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# Informal Sector and Employment in India

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**Abstract:** *In Indian economy, there are two sectors, viz., formal sector and informal sector. Like formal sector, informal sector also plays an important role regarding growth and development in any developing country particularly in Indian economy. In the past decades, more attention has been given to the formal sector by the State as compared to the informal sector. If we look here and there we see that informal sector occupies a major part in Indian economy. According to National Sample Survey Office (NSSO) data for 2011-12, we see that 91.87 per cent of the total worker employed in informal sector. Again, among informal sector workers in the rural areas, the proportion of self-employed, regular wage/salaried employees and casual labourers were about 57 per cent, 11 per cent and 32 per cent, respectively. On the other hand, among informal sector workers in the urban areas, the proportion of self-employed, regular wage/salaried employees and casual labourers were about 58 per cent, 27 per cent and 16 per cent, respectively. Among workers in the informal sector, about 86 per cent in rural areas and 98 per cent in urban areas were employed in the non-agriculture sector. From the above data it is very clear that, informal sector is not the residual sector of the economy. In fact, it is the dominant sector in Indian economy. Yet, we tend to overlook and underestimate the importance of informal sector. Since the informal sector has huge size and impact, it is needed to more attention to this sector by the policy makers and scholars. The main purpose of our study is to analysis the expansion and employment of the informal sector in Indian economy.*

**Key words:** *Formal sector, Informal sector, Employment, Expansion, Agricultural labourers*

## I. INTRODUCTION

In Indian economy, there are two sectors, viz., formal sector and informal sector. Like formal sector informal sector also plays an important role in relation to growth and development in Indian economy.

In the past decades, more attention has been given to the formal sector by the State as compared to the informal sector. If we look here and there we see that informal sector occupies a major part of our economy. Yet, we tend to overlook and underestimate the importance of informal sector. Since the informal sector has huge size and impact, it is needed to more attention to this sector by the policy makers and scholars.

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On the other hand, among informal sector workers in the urban areas, the proportion of self-employed, regular wage/salaried employees and casual labourers were about 58 per cent, 27 per cent and 16 per cent, respectively. Among workers in the *informal sector*, about 86 per cent in rural areas and 98 per cent in urban areas were employed in the non-agriculture sector.

Nearly 92 per cent of the labour is in the informal sector and 8 per cent in the formal sector. Still we do not have exact statistics on the size of this sector, though some studies mention informal sector to be 94 per cent (India Labour and Employment Report 2014, Institute for Human development, IHDR, 2014).

## II. DEFINITION AND EXPANSION

There are many definitions of informal sector in India. Among them, the most important definition has been given by the National Commission for Enterprises in Unorganised Sector, (NCEUS). According to the NCEUS (2007) "The informal sector consists of all unincorporated private enterprises owned by individuals or households engaged in the production and sale of goods and services operated on a proprietary or partnership basis and with less than ten total workers." The NCEUS also gave a definition of informal workers as, "The informal workers consist of those working in the informal sectors or households excluding regular workers with social security benefits provided by the employers and the workers in the formal sector without any employment and social security benefits by the employers." The Ministry of Labour, Government of India, has categorized the unorganized labour force under four groups in terms of Occupation, nature of employment, especially distressed categories and service categories.

**A. In terms of Occupation**

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

**B. In terms of Nature of Employment**

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

**C. In terms of Specially distressed categories**

Toddy tappers, Scavengers, Carriers of head loads, Drivers of animal driven vehicles, Loaders and unloaders come under this category.

**D. In terms of Service categories**

Midwives, Domestic workers, Fishermen and women, Barbers, Vegetable and fruit vendors, News paper vendors etc. belong to this category. In addition to these four categories, there exists a large section of unorganized labour force such as cobblers, Hamals, Handicraft artisans, Handloom weavers, Lady Tailors, Physically handicapped self employed persons, Rikshaw pullers, Auto drivers, Sericulture workers, Carpenters, Tannery workers, Power loom workers and Urban poor.

**III. EMPLOYMENT IN INFORMAL SECTOR**

Employment of a large part of the population of our country depends on informal sector. According to the 12<sup>th</sup> Five Year Plan, there is more than 84 per cent of the total labour force in the informal sector (Planning Commission, 2013).

Table 1: Sector-wise Formal and Informal Employment in India ( in million)

1999-2000			2004-05			2009-10			2011-12			
Sector	Infor mal	Forma l	Total	Infor mal	Forma l	Total	Infor mal	Formal	Total	Infor mal	Formal	Total
Unorga nised	341.3	1.4	342.7	393.5	1.4	394.9	385.08	2.26	387.38	390.92	1.39	392.31
Organis ed	20.5	33.7	54.2	29.1	33.4	62.5	42.14	30.74	72.88	44.74	37.18	81.92
Total	361.8	35.1	396.9	422.6	34.8	457.4	427.22	33.00	460.22	435.66	38.57	474.23

Source: NSSO data various rounds

From the above table it is found that in 1999-2000, the share of worker in the unorganised sector was 92.39 per cent and only 8.84 per cent worker was employed in organised sector. Similarly, in 2004-05, 2009-10 and 2011-12, the shares of employment in unorganised sector were 92.39 per cent, 92.83 per cent and 91.87 per cent respectively. If we compare between 1999-2000 and 2011-12 we see that the share of employment in organised sector increased from 35.1 million to 38.57 million during this period.

The informal employment in non-agricultural sector in 2011-12 has been shown in the following table 2.

Table 2  
Informal Employment in Non-agricultural Sector in 2011-12 (in million)

Non-agricultural Sector	Organised	Unorganised	Total
Mining	0.99	0.80	1.79
Manufacturing	13.23	39.26	52.49
Electricity and Water supply	0.78	0.43	1.21
Construction	16.12	32.80	48.92
Trade, hotel & restaurant	2.57	47.60	50.17
Transportation, storage & communication	2.31	15.71	18.02
Real estate& other business activities	1.05	3.96	5.02

Education	3.55	2.75	6.31
Health	1.02	1.66	2.68
Public admin, defence	1.11	0.00	1.11
Other services	0.58	13.92	14.50
Total	43.31	158.89	202.22

Source: NSSO data various rounds

From the above table it is found that manufacturing, construction and trade, hotel and restaurant are the main generating sectors both for the organised as well as non-organised sector.

#### IV. CONCLUSION

From the above analysis it is very clear that, informal sector is not the residual sector of the economy. In fact, it is the dominant sector in Indian economy. Yet, we tend to overlook and underestimate the importance of informal sector. Since the informal sector has huge size and impact, it is needed to more attention to this sector by the policy makers and scholars.

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