

Labour's Landscape in India:

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For workers in informal employment, there is an urgent need to ensure universal social protection that improves their conditions of work and helps them live a life with dignity

It is generally well acknowledged that adequate employment opportunities as well as their quality have been major challenges for the global economy, in general, as also in India, and these have become even more acute in the recent years. The report of the International Labour Organization, Employment and Social Outlook, Trends 2016, has underlined that 'Poor job quality remains a pressing issue worldwide. The incidence of vulnerable employment – the share of own-account work and contributing family employment, categories of work typically subject to high levels of precariousness – is declining more slowly than before the start of the global crisis. Vulnerable employment accounts for 1.5 billion people, or over 46 per cent of total employment. In both Southern Asia and sub-Saharan Africa, over 70 per cent of workers are in vulnerable employment'.¹ As per the same ILO Report, 2.4 million unemployed persons will be added to the global labour force in the next two years and India is projected to account for 17.6 million or nearly 60 per cent of all

unemployed in South Asia by 2017.² Clearly, generation of employment and policies to make work decent have been major challenges in India right since Independence and appear to have become even more daunting in recent times. This brief note flags a couple of critical issues pertaining to the overall labour scenario in contemporary India.

Workforce Participation and Employment Challenges

Of India's approximately 1.3 billion population, (constituting approximately one-sixth of the humanity), 70 per cent live in villages and 40-45 per cent can be categorized as the working population. This proportion, or the so called worker population ratio, has roughly remained the same since Independence. The first point worth emphasizing is that the world of work is segmented along the lines of caste, religion, gender, region, etc. This leads to several problems, such as labour immobility for different groups, in particular women, huge wage differentials and discrimination, etc. For instance, the proportion of women in the labour force has been consistently lower than male workers by close to 20 per cent age points. As per the recent official estimates female

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work participation for the country is in the range of 25 to 30 per cent, with considerable variations across socio-economic categories, different states, and between urban and rural areas (Majumdar and Pillai, 2011). As per the data presented in the ILO report *Women and Work*, 2016, the gender wage gap in India is among the highest in the world, at 26 per cent. This is significantly higher than the average for the countries in the Asian continent, which stands at 23 per cent, and the mean average gender wage gap of less than 15 per cent in the developed economies.

Another important feature of India's labour domain is the overwhelming dependence on agriculture which accounts for close to 50 per cent of the total workforce. Significantly as per the recent estimates agriculture contributes only approximately one sixth of the GDP of the country. This overcrowding of the workforce in agriculture and its 'underemployment' is structured by the high presence of wage labourers and declining number of people who report themselves as 'cultivators'. As regards the non-agricultural sector, its single most important feature (quite like agriculture) is the extremely high proportion of vulnerable informal employment. Though the non-agricultural sector accounts for about half the work force, it contributes approximately 80 per cent to the total GDP, with a very small segment of less than 10 per cent being in the organized sector. Of the total employment in the organized sector, almost 65 to 70 per cent is in the public sector (including public administration and defense services). Approximately 29.2 million people work for the private sector, largely corporate manufacturing and a variety of services, 16 per cent of which in informal employment (Papola and Sahu, 2012).

The structural features of India's labour domain, which taken together, present a precarious and worrisome picture, are of course connected with India's development trajectory since Independence. However, there has been a significant exacerbation of

precarity since early 1990s, the so called period of economic reforms. During this period, India has experienced significant agrarian distress because of changes in its macroeconomic policies and declining public investment in the primary sector, leading to lack of labour absorption in agriculture. The increasing dispossession and displacement of livelihoods has propelled a labour reserve that is compelled to look for jobs in the non-agricultural sector. But their too, landless and casual workers have found few opportunities for decent employment in both manufacturing and service sectors. The share of the manufacturing sector in the overall national income has been stagnant around 15-16 per cent since the early 1990s. Almost, 85 per cent of all manufacturing enterprises work with either one or two workers, underlining their vulnerability and fragility and an overall trend towards self-employment since the 1990s. Even during the periods of high economic growth, employment expansion has been negligible, and has employment elasticity has tended to decline across almost all the sectors during the last three decades. The core of the growth pattern is centered on the expansion of the service sector, which has a preponderance of both vulnerable casual and self-employment. This has created a scenario of the persistence of high informalisation which is among the defining features of the contemporary Indian political economy.

Increasing Vulnerability and Informality

As per the *World Economic and Social Outlook Report*, 2016, 12 per cent of the workforce in the developed countries and 46 per cent of the workforce in the developing countries are in informal employment. Of this two thirds of the informal employment is in South Asia comprising about 72 per cent workers of the workforce. In India this proportion is much larger with more than 90 per cent of workers being in vulnerable informal employment relations. In fact a major worrisome trend is the relentless informalisation of work in the formal sector. In 1999-

2000, the share of informal workers in the so called organized sector was 37.8 per cent, it had increased to 54.4 per cent in 2011-12, according to the 68th round of NSSO. As per the same round (60th) of the NSSO, 97 per cent of the self-employed in the rural and 98 per cent in the urban areas are in the informal sector; further, 78 per cent of the rural casual labourers and 81 per cent of the urban casual labourers are in the informal sector.³ Thus, as per the NSSO estimates of 2011-12 (which is the latest available estimate), count of informal labour was a whopping 447.2 million out of a total labour force of 484.7 million of the total working people. Most of these workers can be classed as 'vulnerable' who work in insecure jobs with negligible social protection. As already noted, informality and vulnerability has been on the rise, despite, relatively high economic growth rates of GDP in the reforms era; withdrawal of the Indian state from several key areas in the social sector has only aggravated the vulnerability of the working-class.

The above marked trend of persistent informality has been accompanied by a tendency towards stagnation of regular employment since the early 1990s. For instance, regular employment among males was 10 per cent in 1987-88, which declined to 8.5 per cent in 2009-10, though it rose to 10 per cent in 2011-12. This was accompanied by the fact that over 80 per cent of the new jobs created in recent years have been casual in nature, with a large number of them in the construction sector. The increasing fragmentation of the working class is reflected in the changing nature of the workplace. Recent data indicates that the changing organization of production and the smallness of production system impacts on the access to decent working conditions. The increasing preponderance of self-employment fits in with this conclusion as the production within these units took place in a location which cannot be designated as conventional or designated places of

work. Thus many of these workers have not been given the recognition of being 'workers' and are outside the scope of any labour legislations which sets out the parameters of workers rights.

The presence of vulnerable labour reserves is structured by the lack of employment opportunities. Data on current daily status of work reveals that there was a significant decline in unemployment between 1983 to 1993-94, but unemployment rose sharply between 1993-94 and 2004-5. As per the official estimates, there is a need to create 10-12 million jobs every year to absorb the potential entrants to the labour force. The latest estimates, available from the Labour Bureau, paint an extremely depressing picture with respect to the pace of job creation. Apart from being nowhere near what would be required to facilitate near full employment, there has been a staggering decline by about 90 per cent in creation of new jobs; the figure for new jobs has come down from about 11 lakhs in 2010 to 1.5 lakhs in 2016.

Need for a Social Protection Floor

During the era of so-called economic reforms, official spokespersons have often argued that India's labour market is too rigid (due to several restrictive laws) and therefore reforms are particularly critical for foreign investments. Indian policy makers frequently suggest that the country has a key comparative advantage in its 'demographic dividend' which, if upgraded through skill development, and supported by labour market flexibility, will help to attract investments and create jobs. A careful examination of the above arguments, as I have discussed elsewhere (for example Jha 2016), it is amply clear from economic theory that labour market regulation *per se* does not impede either economic growth or employment generation.

As has been noted earlier, only a minuscule proportion of the total workforce, which is part of

the organized sector, enjoys some protective coverage. Except for the Minimum Wages Act in some states and some sectors, informal sector activities, for all practical purposes, remain unaffected by the existence of the major labour laws which were enacted to address the relevant labour relations in the organized sector. Keeping such a backdrop in view, it seems difficult to make sense of the shrillness with which the absence of flexibility in India's labour market is bemoaned. Thus, as argued by me elsewhere (Jha 2017), the problem with more than 90 per cent of India's labour force is one of inadequate laws in the *de jure* sense and almost a picture of lawlessness in the *de facto* sense.

In this context India's policy makers face the challenge of designing and implementing a floor of labour rights, with a comprehensive vision of a 'national labour market'. Such a vision should clearly spell out a set of core labour standards, including a national minimum wage. This ought to be on the front burner of the policy agenda so that the informality in labour market can be addressed. Further, the discourses on social security need to be located in the currently dominant trajectory of growth and accumulation. The refusal of the contemporary Indian state to address the concerns of labour in the current context of the overall macro-economic policy regime is predicated on reaping advantages from a 'cheap labour regime'. However, the rationale of such a stance is seriously questionable both on grounds of theory and global experiences.

For workers in informal employment, there is an urgent need to ensure universal social protection that improves their conditions of work and helps them live a life with dignity. In order to do this there has to be a simultaneous focus on both expanding and improving delivery systems in the provisioning of basic services like nutrition, sanitation, health and education. This will improve the material and social conditions

of workers and help to reverse the processes that increase the vulnerability of a majority of the workforce.

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Endnotes

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