Discrimination in Indian Labour Market

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ABSTRACT

The unorganized workers account for about 93 percent of the total workforce and the share of unorganized sector is about 50 per cent in the Gross Domestic Product (GDP) in India. But it is observed that workers in this sector are highly vulnerable to job security and social protection. The conditions of women workers in the informant sector are highly vulnerable than men workers. It is also observed that the number of workers in unorganized sector (informalization of working class) has increased during the last decade. The majority of the workers in unorganized sector who do not get social security benefits are from disadvantaged sections of the society. Workers in informal sector are found to be paid even less than one third of the formal sector wage. Very low living standard is workers in the informal sector as compared to public sector and formal sector because of wage inequality by sectors.

Key Words: Gender Discrimination, Wage Differences, Unorganized Workers

Section 1: Introduction:

In 1972 the term informal sector was first used by the International Labour Organization (ILO) to denote a wide range of small and unregistered economic activities. The terms ‘unorganized’ and ‘informal’ sectors are often used interchangeably. The spectrum of work in India is generally divided into two broad segment, one is work in the organized sector and other in the unorganized sector. The coexistence of organized and unorganized sectors implies the dual character of the Indian labour market. The organized sector of the economy has not been able to absorb the increasing labour force with the increasing size of population. Under such situation the unorganized sector plays a dominant role in providing employment opportunities to a significant portion of the labour force. Thus it is evident that the unorganized or informal sector constitutes a pivotal part of the Indian economy. Ninety three per cent of workforce and about fifty per cent of the national product are accounted for by informal economy.

Concept and Definition of Unorganized Sector:

The concept of ‘informal’ or ‘unorganized’ sector is difficult to define precisely. Most often it is defined negatively by pointing out the absence of characteristics that belong to ‘formal’ activities; of special significance being labour market characteristics security /regularity of work, better earnings, existence of non-wage and long-term benefits, protective legislation and union protection (Popola 1980; Benerjee 1985). The informal or unorganized sector can be defined as “the unorganized sector consists of all unincorporated private enterprises owned by individuals or households engaged in the sale and production of goods and services operated on a proprietary or partnership basis and with less than ten total workers” (NCUES 2012). We can define the informal workers as “Unorganized workers consist of those working in the unorganized sector 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 provided by the employers” (NCUES 2012).

The present paper is organized into six section; section I includes introduction, concept and definition of the unorganized sector. Section 2 presents trends in unorganized workers in India, Wage inequality by sectors in India is described in section 3. Section 4 presents status of workers in the unorganized sector. Section 5 describes social security coverage for informal workers section 6 concludes the study.
Section 2: Trends in Unorganized Workers in India:

Indian economy is characterized by the existence of high level of informal or unorganized labour employment. The extent of unorganized workers is significantly high among agricultural workers, building and other construction workers and among home based workers. Ministry of labour has categorized the unorganized labour force under force groups in terms of occupation, nature of employment, especially distressed categories and services categories. The number of workers in the organized sector and the unorganized sector is presented in the following table.

Table 1: Estimated Number of Unorganized and Organized Sector Workers in 1999-2000 and 2004-2005

<table>
<thead>
<tr>
<th>Category of workers</th>
<th>2004-05</th>
<th>1999-00</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Informal sector</td>
<td>Formal sector</td>
</tr>
<tr>
<td>Informal Workers</td>
<td>391.73 (99.6)</td>
<td>28.91 (46.2)</td>
</tr>
<tr>
<td>Formal Workers</td>
<td>1.42 (0.4)</td>
<td>33.65 (53.8)</td>
</tr>
<tr>
<td>Total</td>
<td>393.15 (100.00)</td>
<td>62.56 (100.00)</td>
</tr>
</tbody>
</table>

Note: Figures in Brackets are in percentage
Source: NSS 61st Round (2004-05) and NSS 55th Round (1999-00), employment – unemployment survey, computed by NCEUS.

From the data given in table 1, it is evident that out of 393.15 million workers employed in the unorganized sector, 391.73 million (99.6 per cent) are informal workers and only 1.42 million are formal workers. Similarly, out of 62.56 million workers employed in the organized sector; 28.91 million and 33.65 million are informal and formal workers respectively. Out of total employment of 455.7 million workers, only 35.03 (7.7 per cent) million workers are entitled for social security benefits, and the rest of 420.67 (92.3 per cent) million workers are without any social or job security in 2004-05. The figures in the above table reveal that the total employment in the economy increased from 396.4 (1999-00) to 455.7 (2004-05) million workers that is, an increase by 59.3 million during this period. According the share of organized work force was about 8.5 per cent in 1999-00, which declined to 7.7 per cent by 2004-05. The corresponding share of unorganized workforce was about 91.5 per cent by 1999-00, which increased to 92.3 per cent by 2004-05.

Section 3: Wage Inequality by Sector in India:

Wage differentials are present among various groups and sectors of the Indian economy. Wage differentials in India are higher in rural as compared to urban areas, and are higher among women than men workers. Dutta (2005) observed that wage inequality in India increased significantly during the 1990s. Wages in the unorganized sector are arbitrarily fixed, often without regard to the minimum wage legislation, which adversely affect the income of the wage workers.

Table 2: Wage Inequality by Sector in India

<table>
<thead>
<tr>
<th>Sector</th>
<th>Mean Wage*</th>
<th>Employment share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Sector</td>
<td>1,736</td>
<td>25</td>
</tr>
<tr>
<td>Private Sector</td>
<td>1,909</td>
<td>14</td>
</tr>
<tr>
<td>Informal Sector</td>
<td>562</td>
<td>62</td>
</tr>
</tbody>
</table>

* Weekly wages in rupees.
Source: Panchanan Das calculation based on NSS 61st round unit level data on “Employment and Unemployment” in India 2012
As per that data presented in Table 2, workers in the informal sector (562 rupees) are paid even less than one-third of the formal sector wage (1,909 rupees). They are forced to accept below subsistence wages and normally suffer from terrible working conditions with practically no income or social security workers in the informal sector are normally engaged in economic activities with low productivity resulting in low income workers. In the formal sector, on the other hand, workers are able to enjoy relatively higher wages on regular basis and better working conditions. The overall wage inequality among workers persists in India mainly because of significant wage differences between sectors.

Section 4: Status of Workers in the Unorganized Sector:

Ninety three percent workforce in India are engaged in the unorganized sector. But the alarming expansion of informal sector, in recent times has adversely affected employment and income security for the large majority of the workforce, along with a marked reduction in the scale of social welfare or security programme. Worker in the informal sector are highly vulnerable in terms of job security and social protection. Social groups working in the informal sector as labourers are among the neglected groups under the present pattern of capitalist development (Deshpande 1999). They receive poor working conditions especially wages much below that in the formal sector, largely caste and gender discrimination in terms of wage level, inadequate, ineffective labour laws and standards relating to the unorganized sector. In rural areas the unorganized workforce is highly stratified on caste and community consideration. A large proportion of the workers engaged in the urban unorganized sector is migrants from rural areas with poor educational, training and skill background and are employed in low pay semi-skilled or unskilled jobs and engaged in the inferior occupations. The approach of society looking towards migrated workers and workers in unorganized, informal sector is inferior.

Informal employment is generally a larger source of employment for women than for men in the developing world. According to an estimate, by the National Commission on Self-Employed Women, of the total number of women workers in India 94 per cent are in the informal sector where’s just 6 per cent are in the formal sector (Neha Mittal 2012). The problem is more acute for women worker. They play triple role of a worker, housewife and mother. It is her labour and enterprise which creates the wealth of the nation, and whose hard work leads to national growth. But the India women worker lives and works under many constraints (Jhabvala Renana and Sinha Shalini 2002). Low income women workers especially in the informal sector form one of the most vulnerable groups in the Indian economy. The reasons for their vulnerability are irregular work, low economic status, little or no bargaining power, lack of control earnings, need to balance paid work with care for children and homework, little or no access to institutional credit, training and information, lack of assets, lack of outside linkages and opportunities for skill upgradation. She also belongs to a backward caste, a scheduled caste or a minority group. Given their vulnerable status at home and at work, income generation alone may not improve the social-economic status of women attached to the informal sector.

Section 5: Caste-wise Distribution of Workers in Organized and Unorganized Sectors:

Social security is broadly defined as the endeavor of the community, as a whole, to render help to the utmost extent possible to any individual during periods of physical distress, inevitable of illness or injury and during economic distress, reduction or loss of earnings due to illness, disablement, maternity, unemployment, old age or death of working member. Workers in the unorganized sector are highly vulnerable in terms of social security, while workers in the formal sector enjoy social security benefits. It is argued that the major social security needs of the unorganized workers are food security, nutritional security, health security, housing security employment security, income security, life and accident security and old age security.

India’s workforce is typically characterized by labour segmentation wherein employment and social security among socially vulnerable groups are against them. The quinquennial (55th round, 1999-2000) National Sample Survey in India collected information regarding social-economic and
employement particulars of households. It also included data on caste groups. The share of informal sector among socially vulnerable groups is presented in the following table.

Table 3: Caste-wise Distribution of Workers in Organized and Unorganized Sectors

<table>
<thead>
<tr>
<th></th>
<th>All workers (per cent)</th>
<th>Non-farm workers (per cent)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Organized</td>
<td>Unorganized</td>
</tr>
<tr>
<td>STs</td>
<td>5.84</td>
<td>94.16</td>
</tr>
<tr>
<td>SCs</td>
<td>6.46</td>
<td>93.54</td>
</tr>
<tr>
<td>OBCs</td>
<td>7.08</td>
<td>92.92</td>
</tr>
<tr>
<td>OTHERS</td>
<td>14.21</td>
<td>85.83</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>9.09</strong></td>
<td><strong>90.90</strong></td>
</tr>
</tbody>
</table>

Source: Computed from unit level records of employment – unemployment survey, 55th round of NSS, 1999-2000.

The above table shows that the 94.14 per cent STs workers are involved in unorganized sector, this figure is 93.54 per cent for SCs and 92.92 per cent for OBCs. As far as non-farm unorganized employment is considered highest i.e.84.78 per cent OBCs are involved in it, followed by SCs (84.03 per cent) and STs (78.70 per cent). Thus most of the STs and SCs are working in unorganized sector while more OBCs and SCs are involved in non-farm unorganized employment. Thus most of the SC, ST and OBC workers are deprived of social security benefits.

Section 6: Conclusions:

The unorganized workers account for about 93 percent of the total workforce and the share of unorganized sector is about 50 per cent in the Gross Domestic Product (GDP) in India. But workers in this sector are highly vulnerable to job security and social protection. They face many problems such as low wages which is insufficient to meet minimum living standards including nutrition, long working hours, poor working conditions, inadequate and ineffective labour laws. The conditions of decent employment (e.g. paid leave, pension, bonus, medical support and health insurance, maternity level benefits, compensation against accident etc.) are not available to them. They have a little or no bargaining power and work security. The conditions of women workers in the informal sector are highly vulnerable than men workers. The awful conditions of women workers are observed in the informal sector (Deshpande Sudha 1996). Workers in the informal sector are not getting the proper remunerations or wages to their labour. It is also observed that majority of the workers in unorganized sector who do not get social security benefits are from disadvantaged sections of the society. In India, there is more wage inequality by sector. Workers in informal sector are paid even less than one third of the formal sector wage. Inequality in the labour market is a significant determinant of disparities in living standard. Very low living standard of workers in the informal sector as compared to the workers in public sector and formal sector is because of wage inequality.

Reference:


