

Globalization and Unorganized Labour in India

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The paper deals with the impact of globalization on the workers of informal sector. With the help of NSSO data from 1999-00 and 2004-05 the paper concludes that the net effect of the globalization in India is the in-formalization of workers. Workers find most of jobs/employments in informal or unorganized sector and jobs are declining in formal sectors. Lack of social security in unorganized sector is beneficial for the employers and put workers in dangerous conditions.

Key Words: *Informal Workers, Globalization, Unorganized, Contract labour.*

Introduction :

What constitutes the informal sector economy has been a matter of considerable debate over the past two decades, even as the phenomenon itself expanded to include over 500 million people all over the world by the turn of the last century. The distinction between formal and informal sector employment at least in manufacturing sector can be made, on the basis of whether the employing enterprise is registered under the factory Act or not. For once the enterprise is a registered factory the conditions of work get regulated. The registration is obligatory as size of employment reaches 10 workers with use of power and 20 workers without use of power.¹

The formal and informal classification was initially used by Hart² in a study of urban Ghana. Hart observed that many income-generating opportunities were informal in nature. These opportunities were identified with

unorganized and self employed sector. Employment mission to Kenya (ILO/UNDP) with a view to framing specific policy measures for creation of employment and income in the informal sector has also divided the urban production system into formal and informal sub system³. Heather and Vijay Joshi have distinguished, organised and unorganized sectors in Bombay under the three major heads - market structure, technology and relationship with government⁴. They defined informal sector as "those engaged in economic activity, who are not identifiably performing it for the formal sector"⁵. Illustrating the Indian situation, Papola, opines that the distinction between the formal and informal sector employment can be made on the basis of registration of the manufacturing enterprise under the Factories Act⁶. Dipak Majumdar's study describes informal sector as the "unprotected" sector. He observes that employment in the formal sector is protected by the actions of trade unions and government, while

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the same is denied to the informal sector labour⁷. The enterprise-based definition of unorganized sector propounded by the 15th international conference of labor statisticians and the New System of National Account (SNA), 1993 is woefully inadequate as it completely ignores the status and conditions of the worker, his/her wages, quality of work, social security and the heterogeneity of occupations and relations. Agricultural occupations are also largely ignored although they comprise the biggest component of the informal economy. A better description of the informal economy would be in terms of the absence of legal or formal relationship between employer and employee, apart from self-employment. It is characterized by very low wages, absence of legal benefits like health care, old age benefits and extremely onerous terms of work.

Characteristics of Unorganised Sector :

The national commission on labor (1969) observed certain difficulties in defining the unorganized labor. Therefore the commission described the characteristics of this sector as follows:

(A) Casual Nature of Employment- This is a fact that the people do not get regular employment for their work. They get work for one or two days or for few days only, there is no concept of regular or permanent work in the unorganized sector.

(B) Ignorance and Illiteracy- The people working in the unorganized sector are illiterate and ignorant. Therefore they remain ununionized in their work. They can't foresee the strength of organization. With the result they have to suffer only with the problems of insecurity and the hazards of their work.

(C) Small Size of Establishment with Low Capital Investment per Person

Employed- The establishment or the work place is very wretched for the workers. Although, the employer gets his profit at the cost of the laborers, yet he does not provide them any suitable place. The size of the workplace is very small and ill maintained in respect of the proportion of the workers and their labor.

(D) Scattered Nature of the Establishment - One of the most important features of the unorganized sector is that the work is not confined to one place. Rather it is spread over several areas. Consequently the workers can't work at one place. The obvious motive behind, it is to keep them disintegrated and unorganized so that they couldn't raise their voices unitedly against the employers or the management.

(E) Superior Strength of the Employers Operating Single and in Combination- In order to keep the workers disintegrated, the employers appoint illiterate workers. They don't give them regular work and are kept at different places. Due to these reasons, the workers always feel insecure and try to remain loyal and faithful to their employers. Thus, the employers maintain their superiority and strength over their laborers. This is the management skill of the unorganized establishment. Thus a single employer as well as several partners can run the organization with this skill.

MAJOR COMPONENT OF INDIA'S UNORGANISED SECTOR :

Among the different sectors of the industrial workforce, the informal sector is one of the biggest manual sectors. In India, the unorganized workers constitute 93% of the total workforce. Some of the prominent components of India's informal sector are categorized below:

Agriculture :

All landless agricultural labourers, small

and marginal farmers (Who need to work as wage laborers to supplement their income from meager land holdings), artisans (like leather workers, weavers, potter etc.) fisherfolk, those involved in animal husbandry, those involved in forest based activities, and diverse occupations ancillary to these.

Industry :

Majority of workers in diverse industries like brick-kilns, salt, papad, construction, beedi-making, agarbatti making and dozens of others usually based in rural areas. Workers in industries that should normally be covered by legal provisions but are actually not, especially small scale industries ; sections of large scale industries that have contractualised a part of the workforce; home based workers producing a variety of goods; employers and workers of small household; own account enterprises of other kinds; and various enterprises ancillary or complementary to these.

Services :

Majority of workers in transport, shops, hotels and dhabas, personal services, domestic servant and community services etc. come under unorganized labour category.

Table : 1

Employment growth rates of informal and formal workers by economic activity in India, 1999-00 to 2004-05

Economic Activity	Growth Rate (%) Informal Workers	Growth Rate (%) formal Workers	Growth Rate (%) Total Workers
Agriculture	1.75	-0.18	1.73
Industry	6.66	-0.6	5.73
Services	4.71	0.12	3.67
Total	3.16	-0.10	2.89

Source: Computed from individual level data, NSSO 55th (1999-2000) and 61st (2004-05) Round Surveys on Employment - Unemployment.

The table shows that in each of the three sectors, agriculture, industry and services, virtually the entire increase in employment is in the form of informal employment. Hence we can conclude from the data that the net effect of globalization came out in the form of informalization of workers. Employment in formal sector shows a decline during the globalization phase. The share of unorganized manufacturing in total manufacturing employment has increased from 80.7% in 1983, to 83.2% in 1993-94, and further to 85.0% in 2004-05. Workers employed through contractor (hereafter, contract workers) as percentage of total workers employed in organized manufacturing has increased from 14% in 1995-96 to 29% in 2005-06 (Goldar, 2010).

THE CORE ISSUES :

The globalization has resulted in increasing misery of toiling masses, especially in the third world countries. The policies imposed by the world Bank, IMF and WTO in the past one decade have had a devastating effect on the poor. The living and working conditions of the labor have been adversely affected. The policies that have caused considerable hardship to the labour include dismantling of the worker's security of employment, reduction of wage in the social products, closure of independent small enterprises and handcraft / handloom sector, destruction of food security, privatization of activities, assets and natural resources, sharp increases in the cost of essential services and goods such as electricity, health care, education, transport and food, dispossession of tribal land and handing over of forest to corporate interests, growth of unemployment and underemployment. The workers in the unorganized sector, both in urban and rural areas, have become the worst victims of these policies.

Providing of social security for a large number of self employed people, especially for those engaged in household and micro-enterprises activities including home based workers, street vendors etc., poses a greater challenge. Largely unreported and faced with the uncertainties of the market their security needs involve adequate access to inputs, services and marketing facilities. A large number of workers in this category also need security of work premises as well as legal recognition of their activities. For them, social and economic security essentially implies income security through various interventions - fiscal, labour market and organizational.

There is a need for creating a more supportive environment for self-employment, both in rural and urban areas. Earnings depends on productivity of the worker, for which technology, infrastructure, capital formation and skills are of importance. The level of skill acquired is related to a basic level of education and therefore, increase in literacy and school enrolment will have to aim for their long-term impact. Similarly, support to informal sector in urban areas through access to credit and technology are crucial for raising the productivity of the urban self-employed and casual workers.

As a category of workers, women demand special attention in term of their social security needs. The Minimum Wages⁸ Act 1948 was passed to reduce discrimination in wages of the workers. But it has very little impact over the actual wage payment. These conditions of the workers have been shown by numerous such studies conducted in different parts of India. In such cases, female workers are the greater victims. It is reported that in many places they are not even paid half of the minimum wages prescribed for the maximum period of work.

Gender discrimination in the labor market is a big issue. There should be effective policy amendments and intervention to address this. There still exist substantial wages disparities between males and females. On a priority basis, there should be efforts towards this as an increase in women's income has more effect on the overall welfare of the household. Women's specific security needs such as maternity benefits, childcare etc., in the unorganized sector are yet to gain attention in the discourse on social security. And a lion's share of women workers is in the unorganized sector. Gender sensitive policies need to be implemented towards this to increase the productivity of women as well as to increase their work participation in the economy.

CONCLUSION :

In the era of globalization and large scale exploitation of workers in the informal sector, the need of the hour is a comprehensive central legislation providing for an unorganized sector workers (Regulation of Employment and welfare) Act on the lines of the Dock workers (Regulation of employment) Act, 1948. There should be a comprehensive scheme for regulation of Employment and Welfare measures. A provision should be for creation of the Boards, which are of tripartite of nature with status of incorporation at the area level. There should be a provision for an Advisory Committee to advice the Boards from time to time in implementing the scheme. Government should focus on training and skill upgradation and social security and job security for the unorganized laborers. More importantly, for any positive impact, long term and short-term interventions need to be planned with adequate linkages amongst the interventions. Provisioning of quality health care and primary education along with

vocational training and provision for institutional mechanisms for skills upgradation are to be prioritized as long-term and short-term initiatives. As the risk of repetition, it needs to be emphasized that effective implementation of

minimum wages and its periodic upward revision are urgently required to ensure the basic security of income to the workers to sail through the troubled tides of globalization.

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