Unit 19
Formal Sector

Contents

Learning Objectives

- after studying this unit, you will be able to
- compare between the formal/organized and the unorganized sectors
- discuss the employment growth in formal/organized manufacturing.
- describe the regional variation in organized industrial employment in India
- discuss case study of Andhra Pradesh in the context of characterstics of the formal sector of employment

19.1 Introduction

The urban formal sector consists of the organised sector, and can be defined as the sector consisting of activities carried out by the corporate enterprises and the Government at the Central, State and Local levels, solely with the help of wage paid labour which in a great measure is unionised.

Official statistics regarding the formal sector is available through data on the organised sector. This comprises of enterprises and information (e.g. statistical data) on their activities that are collected on a regular basis (e.g. on registered manufacturing units in the urban areas of India).

The manufacturing units are all manufacturing, processing, repair and maintenance services registered or not registered under the Factory Act 1948; and this pertains to the organised sector. That is, factories employing 10 or more (or less than 10) workers, and using power, or employing 20 or more (or less than 20 workers without power), in the reference year, belong to the registered manufacturing sector. Enterprises covered by the Annual Survey of Industries (ASI), Central Statistical Organisation, fall under the purview of organised employment of the formal sector.

In India, employment was almost stagnant during the pre-liberalisation decade at the national level and experienced negative growth in the Eastern and the Western regions. The industrially developed states recorded stagnant employment while the industrially underdeveloped states showed a significant employment growth during this period. However, during post-liberalisation, all the regions experienced a marked acceleration in the employment while it was more pronounced in AGRIND or agriculture related industries in the Eastern, the Western and the Southern regions. The industrially developed states showed more pronounced acceleration in the employment in both AGRIND--agriculture related and NAGRIND--non-agriculture related industries during this period. The rise in output and increase in fixed capital in the organised manufacturing sector induced employment growth more in the Southern and Western regions during the post liberalisation decade. The industrial liberalisation accelerated employment growth in the organised manufacturing sector more in the industrially developed states such as West Bengal, Gujarat, Maharashtra, Karnataka and Tamil Nadu. However, some states like Bihar, Delhi and Punjab experienced deceleration in employment growth during the post liberalisation period.

19.2 Comparison between Formal/Organised and Unorganised Sectors

The labour force in all developing economies consists of two broad sectors, the organised and unorganised sectors. In the organised sector, the labour productivity is likely to be high, incomes even in unskilled category are relatively high and conditions of work and services are protected by labour legislations and trade unions

The major comparisons between these two sectors can be summed up as follows –

1. **The Market Structure:** The large manufacturing firms in the formal, organised sector operate in markets where prices are controlled by few sellers, which are protected from

foreign competition by high tariffs. They sell products mainly to middle and upper income groups. On the other hand the unorganised sectors consist of a large number of small producers operating on narrow margins in highly competitive markets. The products are sold to low-income groups.

2. **Credit Facilities:** The organised sector has greater access to cheap credit provided by various financial institutions while the unorganised sector often depends on the money-lenders who charge a high rate of interest.
3. **Technology:** The formal organised sector uses capital-intensive technologies and imported technology while the unorganised sector uses mainly labour intensive and indigenous technology.
4. **Role of Government:** The organised sector has a privileged position as far as the Government is concerned because it has an easy access to and influence over Government machinery; it can build lobbies and pressurize the Government on an issue, while the unorganised has no political pull.
5. **Protection:** Lastly, the organised sector is protected by various types of labour legislations and backed by strong unions. The unorganised sector is either not covered by labour legislation at all or is so scattered that the implementation of legislation is very inadequate or ineffective. There are hardly any unions in this sector to act as watch dogs.

19.3 Employment Growth in Formal Organised Manufacturing

During the 1980s, employment in the organised sector was virtually stagnant, which had substantially increased in the 1990s. Between 1980-81, and 1990-91, employment in organised manufacturing grew at the rate 0.53 percent per annum. In the next five years, 1990-91 to 1995-96, the growth rate was much higher 4.03 percent per annum, comparing favourably with the growth rate achieved in the 1970s (about 3.8 percent per annum between 1970-71 and 1980-81). In the period 1990-91 to 1997-98, the growth rate of employment was 2.69 percent, well above the growth rate achieved in the 1980s and higher than the growth rate of the labour force.

Effect of the Economic Reforms on the Formal Sector:

The marked acceleration of employment growth according to some scholars in the formal sector, in organised activities, can be attributed to the process of major economic reforms that was initiated in India in 1991. It has been pointed out that the favourable effects in employment was due to greater labour flexibility and increased trade orientation to changes in the structure of industries in favour of labour intensive industries and techniques of production (Singh1993, Papola 1994).

On the other hand, it has been also pointed out by scholars that in some other ways the new economic policy is expected to have adverse effect on industrial employment. For instance, economic reforms have resulted in increased competition, improved access to foreign technology and imported capital goods. This has resulted in a drive by industrial firms towards the adoption of advanced technology, which is likely to lead to increasing capital intensity of production (Ghose1994). Also, as competition intensifies, industrial firms may try to save cost and become more competitive by cutting down on employment, particularly those firms (e.g. public sector units) that are characterised by overstaffing. Many scholars therefore are advocates of this pessimistic viewpoint of economic reforms on the formal sector (Mundle, 1992, 1993; Deshpande 1992; Bhattacharya and Mitra 1993; Mitra 1993; Agarwal and Goldar 1995; Kundu 1997), and point out to the fact that the adverse effects may be so strong that they may outweigh the favourable effects of the economic reforms in the long run.

19.4 Characteristics of Formal Sector Employment in the Post Reform Period

1. Public Sector, Private Sector and Joint Sector Growth in Employment

Table 1. Growth in Employment in Organised Industry, Private and Public Sectors

	Employment (000)				**Growth Rate (Percent per Annum)**		
	1973-74	1980-81	1990-91	1997-98	1973-80	1980-90	1990-97
Public Sector	1365	2049	2323	2388	5.971	1.265	0.391
Private and Joint Sector (including unspecified)	4455	5666	5839	7538	3.495	0.302	3.715
Aggregate ASI (including electricity)	5820	7715	8163	9926	4.108	0.566	2.834

Source: ASI

The above table presents a comparison of employment growth rate between public sector and private sector (including joint sector) factories. It can be discerned from the above table that in the 1970's employment grew rapidly in both the public and private sector factories. There was a sharp deceleration in employment growth in the 1980's in both the public and private sector factories. In the 1990's the growth rate of employment in the public sector factories has come down further. It was only 0.4 percent per annum between 1990-91 and 1997-98. By contrast, the growth rate of employment in private sector factories has recovered and surpassed the growth rate prevailing in the 1970's with the consequence that almost the entire increase in employment in organised manufacturing that has taken place in the 1990's can be accounted for by public sector factories.

2. Distribution of Employment by Size Class of Factories

Table 2. Distribution of Employment by Factory Size

Factory Size Class	Distribution of Employment (Percent)				Growth Rate (Percent per Annum)		
	1973-74	1980-81	1990-91	1997-98	1973-80	1980-90	1990-97
0-49	14.4	13.8	17.5	16.8	3.477	2.983	2.201
50-99	8.2	9.0	10.8	13.1	5.502	2.416	5.686
100-199	9.4	9.2	10.7	12.9	3.789	2.096	5.652
200-499	13.1	12.1	13.5	19.0	2.934	1.673	7.979
500-999	11.6	9.7	12.0	13.6	1.481	2.729	4.711
1000-1999	12.8	13.7	10.1	9.4	5.124	-2.454	1.815
2000-4999	16.7	15.9	9.5	10.0	3.381	-4.482	3.649
5000+	13.8	16.6	15.9	5.2	6.892	0.134	-12.438
TOTAL	100.0	100.0	100.0	100.0	4.108	0.566	2.835

Source: ASI

The distribution of employment by size class of factories shows that there was a marked change in the size structure in the 1980s and more so in the 1990s. The size class 50-500 employment gained, while the size classes 2000-4999 and 5000+ lost heavily. Since the factories in the lower employment size classes are more labour intensive, these changes in size structure had a favourable effect on employment growth. The size class 5000+ is the most capital intensive and least labour intensive and the sharp decline in the relative share of this size class in the 1990s and the increase in the relative shares of the size classes 50-99, 100-199 and 200-499 must have made a significant contribution to employment growth in this period (Goldar, 2000).

In this context, it can be said that the economic policy regime has a major influence on the size structure of industries in the formal sector. In the early 1960s factory employment was heavily concentrated in very large establishments (Little1986). The share of small and medium sized factories was relatively small. This imbalance in the structure of the manufacturing sector was largely a consequence of the economic policies of the Government.

3. Growth Rates of Employment and Gross Value Added

Table 3: Growth Rates in Employment and Gross value Added: Two-Digit Industries

(Percent per Annum)

Industry Code	1980-90	1990-97	1980-90	1990-97
20-21	-1.58	2.70	12.03	7.39
22	3.71	2.95	8.48	7.83
23	-3.17	0.58	2.63	0.26
24	3.02	2.67	13.79	8.35
25	-3.00	1.06	-4.24	6.56
26	5.62	11.37	14.63	10.44
27	-1.79	1.80	5.71	-6.74
28	0.45	2.30	5.54	3.54
29	5.91	2.24	11.67	10.46
30	1.16	5.22	10.30	9.83
31	3.73	4.72	14.31	5.82
32	2.03	0.30	11.54	4.29
33	0.73	0.91	6.55	11.15
34	1.58	2.83	3.06	9.98
35+36+39	3.54	2.56	8.62	7.21
37	-0.18	2.10	7.13	9.39
38	2.81	7.14	11.96	18.98
Manufacturing	0.53	2.69	8.67	7.4

Two Digit Industry Code:
20-21:food products; 22:Beverages, tobacco; 23:cotton textiles; 24:wool, silk, man made fibre textiles;25: jute and other textiles; 26: textile products; 27: wood and wood products; 28: paper and paper products; 29: leather and leather products; 30: chemical and chemical products; 31: rubber, plastics and petroleum products; 32: non-metallic mineral products; 33: basic metal and alloys; 34: metal products and parts; 35-36: machinery and equipment; 37: transport equipment; 38: other manufacturing industries and 39: repair of capital goods.

Protection, investment incentives, credit control and promotion of industry in the public sector discriminated against the small and favoured capital intensive, large scale establishments (Little 1986). The change in the size structure that has taken place in the 1980s and 1990s, a decline in the relative share of big units and a rise in the share of small and medium size factories is arguably a correction of the structural imbalance prevailing earlier.

Since the imbalance in the size structure was largely a consequence of economic policies, the correction that has taken place in the last two decades may be attributed, at least in part, to changes in economic policy, specially in liberalisation of industrial and trade policies.

It is seen that the growth rate of employment increased in the 1990s in most industries. There was almost across-the-board acceleration in employment growth. As against that, the growth rate of value added declined after 1990 in a majority of industries even at the aggregate level. Therefore it appears that some common factors have favoured employment growth in a large number of industries in the post reform period even though output growth has not accelerated.

4. Growth Rate in Real Wages (Product wage) and Man days per Employee

Table 4. Growth Rates of Real Wages and Man day per Employee: Two Digit Industries

(Percent per Annum)

Industry (code)	Real Wages Growth Rate		Man day per Employee Growth rate	
	1980-90	1990-97	1980-90	1990-97
20-21	10.74	1.75	5.24	0.59
22	2.17	1.61	0.47	0.75
23	3.64	-1.61	0.72	-0.11
24	6.26	3.32	0.41	-0.09
25	1.42	4.38	0.30	-0.44
26	3.25	0.77	0.26	-0.05
27	4.90	-7.29	0.54	0.56
28	2.48	3.29	0.34	0.00
29	0.35	6.38	0.15	0.05
30	6.70	1.04	0.79	0.00
31	3.92	5.04	1.03	0.19
32	2.56	3.53	- 0.15	1.39
33	1.74	5.12	0.33	-0.20
34	0.76	5.08	0.29	0.31
35+36+39	4.17	3.04	0.38	0.05
37	4.10	5.64	0.21	-0.40
38	7.83	5.95	-0.36	-0.37
Manufacturing	4.84	2.08	1.11	0.14

Two Digit Industry Code:
20-21:food products; 22:Beverages, tobacco; 23:cotton textiles; 24:wool, silk, man made fibre textiles;25: jute and other textiles; 26: textile products; 27: wood and wood products; 28: paper and paper products; 29: leather and leather products; 30: chemical and chemical products; 31: rubber, plastics and petroleum products; 32: non-metallic mineral products; 33: basic metal and alloys; 34: metal products and parts; 35-36: machinery and equipment; 37: transport equipment; 38: other manufacturing industries and 39: repair of capital goods.

It is also seen that in 1980s employment declined in four two-digit industries: 20-21: food products, 23: cotton textiles, 25: jute textiles and 27: wood products. These industries are labour intensive and accounted for 41 percent of the total manufacturing employment in 1980. In all these cases, the downward trend in employment was arrested in the 1990s and reversed.

The above table reveals that the growth rate of real wages in aggregate manufacturing declined significantly in the 1990s, and this occurred also in a majority of industries.

Furthermore, the inter-industry pattern of changes in rates of growth in employment and real wages, an inverse relationship can be seen between the two: the extent of acceleration in employment growth is generally higher in those industries in which there has been a greater decline in the growth rate of real wages.

Nagaraj (1994) and Bhalotra (1998) have laid considerable stresson the increase in man days per employee as a cause of sluggish employment growth in 1980s. The above table shows, however, that the increase in man days per employee was rapid only in the case of food products industry; for the rest, the rate of increase was not high. At the aggregate level, the rate of increase in man days per employee was 1.11 percent per annum, which, to a large extent was due to the increase that took place in food products industry. Thus, it seems Nagaraj and Bhalotra have given undue emphasis on this factor as a cause of jobless industrial growth in 1980s. Also, the change in the growth rate of man days per employee between the two periods is small for most industries (as can be seen from the table above) and this cannot be a major cause of the acceleration in employment growth in 1990s.

Reflection and Action 19.1

From the above section you came to know about the organized and the unorganized sectors. In the area where you live find out about its industrial growth and manufacturing unit(s). Write a report of about two pages on the “Organised and the Unorganized Sector” in your area or surrounding area of your city/town or village.

Discuss your report with those of other learners at your Study Center.

19.5 Regional Variation in Orgsanised Industrial Employment in India

1. Pre-Liberalisation Period (1980-81-1991-92)

Average annual growth rate in organised industrial employment in India during this decade was very small, about 0.6 percent per annum. However, there were four states in which the absolute level of employment declined during this period: Bihar, West Bengal, Gujarat and Maharashtra. The biggest single decline was in the state of West Bengal, which accounted for 75 percent of the total decline in these four states. The states showing not marginal but significant increase in employment were Haryana, Punjab, Andhra Pradesh and Tamil Nadu, while Uttar Pradesh, Rajasthan and Madhya Pradesh also showed some gains compared to their industrial employment level in 1980-81.

At the regional level, the biggest gainer was the Southern region, due mainly to Andhra Pradesh and Tamil Nadu, while the biggest loser was the Eastern region due to West Bengal. Indeed, the major gaining as well as the losing states were amongst industrially developed states: Tamil Nadu, Karnataka, Haryana, Punjab and Delhi were the gaining states, while the major losing states were also the ID (industrially developed) states of West Bengal, Gujarat and Maharashtra. The IUD (industrially underdeveloped) state that showed major gain was Andhra Pradesh, though Uttar Pradesh, Rajasthan, and Madhya Pradesh and even Orissa showed some gain.

The conflicting movement amongst ID (industrially developed) states left the size of their total industrial workforce nearly unchanged while that of the IUD (industrially underdeveloped) states distinctly improved.

The ID (industrially developed) states lost in employment in agriculture-related industries (AGRIND) but gained in non-agriculture related industries (NAGRIND). The IUD (industrially underdeveloped) states on the other hand showed stagnation in agriculture-related industries, but distinct gain in non-agriculture related industries.

Which industry groups were mainly responsible for the significant decline in 3ID states of West Bengal, Gujarat and Maharashtra? In West Bengal the decline was across-the-board in all the 2-digit industry groups with the sole exception of beverages, tobacco and tobacco products (22).

In Gujarat, the decline was confined to four industry groups: food products (20-21), beverages, tobacco and tobacco and tobacco products (22), cotton textiles (23), wood and wood products, furniture and fixtures (27), while the dominated declining industry being cotton textiles (23). This affected the over all industrial employment in the state adversely.

In Maharashtra, the decline was relatively more widespread: in food and food products (20-21), cotton textiles (23), wool, silk and synthetic fibre textiles (24), wood and wood products, furniture and fixtures (27), paper and paper products (28), basic metals and alloy industries (33), metal products and parts (37), though here also cotton textiles (23) recorded the biggest decline.

There was an overall decline in AGRIND (agriculture related industries), in the order of about 2.5 lakh employees between 1980-81 and 1991-92. This was due to the overwhelming decline in the three states of Maharashtra, Gujarat and West Bengal. In Maharashtra, employment in AGRIND declined by 1.4 lakh, in Gujarat by 1.1 lakh and in West Bengal by 1.3 lakh. However, this decline in AGRIND was not a widespread phenomenon across the country. In the Southern region, employment in AGRIND increased by about a lakh in each of the two states of Andhra Pradesh and Tamil Nadu.

Table 5: Regional Distribution of Employees in Organised Manufacturing in India

(In percent)

State	1980-81			1991-92			1997-98		
	Mfg (2-3)	AGRIND	NAGRIND	Mfg (2-3)	AGRIND	NAGRIND	Mfg (2-3)	AGRIND	NAGRIND
AS	1.68	1.47	0.20	1.64	1.31	0.33	1.50	1.09	0.41
BH	4.72	1.28	3.44	4.39	0.65	3.74	2.98	0.50	2.48
OR	1.48	0.60	0.88	1.76	0.61	1.16	1.63	0.54	1.09
WB	13.20	6.52	6.67	9.49	4.30	5.19	8.69	4.79	3.90
ER	*21.26*	*9.95*	*11.31*	*17.48*	*6.95*	*10.53*	*14.98*	*7.00*	*7.97*
DL	1.66	0.79	0.87	1.91	0.80	1.11	1.45	0.61	0.83
HR	2.28	0.83	1.45	3.14	1.11	2.03	3.16	1.03	2.12
PNJ	2.89	1.42	1.47	3.87	1.87	2.00	3.73	1.83	1.90
UP	9.23	6.03	3.20	9.07	4.62	4.45	7.66	3.94	3.72
NR	*16.61*	*9.38*	*7.23*	*18.65*	*8.72*	*9.93*	*16.85*	*7.89*	*8.96*
AP	8.73	6.44	2.29	10.99	7.56	3.43	11.18	7.72	3.46
KT	5.13	2.74	2.39	5.34	2.35	2.99	6.63	2.82	3.81
KRL	3.59	2.65	0.94	3.49	2.25	1.24	3.81	2.54	1.27
TN	10.24	5.63	4.62	12.54	6.59	5.95	13.62	7.52	6.10
SR	*28.01*	*17.74*	*10.27*	*32.71*	*18.99*	*13.72*	*35.70*	*20.85*	*14.85*
GJ	9.71	6.03	3.69	8.75	4.03	4.73	9.30	3.70	5.61

MP	3.89	2.12	1.78	4.27	2.04	2.24	4.32	1.79	2.53
MH	18.21	8.87	9.34	15.05	6.43	8.62	15.40	6.21	9.20
RJ	2.11	1.03	1.08	2.75	1.22	1.53	2.75	1.31	1.44
WR	*34.12*	*18.12*	*16.01*	*31.17*	*13.83*	*17.34*	*32.48*	*13.21*	*19.27*
ID States	63.32	32.83	30.50	60.09	27.48	32.62	61.98	28.51	33.47
IUD States	35.43	21.62	13.81	38.36	20.26	18.12	35.83	19.43	16.40
16 States	98.76	54.45	44.31	98.45	47.74	50.74	97.81	47.94	49.87
ROI	1.24	0.73	0.51	1.55	0.75	0.77	2.19	1.00	1.19
INDIA	100.00	55.18	44.82	100.00	48.49	51.51	100.00	48.94	51.06

Note: Mfg (2-3) sector, these figures may not add upto total due to rounding; AGRIND – agriculture related industries; NAGRIND – Non-agriculture related industries, AS – Assam; BH-Bihar; OR-Orissa; WB-West Bengal; ER – Eastern Region; DL – Delhi; HR – Haryana; PNJ – Punjab; UP-Uttar Pradesh; NR – Northern Region; AP – Andhra Pradesh; KT – Karnataka; KRL – Kerala; TN; Tamil Nadu; SR – Southern Region; GJ – Gujarat; MP – Madhya Pradesh; MH – Maharashtra; RJ – Rajasthan; WR – Western Region; ID Industrially Developed; IUD – Industrially Underdeveloped; ROI – Rest of India

Even a state like Orissa recorded a 40,000 increase during the decade. The agriculture related industries that showed significant growth in employment in Andhra Pradesh as well as in Karnataka were wool, silk and synthetic fibres (24), cotton textile products (25), and leather and leather products (29); in Tamil Nadu they were jute, hemp and mesta industry (25), cotton textile products (26), and leather and leather goods (29) with cotton textiles (23) to a smaller extent. Thus, the tremendous decline in cotton textile industry (23) in Maharashtra and Gujarat was not seen in Tamil Nadu, but the contrary.

Unlike in AGRIND, there was an overall increase in employment in NAGRIND (non-agriculture related industries), during this decade by nearly 7 lakh employees. The only exception was in the two states of West Bengal and Maharashtra, both ID states. In these two states, which together accounted for 31 percent of the total industrial employment in 1981 (of which over half, 16 percent, was in non-agriculture related industries), the employment in non-agriculture industries declined by 79,000 of which West Bengal alone accounted for 69,000.

While in West Bengal the decline was in all NAGRIND groups, in Maharashtra, it was confined to basic metal industries (33), metal products and parts (34), machinery, machine tools and parts (35, 36) and transport equipment and parts (37).

Northern states like Haryana and Uttar Pradesh also showed decline in these industries. But metal products and parts (34), machinery, machine tools and parts (35, 36) and transport equipment and parts (37) recorded a distinct rise in employment in the Southern states.

Thus, while the group of employment in non-agricultural related industries was not very high during the decade (1.77 percent a year), the decline was only in the two states of Maharashtra and West Bengal. West Bengal stands out as the only state that registered all round decline in industrial employment in the decade of the 1980s; the reasons for which may be quite state specific.

All in all, both in agriculture-related and non-agriculture related industries, the decline in employment in the 80s appears to have been quite state specific. No across the board explanation can be provided for this.

2. Post-Liberalisation Period (1991-92-1997-98)

The growth in employment in the organised manufacturing sector in India during the post-liberalisation period was distinctively higher, 4.15 percent per annum as against 0.6 percent in the preceding decade.

All states except Bihar and Delhi recorded positive growth. The states that recorded higher than the all India growth rate was Karnataka, Kerala, Tamil Nadu, Haryana, Gujarat, Andhra Pradesh, Rajasthan and Maharashtra.

The Southern states recorded the highest growth rate (5.88 percent), the Western region coming next (4.7 percent), with the Northern and Eastern regions far behind (2.2 and 1.5 percent respectively. The result was that the Southern region, which had 28.01 percent of the total industrial labour force in 1981 and 32.71 percent in 1991-92, came to have 35.7 percent of the total industrial labour force by 1997-98. The Western region’s share declined from 34.12 percent in 1980-81 to 32.48 percent in 1997-98, though this was a slight improvement over 31.17 percent to which the share had declined in 1991-92. The share of the Northern region remained unchanged. Clear and sharp decline was seen in the Eastern region which had 21.26 percent in 1980-81 but declined to 14.98 percent in 1997-98, despite the fact that both Orissa and Assam recorded 3.69 percent and 3.33 percent growth rates during the post liberalisation period. The reason for the worsening position of the eastern region was the sharp decline of West Bengal as an industrial state.

Table 6: Annual Compound Growth Rate of Employment in the Organised Manufacturing Sector of the States and Regions of India during 1980-81 to 1997-98

Region	1980-81 to 1997-98	1980-81 to 1991-92	1991-92 to 1997-98	Col 4-Col 3
(1)	(2)	(3)	(4)	(5)
AS	1.31	0.47	3.33	2.86
BH	-0.72	0.04	-2.51	-2.55
OR	2.62	2.17	3.69	1.52
WB	-1.41	-3.00	2.46	5.46
ER	-0.63	-1.51	1.50	3.01
DL	1.79	2.58	-0.04	-2.62
HR	3.48	2.70	5.33	2.63
PNJ	3.43	4.07	1.92	-2.15
UP	0.81	0.61	1.27	0.66
NR	1.97	1.84	2.28	0.44
AP	3.05	2.31	4.82	2.51
KT	2.96	1.08	7.55	6.47
KRL	2.24	0.48	6.56	6.08
TN	3.35	2.39	5.68	3.29
SR	3.07	1.91	5.88	3.97
GJ	1.05	-0.61	5.09	5.70
MP	2.44	1.97	3.58	1.61
MH	0.75	-0.73	4.36	5.09
RJ	3.47	2.96	4.68	1.72
WR	1.34	-0.04	4.70	4.74
ID States	1.42	0.11	4.61	4.50
IUD States	1.87	1.34	3.13	1.79
INDIA	1.63	0.60	4.15	3.55

Note: AS – Assam; BH-Bihar; OR-Orissa; WB-West Bengal; ER – Eastern Region; DL – Delhi; HR – Haryana; PNJ – Punjab; UP-Uttar Pradesh; NR – Northern Region; AP – Andhra Pradesh; KT – Karnataka; KRL – Kerala; TN; Tamil Nadu; SR – Southern Region; GJ – Gujarat; MP – Madhya Pradesh; MH – Maharashtra; RJ – Rajasthan; WR – Western Region; ID Industrially Developed; IUD – Industrially Underdeveloped.

This state had incidentally more industrial workers than the entire Northern region and had the second highest industrial labour force next only to Maharashtra in 1980-81 (13.2 percent) saw a decline to its share to 8.69 percent by 1997-98 thus becoming the 5th among the states, Tamil Nadu now taking its earlier position. In fact, the absolute decline in the size of West Bengal's labour force, which occurred in the 1980s, could not be made up in the 1990s; its rate of growth being lower than even Orissa's and Assam's. There is a clear indication of industrial shift of the formal labour force to the south of the Vindhyas.

During this period, there has been a slight increase in the share of the agriculture related industries (AGRIND) of India. Two states Bihar and Delhi, registered an absolute decline in the labour force in this sector. There was a near stagnation or a very small increase in a few other states, like Assam and Uttar Pradesh. The real large increase however was in the states of West Bengal and in the states of the Southern and Western region. In the Western region, the total number of employees increased by about 1.5 lakh, in West Bengal alone by more than a lakh, and in the four Southern states by about 4.5 lakh. Indeed the Southern region alone showed significant rise in the share of total employees in this sector, from 18.99 percent to 20.85 percent in seven years. The result was that the share of this labour increased in the ID states and declined in the IUD states.

On examining the changes by 2-digit industry groups for AGRIND, it becomes clear that the employment in food and food products industries (20-21), registered a positive growth in all such areas except Bihar, and all the states of the Northern region. Employment in beverages, tobacco and tobacco product industries (22), registered an increase in West Bengal, Orissa, Uttar Pradesh, Rajasthan, Maharashtra, Andhra Pradesh and Tamil Nadu; and registered a decline in Haryana, Delhi, Gujarat, and Madhya Pradesh. In the remaining states, it was either essentially stagnant or non-existent. Employment in cotton textile industry (23), declined in all the four states of Uttar Pradesh, Delhi, Rajasthan and Gujarat, while registering an increase only in Madhya Pradesh and Kerala; elsewhere there was clear stagnation. Employment in wool, silk and synthetic textile industry (24) showed a decline in Bihar, West Bengal, Uttar Pradesh, Delhi, Rajasthan and Gujarat while it recorded a distinct rise only in Madhya Pradesh, Andhra Pradesh and Kerala. In the other states, it was stagnant. The jute, hemp and mesta textile industry (25), registered increase in three Eastern states except Assam, and in Tamil Nadu while it distinctly declined in Andhra Pradesh. The employment in the textile product industry (26), recorded an increase only in Orissa in the eastern region; in Delhi, Haryana and Uttar Pradesh in the Northern region; and in almost all states in the Western and Southern regions. Employment in wood and wood products, furniture, fixtures industries (27), recorded a decline in Assam, West Bengal, Delhi, Madhya Pradesh, Karnataka and Tamil Nadu, and showed an increase in Bihar, Haryana, Punjab, Rajasthan, Gujarat and Kerala. Paper and paper products industries (28), showed an increase in all the states in the Eastern region, in all the states in the Western region and in Uttar Pradesh, Kerala and Tamil Nadu. Leather and leather product industries (29), registered increase in Haryana, Punjab and Gujarat, but declined in Orissa, West Bengal, Madhya Pradesh, Maharashtra and Andhra Pradesh.

Thus the increase in employment was mainly in food and food products industry (20-21), beverages, tobacco and tobacco products (22), and in textile products (26), in most of the states. The Western and Southern states recorded more wide spread increase.

In NAGRIND, it was seen that three states, Gujarat, Maharashtra and Karnataka, recorded widespread increase in almost all industry groups and states in the Western and Southern region recorded employment in many industry groups resulting in the highest rate of increase in the Western region, and the next highest in the Southern region. As against this, the Eastern states recorded a negative growth rate mainly because of the strong decline in Bihar and stagnancy in West Bengal. Indeed, Assam recorded a high rate of growth, with Orissa coming next; but these could not pull up the overall growth rate of the Eastern region, due to the prevailing situation in Bihar and West Bengal.

Reflection and Action 19.2

Read carefully the following section on Andhra Pradesh: Characteristic of Formal Sector Employment. Visit a local library and try to find out if there are details available of any other state (better if it is your own state; if it is not Andhra Pradesh).

Write down the details and discuss it with your Academic Counsellors, as well as the students at your study center.

19.6 A Case Study of Andhra Pradesh: Characteristics of Formal Sector Employment

The work participation rates in Andhra Pradesh had been much higher than the all India levels, though the younger age groups are engaged in education for longer periods that keep them away from labour.

Table 7: Urban Work Participation Rate

Year	Andhra Pradesh	All India
1983	34.8	34.0

1987-88	35.8	33.7
1993-94	37.6	34.7
1999-2000	34.8	33.7

Source: NSS Rounds on Employment and Unemployment (38th, 43rd, 50th and 55th)

In Andhra Pradesh, 20.5 lakh workers were in the formal sector of organised manufacturing in 1998, against a total of approximately 387.5 lakh workers. In other words, organised sector workers form only around 5.5 percent, while unorganised sector workers constitute the bulk, around 94.5 percent, of the total labour force in Andhra Pradesh. Jobs in the urban formal sectors usually provide much higher wages, and also provide greater job security and other benefits than other sectors.

Table 8: Male Female Urban Work Participation Rate: Andhra Pradesh and India

Year	Andhra Pradesh	All India
Male		
1993-94	54.4	52.0
1999-2000	51.1	51.8
Female		
1993-94	19.9	15.4
1999-2000	17.8	13.9

Source: NSS Rounds on Employment and Unemployment (50th and 55th)

Employment in the organised sectors in Andhra Pradesh increased from 12.36 lakh in 1975-76 to 20.72 lakh in 1999-2000, in the urban areas.

Table 9: Employment in the Organised Sector in Andhra Pradesh

Years	Employment (in lakh)	Period	Compound Growth Rate
1975-76	12.36	1975-76 to1980-81	3.2
1980-81	14.46	1980-81 to 1985-86	2.2
1985-86	16.11	1985-86 to 1990-91	1.8
1990-91	17.63	1990-91 to 1995-96	1.9
1995-96	19.42	1995-96 to 1999-2000	1.6
1996-97	20.42		
1997-98	20.51		
1998-99	20.59		
1999-2000	20.72		

Source: Various Issues of Economic Survey, Government of Andhra Pradesh

The above table shows a deceleration in the growth of employment in the organised sector in Andhra Pradesh over time. In the later part of the 1990s, the growth rate was about 1.6 percent per annum. In fact, since 1996-97, increase in organised employment in Andhra Pradesh has been marginal. One of the main reasons for the lower growth of organised employment is the slow down of the public sector employment in the 1990s, already dealt with earlier, and Andhra Pradesh is no exception to it.

In Andhra Pradesh, the public sector accounts for 70-80 percent of organised employment in the formal sector. The growth rate of public sector employment in the 1970s and 1980s was quite high. On the other hand, the private sector employment had been growing at the rate of 4.8 percent per annum in the 1990s. But the growth in the private sector has not been able to compensate the loss in the public sector.

In Andhra Pradesh, for the males, marginal increase was noticed in non-farm employment such as construction, trade and transport. The share in manufacturing has not increased over time. In case of females, rise is mainly in the services.

Unemployment and Poverty

Unemployment rate is the ratio of unemployed to the total labour force. In the urban areas of Andhra Pradesh, the unemployment rates are relatively higher than the rural areas. Again, unemployment rates are higher among the male population than the female. However, in recent years, urban unemployment in Andhra Pradesh has shown only marginal increase compared to the rural areas.

Table 10: Unemployment Rates in Urban Andhra Pradesh and India: 1983-2000

Year	USUAL STATUS				DAILY STATUS			
	Andhra Pradesh		India		Andhra Pradesh		India	
	Male	Female	Male	Female	Male	Female	Male	Female
1983	5.4	5.1	5.9	6.9	9.4	12.1	9.2	11.0
1987-88	6.4	9.0	6.1	8.5	10.1	13.2	8.8	12.0
1993-94	3.5	4.3	5.4	8.3	7.5	9.5	6.7	10.4
1999-2000	4.3	4.4	4.8	7.1	7.7	9.7	7.3	9.4

Source: Different Rounds of NSSO data.

19.7 Conclusion

Thus, while organised employment in the formal sector remained virtually stagnant in the 1980s, there has been a marked acceleration in the growth of employment in the 1990s. Acceleration in employment growth is found both at the aggregate level and for most industries; even though there had been considerable inter-regional differences. This may be partly explained by changes in the size structure in favour of small and medium sized factories. Another important explanation for the acceleration in employment growth seems to lie in a slow down in the growth in real wages.

During the pre-liberalisation period, organised manufacturing in the urban formal sector of India experienced "jobless growth". However, the Northern and Southern regions recorded relatively high growth of employment even during pre-liberalisation. The Eastern and the Western regions experienced a fall in employment during this period in the organised manufacturing sector. The industrially developed states experienced a stagnant employment growth while industrially underdeveloped states recorded employment growth of 1.34 percent per annum. West Bengal, Gujarat and Maharashtra registered negative employment growth while high growth was recorded by Punjab, Andhra Pradesh, Tamil Nadu and Rajasthan during this period.
During the post-liberalisation period, the employment growth was 4.15 percent per annum in organised manufacturing. The industrially developed states registered a very marked rise in employment during this period in the organised manufacturing sector. The Southern and Western regions showed a high acceleration in employment growth. Karnataka, Kerala, Tamil Nadu, Haryana and Gujarat registered employment growth by more than 5 percent during this period. All the states, except Bihar, Delhi, and Punjab experienced acceleration in employment growth during this period in organised manufacturing.

Finally, it must be said that special employment and anti-poverty programmes of the Government of India had been mostly targeted towards the rural areas. Mention must be made of the programmes that may have an impact on the urban formal sector, viz the Nehru Rozgar Yojana and Prime Minister's Integrated Urban Poverty Eradication Programme (PMIUPEP).

The Rozgar Yojna is a scheme aimed at helping educated unemployed youth in establishing self-employed ventures, which may not necessarily be formal. The scheme was in operation in urban areas in 1991-94.

The Nehru Rozgar Yojana is aimed at creating employment opportunities through three schemes such as wage employment, micro enterprises and shelter upgradation for the urban poor. Prime Minister's Integrated Urban Poverty Eradication Programme (PMIUPEP) was launched during 1995-96 with the specific objective of effective achievement of social sector goals, community empowerment, employment generation, and skill upgradation, shelter upgradation and environmental improvement with a multi-prolonged and long term strategy. The programme is said to cover 5 million urban poor living in 345 Class II Urban Agglomerations, with a population of 50,000 to 100,000 lakh each. There would be a provision of Rs 800 crores as Central share for the entire programme period of five years.

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Unit 20
Urban Informal Sector

Contents

Learning Objectives

After you read this unit you will be able to:

- distinguish the formal sector and the informal sector
- describe the different dimensions of the urban informal sector in India
- discuss the growth of small scale industries
- explain the composition of the informal sector; and
- describe the case studies of government workers in the informal section

20.1 Introduction

In this unit we will discuss about the informal sector in the urban areas. The last Census, held in 2001, showed that around 27% of the population resided in urban areas and the rest in rural areas. The labour force in the country numbered 370 million. Of this a mere 7.5% (around 27 million) was engaged in the formal sector while 370 million were engaged in the informal sector. Women constituted one-third of those engaged in the informal sector and one-seventh of those employed in the formal sector. Around than 250 million workers were engaged in the rural informal sector. The urban informal sector comprised around 100 million workers.

In the following section we will discuss about how the informal sector came into prominence. This will be followed by a section on the definition of the informal sector. In the later sections we will take up case studies on this sector, especially those involving women, as they are the most vulnerable section in the economy. These include the garment industry…

20.2 Formal Sector and Informal Sector

In the previous unit, No. 19 on **Formal Sector** we have already explained the difference between the formal on organized sector and the informal or the unorganised sector of the economy in India. Here again we will repeat some of the details for your clarity.

The distinction between the formal and informal sectors is crucial for understanding employment relations. Workers in the formal sector are engaged in factories, commercial and service establishments and their working conditions, wages and social security measures are legally protected. The wages of formal sector workers are substantially higher than those engaged in the urban informal sector. Moreover, a range of labour laws, guaranteeing permanency of employment and provision for retirement benefits, protect their jobs.

What is noted above is the formal sector, hence the question is: what is the informal sector? One way of answering this question is: workers who are not in the formal sector are in the informal sector. This may not be a satisfactory explanation as far as we are concerned because it is identified through exclusion. We do not know what the characteristics of this sector are.

Interestingly, this is precisely how this sector was described when it was "discovered" by academics and policy makers. In 1970, J. Keith Hart, an anthropologist who specialised in African societies, was working for a research project of the International Labour Organisation. He was studying the labour market in Accra, Ghana. He found that all the wage earners do not come under the labour market rules. Hart was from a developed country where most activities were in the formal sector. Workers worked in large factories, people bought their groceries from departmental stores and other requirements were bought from large departmental stores. There were laws that regulated their employment conditions and workers were to some extent unionised. In other words there were formal relations between workers and employers and workers and the state (Hart 1973).

Hart's research in Accra showed that the situation was quite different there. He found that there were large groups of workers who had no fixed employer. They assembled in the city in the early morning and those who needed day labourers would come there, bargain over the wage and then employ them for short periods, some times as short as one day. He also found that in the market places, there were people who carried their agricultural produce from their homes in the villages and came to the city to sell their wares. These included food grains, vegetables, meat and poultry, fruits, herbs etc. The whole scenario was quite different from what he had seen in the developed countries. It was also quite different from the tribal economies in Africa that he had studied, where trade in commodities was done through exchange.

Hart also found that this section of labour, and micro-traders, played a significant role in the city's economy. Hence he felt that wage employment was there in the urban economy, comprising factory workers, government employees, teachers etc. Alongside this 'invisible' section also was significant for the urban economy. They encouraged rural-urban migration and provided cheap labour and cheap food. For lack of any better description he labelled this section, 'informal sector'. This was in opposite of the formal sector. Hence the term 'informal sector' was born. The ILO popularised it by using it in their employment mission in Kenya.

Hart has noted certain characteristics of the informal sector that make workers in this sector different from the formal sector. These are:

1. Low levels of skill. Workers in this sector have low levels of education and thus they have low skills. This is the reason why they are engaged in jobs involving low technology. Worker in the formal sector have higher degree of skill and their position in the labour is better.
2. Easy entry. Getting work in the informal sector is comparatively easier than in the formal sector. Hart's study shows that any able bodied person, irrespective of the skills possessed can become a day labourer. With minimum investment the same person can become a street vendor and sell her/his wares at the market. The person need not have money to invest in a shop. In this way the informal sector is able to absorb more workers who would normally not get any work because they are either not qualified or they do not have capital for investing in business.
3. Low paid employment. Because of the requirement of low skills and the easy entry, work in the informal sector has low returns. Workers who offer their labour

are not paid high wages. In fact, the biggest grievance against this sector is that the wages are many times below sustenance level. In many cases, low wages drive other members of the family into the informal work force because the main wage earned is not sufficient for sustaining a household. In this sense, children too may be encouraged to join the labour force.

4. The fourth characteristic of the informal sector, according to Hart is that it is largely composed of immigrant labour. Hart found that the informal sector worker in Ghana had come to the city from the rural areas. As mentioned earlier, workers and small traders in the city came from the rural areas in search of a livelihood. He hence included migrant status as a characteristic of the informal sector.

The four characteristics noted by Hart could be taken as the basic features of the informal sector. However, we shall see later, that these describe the informal sector of a peculiar type. This sector has increased in size as well as in variety. Hence these characteristics can no longer be the features of the informal sector in general. They could no, doubt, describe a major section of this sector, but not all sections.

The features laid down by Hart show that the informal sector is the place where people with little skills find some work. Such a situation is not ideal, especially from the developed countries point of view. The underlying belief was that as these countries advance in terms of development, the features would change. The spread of education among all sections of the population will improve skill formation and people will be equipped to get better jobs. The improvement of the economy through industrialisation will throw up new opportunities for skilled workers. Hence as the economy develops in an industrial economy, the informal sector will be gradually absorbed by the formal sector. In other words, more people will get regular jobs in large enterprises. Labourers will be absorbed in the factories and street vendors will be absorbed in the shops, departmental stores and other forms of retailing and so on. The informal sector was thus a transitory sector that would be absorbed in the formal sector.

This is far from reality. We in fact find that the informal sector has grown tremendously, and even developed countries have a growing section of workers who are in the informal sector. In cities in the USA and UK there are a large number of women who stitch clothes or do other types of tailoring activities from home or from illegal factories. These women are paid low wages and are no different from home-based workers in the developing countries. They are in most cases immigrants from less developed countries and their husbands do not earn enough to maintain the family. These women have to work in such conditions in order to earn some extra income. Naila Kabeer has done a study of Bangladeshi women engaged in the garment industry in London and Dhaka. We shall discuss this later.

Another section of the informal sector is the street vendors. One will find a growing number of street vendors in most cities in the developed countries. These self-employed people are mainly immigrants from developing countries. They work on the streets because they are unable to get regular jobs. Street vendors can be found in almost all cities, in developed and less developed countries. One can find them in crowded market places selling a variety of less expensive goods and food. In cities like New York, London, Berlin and Paris one will come across a large number of street vendors selling food, flowers and durable goods. Most of these people are immigrants from the developing countries who have migrated in search of better life chances.

Street vendors form a very large section of the urban informal sector in developing countries. In India one estimate notes that around 2% of the total urban population is engaged in street vending (GOI 2004). In Delhi there are around 300,000 street vendors while Mumbai has 200,000 and Kolkata a little more than 200,000. The total employment provided through street vending becomes larger if we consider the fact that it sustains certain industries by marketing their products. A lot of the goods sold by street vendors, such as clothes and hosiery, leather and moulded plastic goods, household goods and some items of food, are manufactured in small scale or home-based industries. These industries engage a large number of workers but they could have hardly marketed their products on their own. In this way street vendors provide a valuable service by helping sustain employment in these industries.

The poorer sections too are able to procure their basic necessities mainly through street vendors, as the goods sold are cheap. The study on street vendors conducted by the author showed that the lower income groups spend a higher proportion of their income in making purchases from street vendors mainly because their goods are cheap and thus affordable. Had there been no street vendors in the cities the plight of the urban poor would be worse than what it is at present. In this way one section of the urban poor, namely, street vendors, helps another section to survive. Hence though street vendors are viewed as a problem for urban governance, they are in fact the solution to some of the problems of the urban poor. By providing cheaper commodities street vendors are in effect providing subsidy to the urban poor, something that the government should have done.

Reflection and Action 20.1

Take five families in your neighbourhood. Find out how many adult members of each family are working outside home (or inside home as in case of women working for an outside agency)

Write a report of two pates on “The Organised and the Unorganised Sector of Economy” based on the findings in your neighbourhood. Discuss your report with your Academic Counsellor and other learners at your study center.

20.3 Dimensions of the Urban Informal Sector in India

Workers in the informal sector do not get most of the security given to formal sector workers. Their jobs are insecure, as most of the laws do not protect them. Though in principle labour laws in India are expected to apply to all sections of industrial labour, there are in-built provisions which exclude large sections of the labour force. The most important law regulating work in industries is the Factories Act. All other laws such as Employees State Insurance Act, Workmen’s Compensation Act, Provident Fund and Family Pension Act, Payment of Gratuity Act, apply only to establishments covered by the Factories Act. This Act is applicable only to manufacturing units which employ a minimum of 10 workers and which use power in manufacturing and a minimum of 20 workers if the unit does not use power. Hence a large section of industrial workers employed in small industries do not have legal protection in their work. Similarly the Shops and Establishments Act, that grants protection in terms of regulation of work, wages and post-retirement benefits, applies to only those establishments employing more than five workers. Here again, the term ‘worker’ refers to a permanent worker and not temporary or casual worker. Hence if a shop or factory employs permanent workers that are below the minimum number and alongside employs three times the number of casual labour, it will not come under any of the acts.

The self-employed also form a sizable group. These are workers engaged in home-based production, casual day labourers and street vendors etc. While there are estimates of the number of street vendors, there are no estimates of home-based workers as they constitute an invisible section of the workforce. India has till now not ratified the ILO convention on home-based work. One of the main features of this convention is of maintaining a live register of home-based workers. This helps to understand the numbers involved and also in providing for social security. We can thus see that the composition of the labour force in India shows wide contrasts.

The bulk of the country's labour force is engaged in the informal sector. The 1991 Census noted that the total working population in the country was 317 million, of which 290.2 million (91.5 per cent) was in the informal sector while only 26.8 million (8.5 per cent) was in the organized sector. The earnings of the workers in the two sectors differed considerably. Though the organized sector employed only 8.5 per cent of the total labour force, the workers collectively earned around 33 per cent of the country's total wages and incomes (Davala 1995). Composition of workers in the informal sector showed that an overwhelming majority was in agricultural area. There were 75 million agricultural workers and 110 million small and marginal cultivators who are also engaged as agricultural labour (Dutt 1997: 10). Therefore there were around 100 million workers in the non-farm rural sector and the urban unorganised sector.

The situation has changed since the Census of 1991. In the same year, on 21 July, the government placed before Parliament the new Industrial Policy Statement which proposed restructuring of industries. This was in tune with the policies of structural adjustment in the wake of globalisation. Though these policies led to some increase in employment, they also encouraged downsizing of large industries, out-sourcing of manufacture to small-scale industries and a decline of employment in the formal sector. A report of the Ministry of Labour, Government of India, (GOI 2004) has given the figures for 2000 based on the report of the National Sample Survey Organisation (NSSO). It carried out a sample survey (55^{th} Round) 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. This means that a decade after reforms were introduced employment in the formal sector has been almost stagnant or slightly declined. The *Economic Survey* for 2004-2005 (GOI 2005: 230) states that the total employment in the formal sector on 31 March 2003 was 27 million. In other words employment declined by one million since 2000. Moreover there seems to be no change in employment in terms of numbers from 1991.This means that a decade after reforms were introduced employment in the formal sector has been almost stagnant or slightly declined. The informal sector, on the other hand has grown tremendously. One of the reasons for the decline of the formal sector is closures of the public sector enterprises.

In 1993, around 70% of the workers in the formal sector are employed in government, quasi-government and public sector enterprises (Papola 1994: 34). This proportion fell by one percent in 2003. The *Economic Survey* for 2004-2005 notes that in March 2003 the public sector employed 69% of workers in the formal sector. In fact formal sector employment fell by one per cent because of a decline in public sector employment of 0.8 percent (GOI 2005: 230). The private sector provides employment to only 30% of the labour in the formal sector.

20.4 Growth of Small Scale Industries

While the formal sector shows a negative growth in employment, the small-scale manufacturing sector shows a lot of buoyancy. The annual pre-budget Economic Surveys show that small industries have been growing steadily. The 2004-2005 survey shows that this sector employs around 28 million workers and its employment is growing by over 4% per annum. The total number of workers in this sector alone is more than the employment provided by the entire formal sector. The growth of the small-scale industries is again a thrust area of the industrial policy of 1991. The policy had stated that the small-scale sector would be encouraged to play a dynamic role in growth and employment. The paid up capital for small-scale industry has been increased considerably—from Rs. 2 million to Rs. 30 million. This means that it is possible to upgrade technology and include the high technology industries in this sector. As a result, small-scale industries contribute to 35% of India's export earnings (GOI 2003). This is certainly a good sign, but it could have been appreciated even more if conditions of its labour had not remained pathetic.

The rapid growth of the small-scale industries is due to the above-mentioned policy measures and also due to the restructuring of large industries, especially in the consumer goods and pharmaceutical sectors. These industries were originally based in urban centres like Mumbai, Ahmedabad, Kolkata etc. They started closing down their operations through down sizing the labour force and shifting their production to smaller towns. Labour in these areas is cheap, there are no unions and labour laws are not applied as stringently as in the urban-industrial sector. On the other hand, the government, in its bid to promote industrial development of these areas, demarcates special areas called 'industrial development zones' these are operated through the state's industrial development corporation. The concerned state government usually grants an array of incentives to induce industrialists to set up their units in industrial development areas. These include, availability of land at low rent that has industrial sheds (hence saving the small entrepreneur costs of construction) and exemption of local taxes such as sales tax and excise, for a specific period of time (usually for the first five years).

Several large companies take advantage of such offers and they move production from the larger cities to these smaller centres to avail of the benefits that lead to reduction in costs. This does not necessarily mean that the consumers will benefit by getting the goods at cheaper rates. This process is similar to the type of outsourcing in production witnessed between countries of the North and the South. Just as industrial production in Europe and USA is outsourced to the less developed countries; similarly, the large-scale sector in India out-sources its production to the small-scale sector in non-urban areas, as costs are low.

20.5 Composition of the Informal Sector

The above discussion shows that in most Indian cities the urban poor survive by working in the informal sector. Poverty and lack of gainful employment in the rural areas and in the smaller towns drive large numbers of people to the cities for work and livelihood. These people generally possess low skills and lack the level of education required for the better paid jobs in the formal sector. Besides, permanent protected jobs in the formal sector are shrinking hence even those having the requisite skills are unable to find proper employment. For these people work in the informal sector are the only means for their survival. For the urban poor, street vending is one of the means of earning a livelihood, as it requires minor financial input and the skills involved are low though the income too is low. A large section of street vendors in urban areas are those with low skills and who have migrated to the larger cities from rural areas or small towns in search of employment. Other employment opportunities for the illiterate or semi-literate migrants are working in small factories or workshops having low level of technology, and hence having a greater reliance on physical labour, and casual day labourers in construction sites or other places.

There is another section of the urban population that has joined the informal sector; namely, those once engaged in the formal sector (see Bhowmik 2000, Bhowmik and More 2001 and Breman 2001). These people, or their spouses, were once engaged in better-paid jobs in the textile mills in Mumbai and Ahmedabad and engineering firms in Kolkata. Formal sector workers in these three metropolises have had to face large-scale unemployment due to closure of these industries. Many of them have become street vendors or workers in small factories in order to eke out a living. A study on street vendors, conducted in these cities, show that around 30% of the street vendors in Ahmedabad and Mumbai and 50% in Kolkata were once engaged in the formal sector (Bhowmik 2000). A study conducted by SEWA in Ahmedabad shows that around half the retrenched textile workers are now street vendors. We can hence see that the urban informal sector has a variety of occupations, though incomes are low and social security is non-existent.

The third category of workers in the informal sector is those who are employed in the formal sector. These people are engaged as temporary or casual labour in industries or establishments in the formal sector. In large factories or undertakings one can find permanent workers and also workers who are employed as temporary or casual labour. In many such organisations, there are sections where casual labour is employed. This could be in the canteen or in cleaning. In many companies the security staffs are not employees of the company. They are hired from a separate company. These people are on contract with that security company. They are hence contract workers. Therefore we have casual and contract workers working in the formal sector organisations. In many organisations we will find that contract labour and casual or temporary labour is used extensively.

The employment of such labour is because many companies do not want to increase the number of permanent workers. The reason is that if a worker becomes permanent then the employer has to make provision for provident fund, give gratuity payment at the time of retirement, provide for medical leave and facilities if the person falls ill, allow the person leave with pay for specific reasons and, in many cases, provide for pension after retirement. The most important reason is that the employer cannot remove a permanent worker from his work. In other words, the employer can hire a worker but he/she cannot fire the worker as easily. There is a long legal process involved. On the other hand, temporary and casual workers do not get any of the facilities cited above and they can be removed from their jobs at anytime. In 1993, a book containing case studies in eight industries (Davala 1993) shows that in some industries casual and contract labour form more than half the total number of workers employed in that industry.

The above discussion brings out certain aspects of the informal sector. The overwhelming majority of the work force in India (97%) lies in the informal sector. There are two aspects of this sector. Firstly, a large section of the informal sector comprises the self-employed. These include street vendors, home-based workers, mainly women, who do not always know who their employers are, rickshaw pullers, taxi and auto-rickshaw drivers etc. These form a large section of the informal sector. They are in fact a part of the informal economy.

There is another section that is found within the formal sector. Hence if we talk of the informal sector as a separate and distinct sector that is different from the formal sector then we could be talking of two distinct sectors that are separated from each other. However in this case (informal sector within the formal sector) we find that the two sectors overlap. Hence we could think of talking about informal employment in this case. This would cover employment in the small scale sector and within the formal sector. Similarly the term 'informal economy' captures the small traders, self-employed etc. in the informal sector. We can hence say that the informal sector comprises two parts, namely, informal economy and informal employment.

20.6 Case Studies of Garment Workers

We have till now discussed the concept of the informal sector and what actually comprises this sector. In the following sections we shall try and understand the type of work and wages in this sector. We shall do this through case studies. These studies will enable us to get a better insight into the people engaged in this sector.

The garment industry is one of the largest employers in the informal sector. With growing consumerism there is a growth in the demand for clothes. The industry caters to all income groups, namely, manufacturing clothes that will be bought by the poor and also high priced designer wear for the upper income group. Besides, there is an ever growing export market. Till 2005 India faced restrictions on exports as important buying countries like the USA and European countries had imposed a quota on Indian export of clothes. After India joined the World Trade Organisation (WTO), these restriction were phased out. By January 2005, all restrictions on import of 'multi-fibre' garments by these countries were removed. This has given India a much better opportunity to increase garment exports. Hence the export market too is an important component of the garment industry.

There are two types of informal workers in this industry. Firstly those who stitch clothes in small factories and secondly, those who stitch clothes from home. Home-based workers out number the factory workers. We can take a brief look at the processes involved in garment making.

The home-based workers are exclusively women. They work for contractors who give them work and pay them at piece rates. In other words, the contractor will give the women the cloth for making the clothes and will pay them according to the number of garments stitched. In most cases the women have to pay for the thread. The payment is low, sometimes they make between Rs. 20 to Rs. 50 a day. If the cost of thread increases, their income decreases or they have to stitch more clothes to make up the loss in income. The founder of SEWA, Ela Bhatt, notes in her memoirs (Bhatt 2006: 59-80) that in 1988 the rate for stitching one petticoat was Rs. 2 in Ahmedabad. Bhatt has shown the way these women (mostly poor, belonging to Muslim communities) were exploited by the contractors and the buyers of the clothes.

Reflection and Action 20.2

Visit your local library or study centre library. Find out a book or article describing the plight of the migrant labour which comes from different regions of India to the city in search of employment. Write an essay in about two pages on the “Migrant

Labour and the Informed Sector” in your city/town/town next to your village. Share your essay with other students at your study center.

Stitching has to be done by sewing machines. These are usually operated by hand or foot. However, if the pace has to increase then electric machines are needed. The women own the implements of production. These are the sewing machines, thread, needles and any other implement. If the woman wants to increase production by improving her implements she should have the resources to do so. Hence, if a woman would like to use an electric sewing machine, she would have to buy it from her own resources. Moreover, the additional cost of electricity was borne by her. Bhatt has shown that the women are so poor that any increase in costs of implements means greater indebtedness. In fact she found that most of the women could not even own manually operated sewing machines. They used to take them on rent.

The type of clothes made by these home-based workers is of low quality and cheap. These are mostly bought by the poor. Hence, Bhatt notes that it is these poor garment stitchers who provide clothes for the poor in the city. Bhatt’s work on these women is certainly worth reading.

The other types of workers in this industry are those involved in small factories. These workers are different from the home-based workers. They do not work from home but they work in small factories. The owner provides them with the machines and other implements. One can find such factories in industrial estates in Mumbai, Delhi and most other large cities. The owners usually produce these garments for a large buyer. The clothes manufactured are of superior quality that are either exported or are sold in large retail outlets.

Naila Kabeer, a Bangladeshi researcher from Sussex University, has made an insightful study on women garment workers in Dhaka (Bangladesh) and London (Kabeer 2000). There are around 20 million women engaged in the garment industry. These women work in factories that have modern machines for cutting and stitching fabrics. The women work on electric sewing machines, stitching garments that are exported to the developed countries. They work for eight hours and they are paid wages that are a combination of piece and time. Each worker is given a certain number of garments to stitch. They have to complete the task within the stipulated time and they are paid wages accordingly. If they work less their wages are deducted. In case they work more than the quota they get some extra money.

The women are from poor households. The wages they are paid are low compared to the long hours they put in. Most of them have low education. Kabeer finds that around 37% of the women have passed primary school, but very few have had studied further. In fact this was the reason why there were no supervisors from the women. Lack of education and poverty has kept them backward. Moreover, Kabeer mentions, women in South Asian countries are hesitant to work outside the household. In the case of Bangladesh, the purdah system that Muslim women are expected to adhere tends to restrict their mobility and binds them to their homes. Kabeer, however, argues that for these poor women, working outside the home is vital for their survival and the survival of their family. The factories have only women workers and they are protected by walls. This makes it possible for the women to work there.

For the impoverished women, working in the factory gives them autonomy in their lives. This has several implications. Kabeer finds that after having an independent income, some of the husbands have stopped beating their wives. The women in turn use this extra money for educating their children or for improving conditions at home. An interesting finding of Kabeer's study is that many of the women invest their money on their daughter's education. This is one of the positive fallouts of working independently because, as in all South Asian countries, in Bangladesh too, the girl child is treated as inferior to the son.

Despite the positive aspects of women and work in the informal sector one cannot overlook its obvious exploitative aspects. There are different tasks in the garment industry, besides stitching clothes. This includes stitching collars to the shirts, sewing buttons on them, checking the quality of the clothes and, ironing them. Stitching of collars and buttons are done by home based working women. Checking for faults and ironing are done in the factory by women. These tasks involve standing for long hours at a stretch and also bending. This has bad effects on the body and the women develop different types of pains and ailments. The wages too are very low but the women accept these conditions because despite low pay because even this meagre salary gives them some autonomy in their homes.

20.7 Conclusion

In the above sections we have tried to explore the various aspects of the informal sector. We started with how this sector came to be recognised and the initial definition by Keith Hart. We also found that this definition had its limitation because the informal sector has shown many more dimensions. The important feature of all writers and planners on the informal sector was that they viewed it as a transitory sector. It would sooner or later be absorbed in the formal sector. The present situation shows that this did not happen. On the contrary this sector has grown tremendously. In fact we find that the new sources of employment are only in the informal sector.

The urban informal sector comprises those low skill entrants who migrate from rural areas and they work in low skilled, low paid jobs in order to survive. In moving from their insecure, poverty ridden life in the village to the city where they are able to get work, but with low wages, they move from one level of poverty to another level of poverty. The other type of workers is those who had held secure better paid jobs but they were retrenched when their organisations closed down. This is the fate of most workers in the larger industries, such as cotton textiles, pharmaceuticals, chemical etc. In most cities we find that the larger industries have closed down leaving hundreds of workers unemployed. These people seek employment in the informal sector. Hence in this case we find that there is a shift from the better paid, secure jobs in the formal sector to the lower paid, insecure jobs in the informal sector. The third type is the self-employed. These include street vendors, home based workers and the casual labourers. Finally, we should also mention about another type, namely, casual and contract workers engaged in the formal sector.

We can therefore see that the informal sector is not only very vast in number but also very varied. It is also a very important part of our economy because if this sector provides cheap goods and labour and their inputs in effect make life easier for the affluent and the middle class in the cities. The urban informal sector is quite a major part of our everyday lives and it is growing every day.

20.8 Further Reading

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Unit 21
Changing Occupational Structure and Impact of Economic Liberalization

Contents

Learning Objectives

After reading this unit you should be able to:

- explain the changes taking place in post liberalization period of Indian economy
- describe the urban scenario in terms of the changes n occupational structure
- outline the rural scenario in terms of the changes in occupational structure, and finally
- describe some of the new trends in the occupational structure

21.1 Introduction

Consider a few things 'Equity research opportunity for CA's and MBAs', 'Tele-Marketing Executives', 'Required a Technical Writer', 'Needed a Compliance Executive', 'Wanted a Customer Care Executive'. These are a few types of job opportunities published every day in newspapers on all days of the week.

'Every sunday in newspapers, one finds matrimonial advertisements classified according to occupational categories or in the profiles of bride or groom, job profile is mentioned or highlighted'.

'Everyday morning one crosses any junction (where two or more roads meet) in any city or town; or passes through any size of market place one comes across hordes of people assembled with basic equipments such as spades or bamboo baskets or sickles. At first look this seems like a fair or mela, but if one spends even half an hour, one realizes that these are ‘labour Haats’. Where labour contractors come and hire them for carrying out any kind of sundry jobs’.

How do we describe such instances, does this mean that are we witnessing new kind of occupational structures in new economy? Or has the new economy of India shifted its base from old traditional economy from rural areas to new type of economy which is more urban centric? A closer look at these instances reveals that there are many different issues intertwined and for clearer understanding we need to highlight these issues-

Is there a shift in Indian economy from farm based to non-farm economy?
Does Indian economy has same contribution from the rural areas or is that the urban areas have a bigger contribution to make than the rural areas?
As a corollary, have the above factors led to change in the rural and urban occupational structure?
Finally in the light of new occupations have perceptions of people changed with regard to old occupations.

In the following pages, we will discuss the above issues to understand new emerging occupational structures in new economy.

21.2 New Indian Economy

Since mid-1991, in India wide range of economic reforms were carried out with the aim to liberalize and globalize the economy. Under this both internal and international economic activity were de-regulated and liberalized. Internal liberalization included the dismantling of a complex industrial licensing system, opening up to private investors a number of sectors previously reserved for the state, some divestment of stock in the public sector, decontrol of administered prices, and financial liberalization. External liberalization measure included removal of non-tariff barriers to imports, reduction in import tariffs, incentive for foreign direct investment and technology inflows, allowing Indian firms to borrow from abroad, and the opening up of Indian stock markets to foreign investors. These policy changes evoked a variety of responses, some based on a priori theoretical expectations and others citing the trickle of empirical evidence. Reform minded scholars view globalization as not only quickening growth but also promoting mass well-being. They argue foreign competition and foreign direct investment will improve allocative and productive efficiency. For them trade liberalization increases the demand for semi-skilled and unskilled workers, increase their wages, and thereby reduce poverty and improve income distribution.

Employment and wages are the major potential channels through which the social impact of increased openness and globalization are felt. One way of measuring total employment in India is to use available figures for the workforce and applying officially available unemployment figures from the formal sector and assuming that there is no open unemployment in the informal sector. Following this approach it appears that while in the 1980s employment generally grew at a rate below population growth, in the 1990s, employment growth was somewhat higher, though much of the increase occurred in 1997.

The sectoral distribution of the workforce also reveals some surprises. The share of agriculture and allied sectors in total employment declined sharply from 63.9% in 1993-94 to 59.8% in 1999-2000 with absolute employment declining for the first time since independence. This trend out of agriculture, which had been observed during the 1980s also, had been stalled between 1987-88 and 1993-94, mostly during early years of the reforms. Employment in manufacturing has risen only slightly from 10.7% of the workforce in 1993-94 to 11.1% in 1999-2000 with practically all of the rise concentration in urban areas. The biggest gains in workforce occurred in construction and in trade, hotels and restaurants, the compound rate of growth in both sectors exceeding 6% per annum. The latter sector now rivals manufacturing in the size of the labour force it employs.

An analysis of the unemployment reveals that for both rural men and women in the labour force, the rate of unemployment rose sharply. Urban male unemployment rose a little while urban unemployment actually fell. Overall, then, the unemployment situation has worsened during the 1990s especially in rural areas. There has also been rising casualization of the workforce in the aftermath of reforms and a decline in the share of self-employment. The share of casual labour in employment rose from 31.2% in 1988 to 37% in 1998. While growing casualization is certainly in keeping with services accounting for the major share of the workforce increments, even in the sectors of regular employment, retrenchment, closures and lockouts have risen.

In the following section below we will discuss the occupational structure from the point of view of work participation rate (WPR) in early and late reform period. The basis of analysis is data collected during National Family and Health Survey (NFHS)1 and 2. While the NFHS 1 is referred as Early Reform Period as it was conducted in 1992-93 the NFHS 2 is referred as Late Reform Period as it was carried out during 1998-99.

21.3 The Urban Scenario

Box 21.1 The Work Participation Ratio

The Work Participation Ratio (WPR) is defined as the percentage of male and female workers to the corresponding population.

The preliminary analysis shows that the work participation rate (WPR) had declined during the period. The largest decline in WPR is observed in the age group of 45 and above. On the other hand the female work participation rate had increased in prime working age group in urban India. It is found that the mostly practiced employment in urban India is skilled manual which is equally high irrespective of city size. It is 11.2 percent in capital/ large cities, 14 percent in small cities and 12.7 percent in towns. The second most practiced employment is merchants, shopkeepers, wholesale and retail trade which is almost of similar proportion in all the places. The proportion of clerical and related workers are higher in large cities as compared to smaller cities of India. The skilled manual constitutes 10.3 percent of the workforce followed by unskilled workers and labourers. Among other main occupations, 6.5 percent are in administrative, executive and managerial and 2.1 percent are medical professionals. The architect and engineer constitute about 1.3 percent of total working population while that of agriculture and allied activities are less than 1 percent in metropolis of India.

However, the occupational differential by sex, caste and religion is quite distinct. In large cities of India the widely practiced employment among females is domestic workers followed by clerical and related workers. Moreover the work participation among females is more among household belonging to low standard of living. There is differential in occupational pattern by caste and religion. A large proportion of working population among Schedule Tribe are engaged in low paid jobs as compared to others. On the other hand, it is found that in particular profession like skilled manual merchants, shopkeepers and trade the proportions of Muslims are higher as compared to Hindus irrespective of type of urban locality while the reverse is true in case of administrative, executive, managerial, teachers and clerical and related jobs.

From the analysis it revealed that there is decline in WPR among elder age group (45 and above) in late reform period irrespective of type of urban locality i.e., capital/large city, small city or towns and sex. However the same is not true for younger age group. The differential in WPR by type of urban localities showed that while it has marginally declined/ remained constant in large /capital cities the overall WPR had notices small increase in small cities and town. The female WPR has increased in both ERP and LRP but it is more among illiterate and less educated women. The similar differential is observed with respect to standard of living index of the households. About two fifth of labour force in Urban India are engaged in low paid jobs as compared to less than 10 percent in high paid job. However the proportion of labour force engaged in low paid job is relatively lower in large/capital cities as compared to small cities and towns. Further the sex differential in employment by type of urban localities showed that a higher proportion of working women in metropolis are domestic workers. The most practiced employment among females are skilled manual followed by teachers. The differential in occupational pattern by caste group showed that there is substantial variation in employment by caste group. While a larger proportion of ST and SCs are engaged in low paid jobs as compared to others. Similarly the religion differential in occupation pattern is found in Urban India.

21.4 The Rural Scenario

An analysis of data from National Sample Survey's 55th round for 1999-2000 reveals that there is marked shift in the structure of employment in India. The shift away from agriculture is fairly dramatic. Broadly these shifts can be divided in three categories-

a) decline in the workforce engaged in crop production is higher than in the agriculture as a whole;

b) increase in employment based on livestock is high and

c) forestry is not absorbing a large share of workforce.

If we closely analyse, it becomes apparent that since mid 70’s there has been diversification in the demand for agro-based commodities. In other words, the pattern has been that the growth in demand for food grains has been around 2.5 percent per annum, while the demand for commercial crops has grown at around 5 percent per annum and that of plantation crops like tea and coffee and non-land based agricultural products like fish has grown at around 7 percent per annum (Alagh 2005). In the decade of 80’s only scholars like Alagh (1986) had pointed out that a switch away from agriculture has started in the labour force, which was more pronounced in some regions. Similarly, Bhalla (1983) has shown that the 1970s saw the first fall in the share of agricultural workers in the labour force. Further, this shift, she pointed out, brings the direction of the trend in the employment structure in line with output structures, which may have positive results. And recently Gupta (2003) highlighted that till 1983 there were 12 states where Rural Non-Farm Employment was below 20%, which left only 5 states where Rural Non-Farm Employment was more than 20%. However, in 1999-2000 the situation has inversed i.e., now 12 states have Rural Non-Farm Employment above 20% and only 5 are below that figure.

Above scenario of employment in terms of Non-Farm Employment (NFE) can be viewed both as cause or effect of some other causes. Nonetheless NFE has certain features which are very significant for understanding the causal relationship. First one to be noted is ‘sectoral diversification’. NSS data suggest a process of sectoral diversification in rural areas. There has been an increase in the non-farm sector’s share in employment (principal and subsidiary status) during 1973-99. This has been maintained during 1993-99 as well. However, the process of sectoral diversification seems to have occurred only among the male workers during entire period. This shift has not taken place in case of female workers during the same period. Further much of the increase in the share of NFE for males has been contributed to the tertiary sector, while manufacturing sector has almost stagnated during the same period. As far as NFE for females are concerned, there has not been any major shift across sectors over the past decades.

In post-liberalization period, it seems an anomaly to view India as an overwhelmingly agrarian society. The reasons are- contribution on agriculture in Rural Net Domestic Product is down from 72.4% in 1970-71 to 54.4% in 2002-2003 (Chadha 2003); according to national sample survey (NSS) in 1993-94 the number of rural people working in urban area was double than that of 1987-88 and since 1980 there has been noticed a declining trend in GDP growth of agriculture i.e. 3.5% in 1980 to 2.8% in 1990's. This went further down to 1.3% in 1999-2000 to negative growth of -2% in 2000-01 (Majumdar 2002).

What are the reasons for growing NFE? As mentioned above the scope for employment in agriculture has fallen, however the growth in agricultural production creates many types of post-harvesting activities that relate to trade where high degree of non-farm employment takes place. Further this also hints at refocusing of 'aspirations' of rural poor. There are a group of scholars who view NFE as an instance of 'distress employment'. They argue that NFE has increased at the time when agricultural growth has been stagnant. This means that unemployed take up any type of job that come their way. The counter argument is that NFE is also dependent upon availability of off-farm employment. Further, even though the migrants from villages employed in NFE work for less, still that wage is higher than agricultural wage.

21.5 Some Trends

In this section we will discuss, the apparent trends in occupation, which will highlight the structural features in the new economy. An analysis of 4 villages (2 in north India and 2 in east India) by Gupta (2003) reveals that for non-farm employment the distress theory does not hold ground in north India. That is, even well-off farmers belonging to Jatt caste are engaged in NFE along with SC of the village. Even the range of occupation such as dairy farming, sweet shop, transportation, cable TV operation, beauty parlor and Gymnasium are owned and run by people belonging to people without much consideration of caste status. Though, the famous argument is the enterprising nature of people belonging to Punjab. However, in eastern India even in NFE there caste status does come into play. So Thakurs or Tayagi's are not involved in 'Stud farming' or in 'brick klin'. In all such occupations, it is people mainly belonging to the schedule castes or lower in caste hierarchy are included. Upper caste people are mainly involved in NFE, which are salaried or in transportation.

An important dimension of sectoral diversification and resultant NFE in recent years is the process of casualisation of workforce. The percentage of casual male workers was noted to have gone up from the quinquennial data both in rural and urban areas during 1977-93 (Kundu 1997). A similar increase but of a smaller magnitude, has been observed in case of females. Interestingly, the figures have gone up in rural areas even after 1993-94, both for males and females. The increase in the regular/salaried workers as a percentage of the total number of (usual status) workers seems to be special phenomena for urban females. This has to be interpreted cautiously. It has been noted that in many of the sub-categories of regular workers where female employment has gone up, the jobs are of an informal nature and have a very low wage rate.

The above mentioned fact - 'Everyday morning one crosses any junction (where two or more roads meets) in any city or town; or passes through any size of market place one comes across hordes of people assembled with basic equipments such as spades or bamboo baskets or sickles. At first look this seems like a fair or *mela,* but if one spends even half an hour, one realizes that these are 'labour Haats'. Where labour contractors come and hire them for carrying out any kind of sundry jobs', can be observed at any city, town or urban conglomeration. For instance in Delhi such places are Munirka, Kotla Mubarkpur, Neb Sarai and Khanpur. At all these places if one spends an hour or two one realizes that most of the workers present there are from nearby rural areas. This one can judge from their clothing and language in which they speak. The author of this unit, in the course of collecting information for this paper had the opportunity to interact with a few workers. Given below is the summary of their discussion in Box 21.2.

Box 21.2 interaction with Daily Wagers

My name is Ramesh. I belong to a village called 'Bhowapur' in Ghaziabad district. I am married and have two kids. At my village home I have three brothers and parents. My father is farmer, who owns 3 acres of land. All my brothers and parents are engaged in agriculture. I was also engaged in agriculture till last year. But as we grew up, we realized that income from family is not sufficient to meet the needs of the family. Thereupon I decided to come to Delhi to search for jobs to support the family. Since then every day I came to work in this city. Earlier I was not sure that what kind of job I will get. But now I am confident of carrying out any kind of job. My routine is that everyday morning wife prepares some lunch and packs in the tiffin box. I start from my home in my village at 6 o'clock in the morning. Once I reach Delhi, based upon chance of getting work, I decide to go that 'labour market'. Though Now I know a few contractors, but one is not lucky everyday. Hence if I don't get work in one market, I have to rush to another market. Every day morning before I start the journey, I pray to god that when I go back home in the evening, I should at least have Rs 100 for the family. About work I have done all kinds of work over the last year. I have been helper to mason, painter and caterer. I have also worked as casual labour for lawn mowing, digging pits for laying cable. Now I can say that I know almost all kinds of work. However, now I realize that I am not called master of trade. I am only a helper. Though, when I was in village, being the elder son of my father, I use to take all decision for agriculture. And many of my neighbours and relatives use to call me 'farmer'. They seeked my advise on farming. Now I earn a bit more, but no one seeks my advice.

Reflection and Action 21.1

After reading the Box 21.2 on Interaction with Daily wagers; you plan a minor study of wage labourers in your area. If you live in a city /town you may interview people who arrive from the surrounding villages in search of employment. But if you stay in a village you may find out how many men and women commute daily to the city for jobs.

Write a report of two pages on "Rural-urban Employment Scenario." Compare your report with those of others at your study center.

A careful reading of Ramesh's account reveals that along with casualisation of rural workers, there is a continuous process of breakdown of skill. So a worker who is a farmer or blacksmith or carpenter in rural areas is reduced to a daily wage labourer in urban areas. One is not sure but whether this the result of reduced capacity of agriculture to observe workers or ambition among workers for better life because of better wages in urban areas. This breakdown of traditional skills, has in a way made livelihood of these workers very uncertain, because in the new setup erstwhile skilled but now 'casual' workers don't get work because of their skill but upon chance. The narrative of Ramesh also highlights the fact that in almost all cities there is a huge chunk of workers who daily migrate to city to work and in the evening they go back to their villages. This in a way has made their identity fluid. That is they are neither villagers nor urbanite, not skilled but casual.

Matrimonial columns are not only useful in finding suitable match for the prospective bride or groom, but also a significant indicator of changing perception of people vis-à-vis changing nature of occupation at least for urban areas. As indicated above that every Sunday in newspapers, one finds matrimonial advertisements classified according to occupational categories or in the profiles of bride or groom, job profile is mentioned or highlighted. Such classified columns in the newspaper highlights the emergence of new occupations. For example in pre-1990s days a doctor or engineer was considered good enough match for prospective bride or groom. But now professionals of so-called 'knowledge economy' are preferred over the traditional ones. Similarly, from such columns in newspaper only one comes to know about the category of people who are known as 'development professional'. If such people are employed in 'international donor organisation', they are much in demand than the traditional ones.

Reflection and Action 21.2

Carefully study about two day's matrimonial advertisements in the local News paper. List the types of brides and grooms advertised for in terms of their occupations, such as, doctors, engineers, etc.

Write a report on "The New Occupational Structure as Reflected in Matrimonial Advertisements" in about one page. Compare your report with those of others in your study center.

In the new economy, as expected, employment growth takes place not only because there is more competition in the market or there are new players in the market. But also because several new sectors come up and scope of any particular sector is also redefined. This in turn gives rise to new kind of occupations. For example, in pre-liberalisation days how many of us were aware about 'Business Process Outsourcing (BPOs) or Retail or Medical Transcription? Not many of us. However now such terminologies are used in common parlance and people involved in such occupations are many. A careful analysis reveals that the term and the sector of economy called the service sector have been redefined. Traditionally in this sector was included hotel industry, travel and tourism and catering. At present this sector includes all the Knowledge Process Outsourcing (KPOs), BPOs, telemarketing, medical tourism, adventure tourism, social auditing and event management. These all new entrants in the service sector have created new kind of occupations which our parents have never heard of. Again the course of collecting material for this paper, I came across a professional who was a social auditor. Below is the summary of discussion in Box 21.4.

Box 21.4 Service Sector Employment

I am Simon jr. I work for (Multinational Company) MNC, which has a sourcing office in India. This company sources lot of goods from India for its stores across the globe. Given the primitive stage of production processes and tradition of unfair labor practices in India, this company has a number of 'Social Compliance Auditors'. I am one among those auditors. My task is to go around factories which produces goods for this company and make sure that they fulfill all legal requirements. In this I not only check the physical working condition in the factory, but also issues related to environment (air, water and noise), safety of workers, wage and benefit. I have to make sure that goods produced in all such factories are not only good in quality but also produced in good condition without compromising the 'best interest of workers' and environment.

If you ask me about education, I am a graduate in humanities. Thereafter I have completed a diploma in Human Resource Management. But none of the things I learnt while studying is of any use in the present job. The skill of social auditing I have learnt on Job and therein I had gone for one week training in ISO-9000. Given the fact that this is a new kind of occupation, till a few years back there was hardly any institute or organization which was providing any course or training. But lately I have come to know of one organization, which trains people as social auditor, but then it is hugely expensive. So those who are employed can be part of the training through company sponsorship.

The account reveals that as mentioned above new sector in the economy is giving rise to new types of occupations. Such occupations have new set of skill requirement. As Simon's account reveals that for such skills there are hardly any courses or institutes available. What is happening is that people from traditional stream of education are taking up these occupations. And the skill set they learn on job. Further the interesting part is that these new occupations are dismantling the educational barriers. That is earlier a law graduate has only options of joining or becoming a lawyer. But now the same law graduate can be part of a social compliance team or KPOs. So in a way the unidimensional association of education to occupations are gradually getting blurred. This however, has in no way reduced the importance or vice like grip of traditional occupations such as bureaucracy in the hinterland of the country. The reason for this is the 'so-called' power and status associated with such occupations. Also the new emerging economy is largely concentrated in large urban centres, which is spreading to the towns very slowly.

Any discussion of new occupational structure in new economy is incomplete at least in India if there is no discussion of occupations emerging because of rise of the knowledge sector. By Knowledge sector is mainly meant 'information technology' (IT) and 'Information technology enabled services' (ITES). By any rough estimate this sector contributes around 20% (approx. 28 billion USD) of India's total export (around 150 billion USD) and employs around 2 million people. It is estimated that by 2010 this figure will reach 70 billion USD out of 300 billion USD for IT & ITES contribution and total export of India respectively. Further, by any conservative estimate annually 75000 professionals go to US. 90% out of the 75000 professional are IT professionals. Not much information is available about the number of professionals going to other countries. However, what we have information about is that annual remittance is around 22 billion USD in India. Even if out of 22 billion USD only 50% is contributed by the professionals of this sector, the figures become very impressive.

As far as occupations emerging out of this sector is concerned, we have mentioned in the beginning of this chapter that if one scans the job opportunities published in any newspaper, most of the jobs are related to either IT or ITES. This has also changed the hierarchy of disciplines in science, arts or in engineering. Moreover, this has also opened the new opportunity for the people not taking science or engineering stream in the graduation stage. Rather it has in a way reduced the dependency of the people on the govt. jobs. The author had an opportunity to interact with a professional of a software company, who was not exactly involved in programming. Given below is his account in his own word in Box 21.5.

Box 21.5 Personal Account of a Software Company Professional

Passing out of college in the 1990s was no fun, especially if you had a poor BA. Passing out of college in the steel town of Rourkela was even less fun because the town was geared towards Engineering and Medical students and had no place or idea about what an Arts degree could do for someone. Still my heart beckoned for literature, so in spite of fierce criticism and prompts by neighbours to do a course in data entry, I left for Hyderabad to do an MA in English literature in 1994. My belief was that if it is an MA I want to do then let me do it from the best possible place -- University of Hyderabad. After the MA the old questions came up again and still I was as clueless about what to do in life as I was when I had joined the masters programme. I wasn't good enough to pass the UGC NET, or to apply for the minuscule openings for college teachers, school teaching didn't pay much, I was not inclined to spend more of my parents money on attempts to clear the UPSC, and couldn't see myself crunching numbers in some bank job. The choice was between becoming a peon and a journalist. It was a no brainer. In 1997 I chose journalism and I chose Bangalore.

The job at The Economic Times was good (1997-1999). I learnt a lot, especially about how to manage my time and resources and how not to buckle under pressure. Yet, the pay was bad. Actually the pay was fine by other standards: other news papers, other jobs like selling or managing shops. Yet, this wasn't a pay on which one could survive long enough especially when one needs to earn more and take care of his own life, spouse, parents, and so on. The other problem, and a larger one, was that I was disappointed with journalism. When we are younger we dream of changing the world and look for avenues where we can spend our might to achieve our dreams. Journalism seems like an ideal place for it is supposed to be the watchdog of society. However, I realised that the watchdog was often drugged and I had to look the other way while the world carried out its underhand activities. The realisation that I had to remain subservient to the powers and still put up a face of justice to the needy pushed me to change my mind. In that period I remembered something small I had done while I was an MA student. I had helped computer science students write their reports and had realised that, in general, the language skills of the science students are in need of help. At the same time the

Information Technology industry was growing in Bangalore and there were faint voices about the need for Technical Writers. I decided to apply.

I found a place with Novell Software as they were willing to take on experienced people who were freshers to the field. Novell wanted the joiners to have the experience of working in the corporate sector, though not necessarily as technical writers. In fact, they were prepared to show me the ropes. I learnt well and went on to finish five and a half years at Novell. In these years I moved from being a rookie technical writer to managing and leading the team of technical writers at the Bangalore centre. The job involves learning:

- What makes for a good technical writer: understanding of customers
- How to organise information
- How to use the tools to create the information
- How to manage the inputs provided by engineers and support staff
- How to plan and execute work on time
- How to keep internal and external customers satisfied
- Hiring and mentoring new writers
- Evangilising the role within companies and outside

The best part is that I do not have an ethical problem with the work. My work benefits customers and I sleep an honest sleep every night. Novell was a networking company, after leaving Novell I took a six month break to travel around the country. It was not hard to do that because I knew I would still be in demand when I came back. Now I work for Oracle Pharmaceuticals Applications which is where we make software for testing of drugs.

As mentioned above the account of the professional, corroborates the findings. Further it has blurred the disciplinary distinction vis-à-vis job market. So, one can find an MBBS being involved in the software programming and an MBA being the CEO of a big hospital.

The other new types of occupations are the ones which are hybrid in nature such as Bio-technology, Bio-chemistry, Environmental engineering, population geography and others.

These will fields are certainly giving rise to new type of occupations. Associated with this is the phases in which particular occupation and related study is at the forefront. For example, in later part of 90s we had everybody going for software, then came era of MBA and finally now people are saying it is now Genome technology.

21.6 Conclusion

In this unit you learnt about the changing occupational structure in the new economy in post liberalization period, that is, since the mid 1991. You learnt that in India wide range of economic reforms were carried out with the aim of liberalizing and globalizing the economy. Amongst all the other changes, the changes in employment and wages are the major potential channels through which the social impact of increased openness and globalization are felt.

You read about the rate of unemployment of both rural men and women and urban men and women. The analysis of the unemployment reveals that for both rural men and women in the labour force, the rate of unemployment has risen sharply. Urban male unemployment has risen sharply. Urban male unemployment also ride a little but urban unemployment in total actually fell. There has been rising casualization of the workforce which has been explained through case studies. An analysis of NSS data, 55th round for 1999-2000 reveals that there is marked shift in the structure of employment in India. The shift is away from agriculture.

21.7 Further Reading

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