policies, lack of land ownership, child labour etc. With the growing formalization of this sector, digital lending can be of good assistance..

## **Casual, self-employed and regular workers:**

Casual workers are on temporary employment contract having little or no security of employment.

Self-employed workers involve in itself the individual performing a particular service.

Regular employees are the permanent employees who are paid by the employer in a business having employer-employee relationship.

Casual, self-employed and regular workers all fall under the category of informal employment. 90 percent of the Indian informal employment has self-employed and casual workers.

## **Income Inequalities between formal and informal workers:**

The income disparity exists between the formal and informal workers and is comparatively higher among the informal workers. The various factors contributing to the income inequality include the age of workers, default characteristics such as actors and actresses having innate characteristics, inherited wealth, uncertainty and revenue variance, market imperfections and the discrimination of age, gender, residence, experience and working hours. Informal sector results in no equality where application of income at rich class is made up of people in formal and the informal sector.

## **Women and Informal Employment:**

Women constitute a less portion of the total percentage of informal workers. Women lack social security and have no protection of the various labour laws existing in the country. “The women workers are said to be the vulnerable groups of informal sector due to :

- Irregular work.
- Low economic status.
- Little or no bargaining power.
- Lack of control over earnings.
- Need to balance paid work with care for children and gender relations.”<sup>[5]</sup>

The categories of women labour in the informal part of our country include rag-pickers, domestic workers, coolies, beauticians and vendors. Thus, the informal sector does not consider much the women workers and most of them work as unskilled workers.

## **Rural and Urban Informal Employment:**

Rural informal employment refers to the employment of informal workers connected with the country and are far away from the reaches of large towns and cities.

Urban informal employment includes in itself the city part of the country.

At around 79 percent of the urban employees in India are said to be informally employed.

## **Impact of Demonetisation on informal sector and informal workers:**

The withdrawal of Indian currency from use as a legal tender on November,8,2016 was a highly disruptive process for the informal sector and the informal workers. Since, the informal workers have little or no social security, the high cost of operating forced the sector to either restructure or expire. Informal sector was already suffering from demand deflation had the impact of demonetisation ,playing only a role of accelerator of the already existing slowdown in the unorganized portion.

After two years of demonetisation, the unorganized sector is still immobilizing each day. The jobless growth is still on rise and the economy is continuing to face a pitiful condition. The nightmare of demonetisation and its adverse impact on the informal sector continues to haunt the economy every now and then, till date.

## **Street Vendors, Domestic Workers, Establishment Workers, Shop Servants, Restaurant People working, Rag Pickers, Motor Labours, Freelance Employees, Rickshaw Pullers, Home based workers, Agricultural workers, Rural non-farm workers, Brick Klin workers etc. :**

The categories of informal workers in India include the street vendors, domestic workers, establishment workers, shop servants, restaurant people working, rag pickers, motor labours, freelance employees, rickshaw pullers, home based workers, agricultural workers, rural non-farm workers, brick klin workers etc. Also women are the informal workers but they are less identified in the informal sector in India as they usually sell or produce the products from their domestic residences. However, the informal workers can also be termed as agricultural labours and home-based workers. Agricultural labours face the problem of low wages, social; status and seasonal employment. Whereas, the home-based workers who carry out their works from homes face problems of poor remunerative policies and the non-recognition by labour laws.

## **Challenges in Formalisation of Informal Enterprises and Informal Employment:**

Informal Sector includes the street vendors, construction workers, agricultural workers, unpaid family labour, self-employed etc. and to formalise or regularise these, is a major challenge for the economy. Job losses have been able to be recognized due to informal shift to the formal one.

While we dismiss the informal sector for not paying taxes, the fact is, it accounts for 40 percent of the Indian economy and provides employment to 75 percent of its labour force.<sup>[6]</sup>

## **The Incidence of Poverty among Informal Workers:**

Though India is a developing country, a great portion of it is still surviving in poverty. In India, poverty is still estimated on the basis of the percentage of population below specified "Poverty Line". Informal employment is not to be considered equal to the non-job/jobless category.

The informal workers are recognized quite often as 'vulnerable' and 'unproductive'. Average incomes are supposed to be lower in the informal sector which is equal to poverty reduction. Poverty is often see as a derivative of informality.

## Recent Social Protection measures by the government for informal workers:

Social Protection, as defined by the United Nations Research Institute for Social Development is concerned with preventing, managing and overcoming situations that adversely affect people's well-being.<sup>[7]</sup> Social Protection measures include:

- Duality in Indian Economy
- Capability Deprivation and Adversity
- Enhancing capabilities and livelihoods.
- Welfare Boards have been set up
- Steps have been provided for effective Public Distribution System and Food Security Act.

## PMMY and Informal Workers:

Pradhan Mantri Mudra Yojana(PMMY) was a scheme by the Union Government launched on April 8<sup>th</sup>,2015 for providing loans to informal sector generating incomes below Rupees 10 lakhs, The loans will be provided only upto 10 lakh rupees. This envisages self-employment/employment creation through financial inclusion by instituting a policy scheme to foster entrepreneurship.<sup>[8]</sup> The women workers have achieved an appreciable response in micro sector. Thus PMMY has encouraged the informal sector considerably and has, to some extent brought the sector under the direct tax. It provides great access to finance the informal sectors and facilitated the potential of the sector to drive up jobs. Finally, the PMMY scheme can said to have had a multiplier effect on the informal workers , who are making a good livelihood of this.

## Policies for Informal Sector:

- National Employment Policy for India(NEP)
- National Skill Development Corporation
- Safety, Health and Environment at workplace.
- National Child Labour Policy
- Pradhan Mantri Rozgar Yojana(PMRY)

These policies aim to analyse and improve labour market data, ensure coordination in different sectors, promote employment opportunities, developing women's human capital and enhancing their capacity, micro and small and medium enterprises(MSMEs)development and establishing a monitoring mechanism to enhance employment promotion and creation.

## Issues related to workers under MGNREGA:

National Rural Employment Guarantee Act(NREGA) is a employment scheme of wages now known as MGNREGA(Mahatma Gandhi National Rural Employment Guarantee Act) gained life in 2005 as a social security measure whose major aim is to intensify daily bread security among informal workers incountryside area. "The various problems listed are:

- Not everyone gets the employment they were guaranteed.
- .Poor planning does more harm than good.
- The execution of this scheme is questionable.
- The scheme is riddled with corruption.
- Projects are repeatedly disrupted."<sup>[9]</sup>

## Informal Workers and Financial Inclusion:

Financial Inclusion implies the availability of opportunities to take the financial services into consideration. However, it is a critical issue for the Indian economy. The informal workers are more or less illiterate and form a major portion of Indian economy. Government has taken various steps to promote and rise the continuous financial inclusions such as Pradhan Mantri Jan Dhan Yojana(PMJDY), . The informal segment of the economy has inbuilt vulnerabilities, thus various urban development projects have been implemented.

**Conclusion:**

The informal sector contributes a large portion of the Indian Economy. However, it is featured by low productivity and little or no social security. Women constitute the larger part of the informal economy however, they lack a recognition in the sector. Children who work as informal workers lack access to education and are quite vulnerable to it.

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