International Journal of Science and Research (IJSR) ISSN: 2319-7064

SJIF (2022): 7.942

Unveiling the Dynamics of India's Workforce: Informal Employment, Economic Reforms, and the Path to Inclusive Growth

Anchal Mehta¹, Divya Dang²

¹Assistant Professor, Economics, Mehr Chand Mahajan DAV College for Women, Chandigarh, India Email: anchaleconomics[at]gmail.com Mobile No: 08699899720

> ²Assistant Professor, Economics, MBA - Apex, Chandigarh University Email: divyadang362[at]gmail.com Mobile No: 98767 65210

Abstract: Economic growth of a country is upheld by its labour force. India possesses the largest young workforce compared to any country, and is the fastest growing economy today. According to Census, International Labour Organization and NSSO data; the total Labour force Participation rate in India has decreased, while the Workforce Participation rate has increased. Women workforce participation is a driver of growth and its participation in the labour market has witnessed a steady growth in recent years. Paper discusses the segregation of the unorganized and organized sector with formal and informal employment division and discusses the impact of economic reforms on the direction and size of informal workforce employment. An attempt has been made to discuss the trends of informal employment workforce followed by a comprehensive study on problems faced by informal workers and the collective recommendations are seen to boost the upliftment of informal worker conditions.

Keywords: Informal employment, Economic Reform, Female workforce participation

JEL Classification: A10, E24, J01, J08

1. Introduction

Economic reforms have surely affected the formal sector of the Indian Economy and not the informal sector being outside the purview of the laws and regulations, still countless transformations have also been witnessed in the informal sector of the Economy. According to Survey 2018, women workers are the most disadvantaged in the labour market as they constitute a very high proportion among the low skilled informal worker category and are engaged in low productivity and low paying work. India possesses the largest young workforce compared to any country, and is the fastest growing economy today. According to a data report of Census, International Labour Organization and NSSO various rounds, the total Labour force Participation rate in India has decreased from 60.66per cent in 1991 to 53.65per cent in 2018. While the Workforce Participation rate has increased from 37.5per cent in 1991 to 50.5per cent in 2018. This shows the Unemployment rate has fallen down. Women workforce participation is a driver of growth and its participation in the labour market has witnessed a steady growth in recent years. Out of the total workforce, 25.8per cent is female workforce participation rate against 73.3per cent male workforce participation rate in the year 2018. India's informal sector is the prime rib of the economy as it provides employment to 90 per cent of the workforce and contributes about 50 per cent of the national product.

2. Review

 Banerjee &Nabanita (2018) has witnessed a remarkable growth rate in the economy since the introduction of

- economic reforms. The inception of reforms increased the standard of living of the citizens, decreased absolute poverty and also increased the GDP, employment and per capita income. It was also investigated that with globalization employment of women has increased but mostly in the informal sector and most of them are self-employed, the nature of work is highly exploitative, less paid also there is dearth of and social security contributions.
- Abraham (2016) investigated the breakdown of informal employment into different types. The paper revealed that informally employed in informal enterprises and the self employed were generally the relatively young and uneducated. However, the more recent form of informal employment, i. e., the informal employment in formal enterprises, is composed of relatively older and well educated individuals. The findings challenge typical traditional notion of the informal labour force as being composed of the very old or very young, illiterate or under educated individuals formally. The Paper also provides a direction for policy to adjunct education reform with employment conditions.
- Singh & Gupta (2011) made an attempt to study the Indian Economy under two distinct sectors organized and unorganized (informal) and found the through the extensive informal sector contributes a considerable share of economic development but at the same time is held severe problems of poor work condition, absenteeism of regulatory body and career advancement, poor job security. Although 94 percent of the women workforce is engaged in the informal sector yet has to

Volume 12 Issue 9, September 2023

www.ijsr.net

Licensed Under Creative Commons Attribution CC BY

Paper ID: MR23824164902 DOI: 10.21275/MR23824164902 295

International Journal of Science and Research (IJSR) ISSN: 2319-7064

ISSN: 2319-7064 SJIF (2022): 7.942

face gender discrimination since they cannot find jobs easily in the organized sector.

- Dadheech (2016) investigated that working conditions of women in the informal sector are highly exploitative. A handful of laws exist for the betterment of those working in the informal sector and that too exist with huge loopholes and the only possible condition to empower women with their rights is to educate them about their rights. Knowledge should be imparted to them as to how they can gain access to their rights and facilities.
- Venkatanarayana &Naik (2013) studies and analyzes that census 2011 data takes a new step in the ongoing debate on the decline in the growth rate of female workforce, without a decline in the work participation rate, between 2001 and 2011, also the paper reviewed that more male workers are getting absorbed in marginal workforce participation and less of female as only one third of female workforce is working as marginal worker. Though a substantial amount of female workforce entering the non agriculture sector is a matter of salutation on one hand but on the other hand is a matter of concern on the expanding informalization of the workforce.

3. Objectives

- a) To study the impact of economic reforms on informal employment of the country.
- b) To find the trends and status of women in the informal sector of economy.
- c) To study the aperture between rural urban female workforce particular in Informal Sector.

4. Methodology

The analysis is mainly concerned with identifying the trends and spatial variations in the informal work participation of females versus males. The changes occurred in the informal occupational workforce in rural –urban areas since the inception of economic reforms has been discussed. For the

study, secondary data has been collected by the Census reports (1991, 2001, 2011), National Sample Survey Organization (NSSO) various rounds (50th round - 1993 - 1994, 55th round - 1999 - 2000, 61st round - 2004 - 2005 and 68th round - 2011 - 2012), Employment and Unemployment situations in India 2011 - 2012, 2021 - 22, International Labour Organization, world bank report, Office of the Registrar General, in India, and Employment - Unemployment Survey computed by National Commission for Enterprises in the unorganized Sector (NCEUS)

5. Data and Descriptive Trends

According to the 15th census 2011 report, total population of the country is 1, 210, 854, 977 where number of females stand 586, 469, 174 (48.43per cent) against 623, 724, 248 (51.52per cent) males and 487, 303 (0.04per cent) accounts for number of transgender. Out of the total population 68.8per cent of population is concentrated in rural area and 31.1per cent is settled in urban area. The trends in the workforce participation between the sexes have followed a similar trend of variation seen in the sex ratio of the country. Globally, the level of informal employment in agriculture sector (93.6 per cent) is highest, followed by industry (57.2 per cent) and services (47.2 per cent). According to NSSO data, 2011 - 12 informal employment in the agricultural sector was 48.69 per cent, industry (manufacturing 8.28 per cent and non - manufacturing 7.18 per cent) and services was 18.29 per cent in India. With time in decades the data represents a slow rate of change in the same direction.

The various reviewed papers state the decline trend in female labour force participation but here the paper discusses the trend of female workforce participation as there is a difference between the LFPR and WPR. The number of people who are able to work and willing to work are considered as part of the labour force, such as children and old people are not considered to be in the labour force. The people who are unwilling to work in spite of being able to do the work are excluded from the labour force.

Labour Force Participation Rate (LFPR) = No. of employed+ No. of unemployed persons x1000. Total population

Work Participation Rate (WPR) = No. of employed persons x 1000 Total population

Here the data shows the direction of LFPR and WFPR from post reform years till today,

Table 1: India, Labour Force and Work Force Participation Rate (in percent)

Years	LFPR	WFPR (Work Force Participation Rate)				
	(Labour Force Participation Rate)	Total	Male	Female		
1991	60.66	37.5	51.6	22.3		
2001	59.31	39.1	51.7	25.6		
2011	54.64	39.8	53.3	25.5		
2018	53.65	50.5	52.1	17.5		
2019	48.14	46.8	52.3	17.6		
2020	44.92	52.6	53.9	21.8		
2021	45.57	53.8	54.9	24.2		

Source: Census 1990, 2001, 2011, World Bank report, MOSPI reports, ILOSTAT database (Data retrieved in September 2022),

Volume 12 Issue 9, September 2023

www.ijsr.net

Licensed Under Creative Commons Attribution CC BY

^{*}Work Participation rate is the number of persons employed per 1000 persons

International Journal of Science and Research (IJSR) ISSN: 2319-7064

ISSN: 2319-7064 SJIF (2022): 7.942

In India, data of labour force participation rate shows downward trend from 1991 (after economic reforms) 60.66per cent to 54.64 per cent in 2011 and then 53.65per cent in 2018. On the other hand, work force participation has been increased from 37.5per cent to 39.79 per cent in 2011 and then 50.5 percent in 2018. This results in the unemployment rate having fallen with the assigned time after the economic reform period. Male workforce participation has increased at a faster pace compared to female workforce participation. The trend shows that the

role of women in total workforce participation is increasing but at a very slow pace comparatively. In the year 2015 transgender workforce participants came into the picture which is 45.9 percent of WFPR which expanded to 47.2 percent in 2018. The Total labour Force participation rate was 44.92 in 2020 which rose to a few percent 45.56 in 2021. With respect to the work force participation rate in male and female, both have been increased to 54.9 and 24.2 percent respectively. Workforce is classified into mainly four categories based on the occupation as described below:

Table 2 (a): Analysis of Workforce along Enterprise and Employment Type

		Enterprise type				
		Organized	Unorganized			
		Regular salary	Regular/ salaried			
	Formal	Job Security and benefits	Some benefits			
		• 10 or more workers	• Less than 10 workers			
Employment type	Informal	Contract work	• Casual worker=Daily, weekly, monthly wages			
		• 10 or more worker	Self - employment, regular/salary			
		Short duration employment	 no benefits or security 			
		No Job security	• Less than 10 workers.			

Source: Prepared by Author

Agricultural laborers, Cultivator, Household Industries and others which includes the service sector.

Organized and Unorganized Sector

According to the National Commission for Enterprises in the Unorganized Sector. The major features of this sector are: ease of entry, smaller scale of operation, local ownership, labour - intensive and operating using lower technology based methods, flexible pricing, less sophisticated packing, inadequate access to government schemes, finance and government aid uncertain legal status, absence of a brand name, unavailability of good storage facilities and an effective distribution network, lower entry barriers for employees, a higher proportion of migrants with a lower rate of compensation, lower job security and poorer chances of growth, and no leaves and paid holidays, they have lower protection against employers indulging in unfair or illegal practices.

Table 2B: Formal - Informal Employment Across Organised - Unorganised Sector (In Percentage)

		`							
Sector	Sectors								
Employment	Organized	Unorganized	Total						
Employment	sector	sector							
	1999 - 2000								
Formal workers	62.20	0.5	8.5						
Informal workers	42.0 99.5		91.5						
2004 - 2005									
Formal workers	53.8	0.4	7.7						
Informal workers	46.2	99.6	92.3						
2011 - 2012									
Formal workers	45.4	0.4	8.1						
Informal workers	54.6	92.9							
2017 - 2018									
Formal workers	44.3	0.28	4.70						
Informal workers	45.2	89.06	42.43						
	2018 - 2019)							
Formal workers	49.1	0.45	5.35						
Informal workers	45.5	85.55	45.43						
2019 - 2020									
Formal workers	50.5	0.90	5.89						
Informal workers	44.6	90.65	47.64						
41-	et								

Source: NSSO 55th and 61st round survey, NITI Aayog, Economic Survey, 2014 - 15, Economic Survey, 2021 - 22

According to 68th NSSO data, the share of formal sector jobs has increased (in comparison to earlier 7 years). However, in absolute terms the growth of the formal sector lagged behind the informal sector while according to ILO Indian Labour Market, 2016 the new jobs which are being created in the formal sector are actually informal in nature because workers are not entitled to benefits of social protection, social security and other employment benefits. It can be interpreted from the table above that though the unorganized sector in the preceding years has not shown any significant growth yet has been seen expanding due to increasing informal employment in the organized sector. Trends show that the number of formal workers in the organized sector has decreased from 62.20per cent in 1999 - 2000 to 45.4per cent in 2011 - 12 and the informal worker rate is growing from 42 per cent in 1999 - 2000 to 54.6per cent in 2011 - 12. Informal employment is the backbone of the economy and provides employment to 92 per cent of the workforce. Date 2019 - 20 depicts that under organized sector formal workers increased to 50.5 percent whereas informal workers decreased to 44.6 percent. And under the Unorganized sector formal workers are less than 1 percent and 90.65 workers are informal workers. It shows that informal workers in the total workforce is almost 47.64 percent.

Informal Employment:

Due to the contribution of almost 91 percent of all employed persons in India being informal, India leads the world in Informal employment (the informal sector generates 50 percent of national workforce is women's informal workers. The share of women is 27.2 percent and are concentrated more in unsafe and meager earning forms of work when compared to men in India. Women are less likely to be employers and more likely to be nonwork contributing family members or casual wage earners (Bhagat, 2008). They are not even paid for the work in their own homes or even not paid if they provide services in others homes.

297

Volume 12 Issue 9, September 2023

www.ijsr.net

Licensed Under Creative Commons Attribution CC BY

International Journal of Science and Research (IJSR)

ISSN: 2319-7064 SJIF (2022): 7.942

Among the five South Asian countries in formalization of labor in India (81.0 per cent) and Nepal is highest (90.7per cent), Sri Lanka (60.6per cent), Bangladesh (48.9per cent), Pakistan (77.6perwork) (International Labour Organization). According to a new report by ILO, the distribution is 85.8 percent in Africa, 68.2 percent in Asia and the Pacific, 68.6 percent in the Arab states, 40 percent in the Americas and only 25 percent of Europe and Central Asia of employment is informal. Of the total world's informal employment, 93 percent is in developing and emerging economies.

All Informal employment can be classified mainly into three categories based on the status of their employment: self - employed, regular, and casual. Self - employed persons are those engaged independently in their account work or with few partners mainly characterized by autonomy in decision - making and economic independence on that principal status Regular or salaried. The regular received salary or wages on a regular basis on an open - ended contract with no fixed termination date. A casual worker is a person casually occupied and receives wages according to daily or periodic work contract terms.

Table 3: Status of Total Informally Employed Workforce (In Percent)

Classification	Self –	Regular/	Casual		
Years (Post Reform)	Employed	Salaried Class	Workers		
1993 - 94	54.6	13.6	31.8		
1999 - 00	52.9	13.9	33.2		
2011 - 12	56.22	11.19	32.57		
2019 - 20	53.5	22.9	23.6		

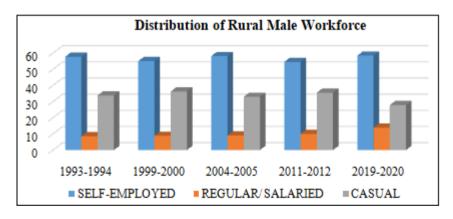
Source: NSSO various rounds (50th, 55th, 68th and 71st)

According to table 2, the total informal employment (both in organized and unorganized sectors) constitutes 91.5 percent of total workforce in 1999 - 2000, 92.3 percent in 2004 - 05 and 92.9 percent in 2010 - 11. That total informally employed workers can be further classified into Self - employed, regular and casual employment. Data trends show that total self - employed and casual workers are increasing whereas the regular class shows decline. In 2019 - 20 self employment share declined and regular class percentage increased. Due to pandemic and lockdown in 2020, self employment hitted badly, as casual workers were not able to fetch the jobs which fell to 23.6 percent. The subsequent table shows a dissection of total informal workforce on sex and section basis.

Table 4: Percentage Distribution of Employment (Self - Employment/ Regular Employed/ Casual Labour) by Sex and Sector in India

Year	Rural					Urban						
	Male			Female		Male			Female			
	Self - Employed	Regular/ Salaried	Casual	Self - Employed	Regular	Casual	Self - Employed	Regular/ Salaried	Casual	Self - Employed	Regular/ Salaried	Casual
1993 - 1994	57.7	8.5	33.8	58.6	2.7	38.7	41.7	42.0	16.3	45.8	28.4	25.8
1999 - 2000	55.0	8.8	36.2	57.3	3.1	39.6	41.5	41.7	16.8	45.3	33.3	21.4
2004 - 2005	58.1	9.0	32.9	63.7	3.7	32.6	44.8	40.6	14.6	47.7	35.5	16.7
2011 - 2012	54.5	10	35.5	59.3	5.6	35.1	41.1	43.4	14.9	42.8	42.8	14.3
2019 - 2020	58.4	13.8	27.8	63.0	9.5	27.5	38.7	47.2	14.1	34.6	54.2	11.1

Source: ILO Estimates based on NSSO data



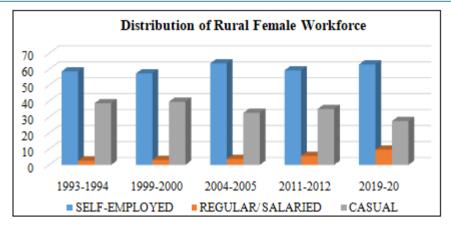
Volume 12 Issue 9, September 2023

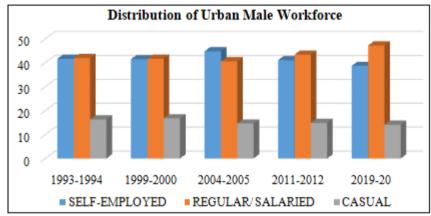
www.ijsr.net

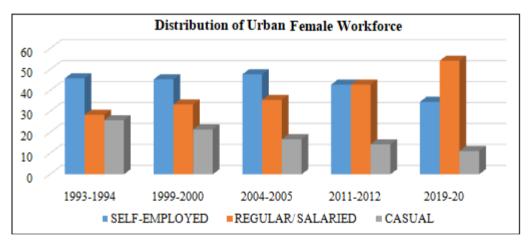
Licensed Under Creative Commons Attribution CC BY

International Journal of Science and Research (IJSR)

ISSN: 2319-7064 SJIF (2022): 7.942







One probable reason for the drop in the participation rate in casual employment both in rural and urban areas among girls and women might be the recent augmentation of secondary education and briskly changing social norms of more working age females opting to education than joining the labour force at an early (Khan, 2019). As data shows that the number of casual female labour is decreasing in both rural and urban areas. After the reform period in 1993 - 94, the percentage of casually employed female workers in rural areas has decreased from approx.39 per cent to 35 per cent and 26 percent to 14 percent in urban areas in 2011 - 12. There has been a significant increase in the casual workers in the rural areas in 2011 - 12 as compared to 2004 - 05, because of the impact of theNREGA and the self - employed grew remarkably

Level of education is a key factor affecting the informality level of work participation rate (Venkatanarayana, 2013).

The empirical fact shows that the Informal Sector is characterized by low wages as well as low productivity owing to the reasons for low levels of formal education and training (Srinivasan, 2008). Globally it has been observed that with increase in level of education the rate of informality decreases. Since all those who are done with their secondary and professional level of education are less likely to be absorbed in the informal sector than those who are done with only primary education or have no education at all.

Reasons for informalisation of workforce

The reasons responsible for women being more attracted to above mentioned informal jobs are such as

299

- Economic compulsions
- Only jobs available nearby their habitat
- They think proud being self employed
- In some jobs they could work from home

Volume 12 Issue 9, September 2023

www.ijsr.net

Licensed Under Creative Commons Attribution CC BY

International Journal of Science and Research (IJSR)

ISSN: 2319-7064 SJIF (2022): 7.942

- Such jobs require less skill, education and experience
- Wages are negotiable and incentives are provided on work performance
- No set of defined rules
- Significant amount of non monetary benefits received food, clothes, gifts and tip by guests.

Challenges faced by women employees in informal sector

- Inequality and Gender discrimination.
- No recognition of the trade unions.
- Low job security and job satisfaction
- · Lengthy working hours with no incentive.
- Unhygienic working conditions and no proper sanitation access.
- No minimum decent wages act.
- Prone to crime and atrocities and deportation.
- Highly risky and hazardous working conditions.
- Bondage of labour.
- No medical, maternity and child benefit schemes.
- No entitlement to social security schemes.

Government Policies and Programmes for the Upliftment of Women in Informal Sector

- a) In 2004, the Government of India set up the National Commission for enterprises in the unorganized sector (NCEUS) to examine the issues of the informal economy.
- b) With the outbreak of Digitization and Demonetization, the Government has taken a step to regulate the untapped cash transactions done under the informal sector.
- c) National Skill Development initiative, 2005 authorizes the individuals through improved skills, knowledge, nationally and internationally recognized qualifications to enter into decent employment and ensure India's competitiveness in the global market.
- d) The Government of India is committed to the Constitution of India which gives rights to the citizens and under Directive Principles of state policy to regulate all economic activities for safety and health risks at workplaces and also to provide measures to ensure safe and healthy working conditions for every working individual in the nation.
- e) The 'Unorganized Workers Social Security Act, 2008', protects the interest of unorganized workers by formulating social security schemes in the area of health care, insurance cover and old age pension etc. The other social security schemes for the unorganized workers are:
- Indira Gandhi National Old Age Pension Scheme
- National family Benefit Scheme
- Janani Suraksha Scheme
- Handloom Weavers Comprehensive Welfare Scheme
- Handicraft Artisans Comprehensive Welfare Scheme
- Pension to Master craft persons
- National Scheme for Welfare of fisherman and training and Extension
- JayshreeBimaYojana
- RastriyaSwasthyaBimaYojana
- AamAdmiBimaYojana Ministry of Finance, Government of India has approved the merger of Social Security Schemes viz., AamAdmiBimaYojana (AABY) and JanashreeBimaYojana (JBY). Merged scheme is

renamed "AamAdmiBimaYojana" and has come into effect from 01.01.2013

6. Conclusion

The new census recognizing that transition from the informal sector to formal economy is essential to achieve inclusive development to realize decent work for all is reflected in the 2010 Agenda for sustainable development Agenda Notable Sustainable Development Goals 8, which is to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent workforce and in particular for the fulfillment of Target 8.3.

As a matter of fact, the increasing participation in the labour force of women in economic development programmers' and in decision making even leads to women's progress in various spheres. A majority of women work as home - based workers in garments, agarbatti making, zari, beedi, Tiffin service, beauty parlors. In numerous cases the employee - employer relationship is veiled which in cases happens to weaken women's access to protection in respect to wages or working conditions. The acts such as Unorganized Workers Social Security Act made an attempt to provide some of welfare schemes - Janani Suraksha Yojana applicable to unorganized workers specially covering females. The limitation regarding the scheme is that their coverage being limited to BPL category, wide coverage of such schemes needs to be ensured and explored.

References

- [1] Abraham, Rosa. *Informal employment in India: An analysis of forms and determinants*. Institute for Social and Economic Change, 2016.
- [2] Banerjee, Susmita, and N. De. "India's informal employment in the era of globalization: Trend and challenges. " *IOSR Journal of Business and Management* 20.4 (2018): 12 20.
- [3] Bhagat, R. B., et al. "Levels, Trends and Structure of Workforce in India: Census Based Study 1981 2001. " *International Institute for Population Sciences: Mumbai* (2008).
- [4] Chowdhury, Subhanil. "Employment in India: What does the latest data show?" *Economic and political weekly* 46.32 (2011): 23 26.
- [5] Dadheech, R. (2016). Women workers in the unorganized manufacturing sector of Punjab. In the 13th National Conference on Management, Information Technology and Engineering, GianJyoti -Journal (Vol.6, No.3).
- [6] "Economic Survey, India 2012", website of Ministry of Labour and Employment and Organization.
- [7] Khan, Atif. "Informal Sector Dynamics in India: An Approach Towards Informal - Formal Transition." Assessing Informal Employment and Skills Needs: Approaches and Insights from Regional and Local Labour Market Monitoring (2019): 87.
- [8] 'Men and Women in Informal Economy A statistical picture (Third edition"), International LabourOrganization, 2018 ISBN 978 92 2 131580 3.

300

Volume 12 Issue 9, September 2023

www.ijsr.net

Licensed Under Creative Commons Attribution CC BY

International Journal of Science and Research (IJSR) ISSN: 2319-7064 SJIF (2022): 7.942

- [9] "NSS Report on Employment and Unemployment Situation in India", 2009 10 (66th round).
- [10] Papola, Trilok S. "Employment trends in India." Institute for Studies in Industrial Development, New Delhi, India http://isid.org.in/pdf/EmployTrenz. PDF (2006).
- [11] Singh, Tripti, and Anvita Gupta. "Women working in the informal sector in India: a saga of lopsided utilization of human capital. " *International Proceedings of Economics Development and Research* 4 (2011): 534 - 538.
- [12] Srinivasan, T. N. "Employment and Unemployment since the Early 1970s." *India Development Report* (2008): 54 70.
- [13] Venkatanarayana, M., and Suresh V. Naik. "Growth and Structure of Workforce in India: An Analysis of Census 2011 Data." *MPRA Paper* 48003 (2013).
- [14] "Women and Men in India 2017 report Social Statistical Division", Central Statistics office, Ministry of Statistics and programme Implementation, Government of India, 2018.

Volume 12 Issue 9, September 2023

www.ijsr.net

301

Licensed Under Creative Commons Attribution CC BY