

## PRECARIOUS EMPLOYMENT IN INDIA: UNDERSTANDING INFORMALISATION OF EMPLOYMENT

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### ABSTRACT

*According to International Labour Rights Forum, Precarious work or employment are those jobs which are filled in the place of permanent jobs and which have very poor working facilities in terms of instability of jobs, poor wages/salaries, unhealthy working conditions.<sup>1</sup> Unlike permanent employment, where the employers are bound to provide social security benefits, in precarious employment there are no spaces for social security benefits and the workers also don't have rights to unionise for their rights and workers are continuously in the fear of getting their jobs lost or being replaced. In this article, I try to analyse the factors and consequences of precarious employment for the Indian economy and society at large.*

**KEYWORDS:** *Employment, Informalisation, International Labour Rights*

### INTRODUCTION

#### **Informal Sector and Informal Employment**

Globally, various labour rights organisation has drawn major attention towards the growing informality and contractual works, which could be taken as proxy indicators for precarious employment. The 3rd edition of Women and Men in the Informal Economy: A Statistical Picture estimates that two billion which accounts for 61 percent of the global employed population earn their living in the informal economy (ILO, 2018).<sup>2</sup> The data also points towards the fact that informal work is mostly employed in developing countries where the working environment is much more precarious than the developed countries. In developing countries, the women, the migrant workers are largely employed in precarious works like street vending, domestic chores and low skill commodity production.<sup>3</sup>

Table 1 shows the global picture, where it's clear that women are the most vulnerable populations across the developed, emerging and developing countries to be engaged in precarious/informal employment. And informal employment is higher as close to 90 percent in developing countries and for women as close to 92 percent. And on the sector of precarious employment, it's also globally reported that informal employment is higher in the non-agricultural sector, where the developing countries account for employing 73 percent in informal non-agricultural sectors in urban and peri-urban areas.

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<sup>1</sup>“Precarious Work.” *Precarious Work / International Labor Rights Forum*, 1 June 2020, [laborrights.org/issues/precarious-work](http://laborrights.org/issues/precarious-work).

<sup>2</sup>Bonnet, Florence, Joann Vanek and Martha Chen. 2019. Women and Men in the Informal Economy – A Statistical Brief. Manchester, UK: WIEGO

<sup>3</sup> Ibid.

In India, the survey carried out by the National Sample Survey Organisation (NSSO) in their report on “Informal Sector and Conditions of Employment in India, 2004-05” shows that out of the total workers, nearly 82 per cent in the rural areas and 72 per cent in the urban areas were engaged in the informal sector.

In the Indian context, AS per 15<sup>th</sup> ICLS (International Conference of Labour Statisticians), the informal sector is defined as those production units where the employment or the income generated are for the person doing the business and the labour relations are not formal and based mostly on kinship-personal base and there are no formal guarantees and arrangements for social security benefits. And in most of the cases, the informal sector has the features of household enterprises and the owners have to raise their finances and the profits and the losses incur only to the owners.

Informal Employment as discussed in the NSS (National Sample Survey) Report according to the 17<sup>th</sup> ICLS (International Conference of Labour Statisticians) framework is identified by jobs classified by the status of employment of various categories of workers engaged in different types of production units consisting of (a) formal sector enterprises, (b) informal sector enterprises, and (c) households which produce goods for their final use and/or those employing domestic workers. The status of employment of the workers performing the jobs may be (a) own account workers, (b) employers, (c) contributing family workers, (d) employees, or (e) member of informal producers' co-operatives. The employment in the above categories may be formal or informal depending upon the type of enterprises in which the workers are engaged or the nature of work they perform.<sup>4</sup>

However, the concept of informal work is not irreplaceable with the concept of informal employment. As it means that informal employment can happen outside the informal sector also if it bears the characteristics of informal unemployment.

The problem of informal employment is at multitude level in India, firstly the rise of the informal sector and the other informalisation of the formal sector, where the labour laws are flouted for benefitting the big capitalist classes or companies in India. The main reasons for the rise of precarious employment are increasing jobs in the manufacturing and service sector in the urban areas, as there is migration from the rural to urban areas in search of jobs. And due to lack of permanent jobs, most of the migrant workers are forced to work in precarious conditions in the informal sector mostly at construction sites, as street vendors, as rickshaw pullers, women mostly as petty commodity producers and also most of the women from the backward regions of the countries are employed as domestic help in the megacities.

And these workers work in very precarious conditions, where there are no proper labour laws to safeguard them, they are mostly unskilled and not highly educated, therefore their exploitation by the owners are more. At the same time, their rights to unionise for their rights are also curtailed and they are forced to live in very shanty conditions, in slums or low-quality housing areas. These informal workers form a large share of the workforce of the economy, but that the same time this workforce is the most exploited and at the same time at a very high-level risk of losing their jobs. This workforce doesn't get attention from the ruling governments as they are not the very influential class of the population. At the same time, these informal workers share the double burden as most of them are migrant workers therefore their demands swing between the state of their domicile and the state where they work.

The major reason for the informalisation of the workers is the loose labour laws as its found that the sectors like trade and construction which are important contributors to the informal sector, and these sectors are highly unregulated and

<sup>4</sup>Government of India, National Sample Survey Organisation. (2011). NSS Report No. 539 (66/10/2), Informal Sectors and Conditions of Employment in India 2009–10, NSS 66th Round, (July 2009–June 2010) (January, 2012)

they work on the principle of profit-making and goondaism, where there are no spaces for the workers' rights. The strict form of size-based regulation applies to the manufacturing sector, in which units that meet the criteria set by the Factories Act, 1948 need to register themselves and be subject to factory legislation. This legal distinction does not apply to non-agricultural sectors outside manufacturing.<sup>5</sup>

Due to low wages in the agriculture sector, as landless labourers, most of the unemployed youth are picked up by the contractors and brought to the cities and they join unregulated informal sector for little higher wages than the village, but at the same time, the problems increase in terms of standard of living and poor working conditions in the cities.

However, there are end number of legislations on paper to safeguard the rights of the workers in the unorganised sector, but there is no practical applicability to these laws. One of such Acts, the unorganised workers' Social Security Act, 2008 lays down basic social security measures wherein the Central Government shall formulate and notify, from time to time, suitable welfare schemes for unorganised workers on matters relating to life and disability cover, health and maternity benefits, old age protection and any other benefit as may be determined by the Central Government and the various State Government should look into the matters of the provident fund, employment injury benefit, housing, educational schemes for children, skill up-gradation of workers, funeral assistances and old age homes.<sup>6</sup>

Due to low bargaining power, these informal workers are forced to live in very precarious health conditions risking their lives and most of them who are engaged in more hazardous jobs like waste picking and working in high toxic industries are more susceptible to health-hazardous jobs.

**Table 1: Percent of Informal Employment in Total and Non-Agricultural Employment by Countries Income Group, 2016 Based on the ILO Calculations on Household Data Sets**

	Total employment				Non-Agricultural employment			
	World	Developed	Emerging	Developing	World	Developed	Emerging	Developing
Informal employment	61	18	67	90	51	17	59	73
Men	63	19	69	87	53	18	61	70
Women	58	18	64	92	46	17	55	78

**Source:** Bonnet, Florence, Joann Vanek and Martha Chen. 2019. Women and Men in the Informal Economy – A Statistical Brief. Manchester, UK: WIEGO

### Informalisation of the Formal Sector

Informal employment is a well-established fact of the informal sector, but over the past decade, India has seen informalisation of the “formal” sector, by which it means that there has been a lot of characteristics of informal employment in the formal sector. As of 2016, informal or contract workers made up more than a third of the total workforce in formal manufacturing.<sup>7</sup> For specific industries such as automobile manufacturing and tobacco products, contract workers were about half of the total workforce. The shift in the pattern of employment in India where most of the earlier formal sector is getting informalised is mainly due to the changes that have taken place in the labour regulations and

<sup>5</sup>Chandrasekhar, C. (2017, September 23). India's informal economy. Retrieved from <https://www.thehindu.com/opinion/columns/Chandrasekhar/indias-informal-economy/article11119085.ece>

<sup>6</sup>The Unorganised workers' social security act, 2008

<sup>7</sup>Jagtiani, T. (2020, February 12). Questioning The Informal-Formal Binary. Retrieved from <https://idronline.org/questioning-the-informal-formal-binary/>

laws not only in India but also across the globe. The labour market has become more flexible where the hiring and firing of the employees have become much easier for employers or companies. And it is found that employing contract workers allows companies, industries or even public sectors to pay lower wages and save on expenses such as healthcare, pensions, paid leave, maternity benefits and others. All the production the service sectors are hiring contract employees where they can easily fire them out and also at the same time increase their profits, by not spending much on the labour costs. In India, due to unemployment at a higher rate, most of the jobs even in the formal sector are now undergoing contractual work, where there are no permanent job securities and no social securities for the workers. And also in India, the labour is cheap due to which various multinational companies are coming and setting up their industries and engaging in hiring more and more contractual workers.

Increasing 'informalization' (or casualization) of the workforce, among other factors, affect the economic growth of a country and it also affects the social lives of those marginalised workforce involved in the casual labour in the formal sector or the informal sector. Contractualization, both within the formal and the informal sector has contributed to hampering the inclusive economic growth by increasing wage inequality between various sectors and across the demography.<sup>8</sup> The trend in the contractualisation of the workforce in the formal sector has adversely affected the living standard of those engaged in work. At the same time, contractualisation of the public sector has affected the production efficiency of the work. Though the policymakers and the profit-making companies adhere to the principle that contract workers as being more on the risk of losing their jobs are any more serious about their work as the permanent employees don't bother about the work so much as they have no fear of losing their jobs.

Data from the Annual Survey of Industries (ASI) on employment in organized manufacturing direct toward the increasing contract labour and which is a crucial factor to understand the labour patterns in India. In 1997-98, the ASI data shows that directly employed workers were five times the number of those employed through contractors. In 2014-15, the latest year for which data is available, regular workers in manufacturing were only 1.8 times those employed through contractors.<sup>9</sup>

### **What is to be Done**

Recent global conferences and roundtables on labour reforms have called attention to the centrality of the informal economy to achieving decent work and social protection for all and equitable development more broadly. The two main global recommending agencies- the UN 2030 Agenda for Sustainable Development and ILO Recommendation 204 concerning the Transition from the Informal to the Formal Economy. Both call for the collection, analysis and use of statistical data and indicators on the informal economy as necessary to formulate and construct policies and programmes that can improve the lives of the marginalised informal workers.

At the same time at the India level, there are already many protective documents in the forms of legislation and acts needs to be implemented. There is no need for more drafting of legislation rather the need is to develop and work on the existing legislations and acts for labour welfare. At India level, the bureaucratic hurdles to implement these laws need

<sup>8</sup>Basu, T. (2019). Inequality in the Formal Manufacturing Sector: Examining contract labour dynamics, wage differentials and social security. Retrieved from <https://www.oxfamindia.org/sites/default/files/2019-03/Full%20Report%20-%20Low-Res%20Version%20%28Single%20Pages%29.pdf>

<sup>9</sup>Chakravarty, Manas. March 22, 2018. 'The growth rate of contract workers has been far higher than that of directly employed workers'. Mint. Retrieved from <https://www.livemint.com/Money/in820rBafIqhkbesEyBJoI/The-growth-rate-of-contract-workers-has-been-far-higher-than.html>.

to diminish and more and more coordination between the state and the central government for the welfare of the labours should come int place. At the same time, most importantly, jobs creation at the village level should be given priority, where the labour workforce doesn't need to travel long distances in search of jobs away from their homes. Various State governments must ensure compliance with the Supreme Court judgment (State of Punjab v Jagjit Singh; October 26, 2016) which states that contract workers are entitled to be paid a wage equal to permanent workers for the same duties discharged to further the principle of 'equal pay for equal work'.<sup>10</sup>

Social security schemes for informal workers should be implemented as per the unorganised workers' Social Security Act, 2008. And at the same time it's the responsibility of the government to help the workforce in establishing their businesses for which the government should make available easy credit facilities and in which the workforce doesn't get trapped in the cycle of debt and unemployment. The government should develop mechanisms to address the complaints of the informal workers and contractual workers, and various levels of government should not pass the responsibilities to each other, rather should work together for the better conditions of the workers in the informal sector. Also, minimum Wages should be implemented and should be checked by the government authorities from time to time to ensure that the workers are receiving a proper wage.

## CONCLUSIONS

The most marginalised of the informal workers, the women should be given more care by the government authorities, where acts like to check sexual harassment at workplace, women getting equal wage as to men and other benefits like paid maternity benefits should be provided to the women in the informal sector. And the main purpose of the government and various agencies involved in the labour welfare should be that all the workers whether in the informal sector or whether informalised workers in the formal sector lead a life of respect, dignity and where all of them get their due respect for the work they do.

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<sup>10</sup>Basu, T. (2019). Inequality in the Formal Manufacturing Sector: Examining contract labour dynamics, wage differentials and social security. Retrieved from <https://www.oxfamindia.org/sites/default/files/2019-03/Full%20Report%20-%20Low-Res%20Version%20%28Single%20Pages%29.pdf>



