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## **Informal labour conditions in unorganized sector- A study with special reference to Bengaluru**

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### **Abstract**

The unorganised sector is unfair on the workers therein who continue to receive the raw deal and lack of social security makes them to settle for peanut salary. This forces them to hopelessness socially and economically also. The government is still to account for the total workforce in the unorganised sector. The unorganised sector workforce needs an urgent attention. Nearly 90 per cent of the workforce employed in the real estate and construction sector are engaged in construction of buildings, while the rest 10 per cent workforce is involved in building completion, finishing, electrical, plumbing, other installation services, demolition and site preparation (National Economic Survey 2017-18). The present study is an analytical study of the 25 workers employed in the unorganised sector in the city of Bengaluru

**Keywords:** Normal working day, overtime, wage determination, social justice, average employee, social needs, rescheduling of work

### **Introduction**

While it is understood that unorganized industries will employ informal or unorganized labour, organized sectors can also engage informal labour. Recently, there is an increasing trend of employing informal labours in the organized sectors. The employment in unorganized sector of the country is complex in nature and can be identified from the examples like usage *The unorganized sector is plagued by low wages that are inadequate to meet the basic needs, long working hours, unsafe working conditions and lack of basic amenities* at of contract workers for housekeeping, gardening, outsourcing engagements like data entry and the like.

The workers in organized sector are paid commensurately keeping the minimum wage and workmen compensation legislation in mind. As a result, they are entitled to the benefits not only for himself but also his dependent, besides setting support when they go on superannuation. In contrast, the life of workers in the unorganized sector is stated to be miserable as they are not getting any support other than they work for. As a result, condition of the concerned and their dependents is said to have been pathetic, thereby exposed to untidiness, illness, low standard of living, crime, illegal activities like gambling and flesh trading. This kind of social problems leads to sometime even crime which will be the major deterrent in the modern civilization.

### **Description of Unorganised Sector**

The term unorganized sector refers to the firms whose activities are not governed by any legal provision or any collective agreements between workers and employers. This includes home-based jobs, self-employment, agricultural work, construction work and a lot of other temporary occupations. The unorganized sector does not give any benefit to the workers in terms of various laws like Minimum Wages Act, Factories Act, etc. The workers have to forego the benefits such as provident fund, gratuity, maternity welfare, etc. The term 'informal' is often used in the place of 'unorganized'.

### **Unorganised Sector in India**

Indian unorganized sector contributes to 60 per cent of national economic output. Around 70 per cent of the unorganized labour force is placed in the rural sector and an estimated 220

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million is in agricultural sector. Women constitute around 30 per cent of the unorganised workforce and around 80 million of them are in agricultural sector. The unorganised sector is plagued by low wages that are inadequate to meet the basic needs, long working hours, unsafe working conditions and lack of basic amenities at worksite. This can be found commonly in several work types like agricultural, construction, brick-kiln, transport and courier. 'Home based work' employs large number of people to do piecework where they are paid on a 'per item' basis. This work is done commonly from the worker's own premises.

In addition to the usual works like traditional crafts, handloom weaving and beedi rolling, more modern industries such as electronics have entered into the home-based model. All India Democratic Women's Association (AIDWA) has conducted a survey in 1989 in Pune city which reveals that women are involved in different types of home-based work as much as 150 occupations. It includes works like making flower garlands, folding paper for the printing industry, supplying chapattis to caterers, making agarbattis, weaving plastic seats for chairs, deseeding tamarind and packaging sweets.

83 percent of India's total unorganized workforce still does not have any labour law protection. Real estate and construction together is the second largest employment provider in the country, next only to agriculture, according to the Economic Survey 2017-18, tabled in Parliament. The sector employs over 60 million workforce at present and it is estimated that 67 million workforce will be in this sector by 2022.

The urban informal sector comprises a large segment of street vendors, self-employed people working from home, craftsmen, carpenters, electricians, plumbers, beauticians, tiffin service providers, artists, fashion designers, or professionals who have neither registrations nor formal benefits. Of late, a large part of the growing 'Geek Economy' is also adding to this sector. The perks of liberalised policies and FDI benefits do not percolate down to them. It is therefore critical to focus on this micro economy to manage our macroeconomic growth.

Policy intervention and access to formal economic facilities will have a huge cascading effect. Consumption will rise, job opportunities will be created, and further investments will be made. To be specific, their inclusion into the cash and carry fold, for example, will trigger a series of returns. Cost savings from access to cash and carry will raise discretionary consumption and improved cash flow will enable them to reinvest for expansion. Consequently, there'll be more meaningful jobs and the sourcing of more local goods. Currently, India's FDI framework in cash and carry and wholesale trading restrict sales to only the formal, 'registered businesses'.

There is a huge lateral opportunity as well. India's drive to improve the 'ease of doing business' will get a fillip if this informal sector is formalised with favourable policies and regulations. The government should consider issuing the Weights and Measurements License, the Gumasta License, etc, within a fixed time and for a longer duration of 5-10 years. The self-employed should be given permit registration of small businesses, registration from professional bodies and/or accreditation and skill certificates from institutes such as IMA, ITI etc. Estimates show a

chunk of the 63 million MSMEs in India, employing 110 million people, will immediately improve quality of life-an improvement on the human index as well <sup>[1]</sup>.

### **Problems of the Workers in Unorganised Sector**

Formal and informal surveys reveal that the workers in unorganised sector normally earn in the range of Rs 80 to 100 per day. Few of them would earn more in seasonal employments but the total earning would be around the same. To meet their needs, they are forced to work longer and harder. This scenario exists particularly, with the self-employed jobs like vendors, rag pickers and petty traders. They start their work in the early hours of morning to late in the night irrespective of the difficult working conditions.

Due to insufficient earnings in the family, parents make their children work to supplement their income which is also the primary reason for existence of child labour in the unorganised sector. Women are paid low compared to men and they encounter sexual abuse which is not escalated to law enforcement due to the fear of job loss. Options like paid leaves or maternity benefits are non-existent in this industry. The main reason behind significant profit for the unorganised sector is because of the use of cheap workforce. The workers are exploited as they lack the collective bargaining power and trade unions.

As per the International Labor Organization, over 80 per cent of the Indian economy is in the informal sector, while only 6.5 per cent constitutes the formal sector. The self-employed are tagged 'formal' only after they have registered with some branch of the government and/or pay taxes. According to a National Sample Survey Organisation report, 63 million enterprises have no registration; 96 per cent of these are run by individuals and most of them pay no GST, as their volume of business is below Rs. 20 lakh.

### **Definition of Terms**

#### **Unorganized Worker**

Unorganized worker means unorganized non-agricultural worker, and agricultural worker (except those eligible for protection under the Plantation Workers Act).

#### **Wages**

Wage means as defined in clause (vi) of section 2 of the Payment of Wages Act, 1936 (4 of 1936).

#### **Wage Worker**

Wage worker means a person employed in agriculture for a remuneration directly by an employer or through any agency or contractor, whether exclusively for one employer or for one or more employers, whether simultaneously or otherwise, whether in cash and/or in kind whether as a temporary or casual worker, or as a migrant worker.

#### **Minimum Wage**

It is the amount of remuneration which could meet the "normal need of average employee regarded as a human being living in a civilized society". It is defined as the amount or remuneration "which may be sufficient to enable a worker to live in reasonable comfort, having regard to all obligations to which an average worker would ordinarily be subjected to".

**Categories of Unorganised Labour**

The National Commission on Labour listed ‘illustrative’ categories of unorganised labour which are as follows [2]

- Contract labour including construction workers;
- Casual labour;
- Labour employed in small scale industry;
- Handloom/power-loom workers;
- Beedi and cigar workers: x employees in shops and commercial establishments;
- Sweepers and scavengers; x workers in tanneries; x tribal labour; and
- ‘Other unprotected labour’

**The major characteristics of the unorganized workers [3]**

- The unorganized labour is overwhelming in terms of its number range and therefore they are omnipresent throughout India.
- As the unorganized sector suffers from cycles of excessive seasonality of employment, majority of the unorganized workers does not have stable durable avenues of employment. Even those who appear to be visibly employed are not gainfully and substantially employed, indicating the existence of disguised unemployment.
- The workplace is scattered and fragmented.
- There is no formal employer – employee relationship
- In rural areas, the unorganized labour force is highly stratified on caste and community considerations. In urban areas while such considerations are much less, it cannot be said that it is altogether absent as the bulk of the unorganized workers in urban areas are basically migrant workers from rural areas.
- Workers in the unorganized sector are usually subject to indebtedness and bondage as their meager income cannot meet with their livelihood needs.
- The unorganized workers are subject to exploitation significantly by the rest of the society. They receive poor working conditions especially wages much below that in the formal sector, even for closely comparable jobs, ie, where labour productivity are no different. The work status is of inferior quality of work and inferior terms of employment, both remuneration and employment.
- Primitive production technologies and feudal production relations are rampant in the unorganized sector, and they do not permit or encourage the workmen to imbibe and assimilate higher technologies and better production relations. Large scale ignorance and illiteracy and limited exposure to the outside world are also responsible for such poor absorption.
- The unorganized workers do not receive sufficient attention from the trade unions.
- Inadequate and ineffective labour laws and standards relating to the unorganized sector.

**Contribution by the Unorganized Sector [4]**

The unorganized sector creates a large portion of the economy in terms of national investments, savings and value addition. The Share of the unorganized sector is more than 30%. The manufacturing activity share of the unorganized sector ranges near to 40%. These sectors might include some manufacturing, transport, construction, hotels,

business or local services. The economy of India is not marginal. As estimated from research and studies, 92.5% of livelihood are not registered that are producing up to 2/3 of the country's GDP with no signs of retreat.

Both of these aspects play a vital role in the economy particularly in employment, poverty easing and its contribution to the national domestic product, savings, and capital formation. This governs the largest share of national income, service savings, investment, taxes, manufacturing activities, forex exchange, etc.

**Statement of the Problem**

The workers in organized sector are paid commensurately keeping the minimum wage and workmen compensation legislation in mind. As a result, they are entitled to the benefits not only for himself but also his dependent, besides setting support when they go on superannuation. In contrast, the life of workers in the unorganized sector is stated to be miserable as they are not getting any support other than they work for. As a result, condition of the concerned and their dependents is said to have been pathetic, thereby exposed to untidiness, illness, low standard of living, crime, illegal activities like gambling and flesh trading.

Globalization no doubt provides new vista to spur the economic activities. The organized sector and unorganized sector got lot of stimuli to foster their transactions. The human resource management in the organized sector has gained momentum as it evolves palatable strategies and the like. This helps the organization concerned to accomplish these targets, where Human Resource Management has no berth in the unorganized sector resulting exploitation, insecurity of the job, under payment of wages and the like. Further in the event of casualty, the dependents of the workers become orphans as no wage security in unorganized sector. On the whole the workers in the unorganized sector have been confronting with manifold problems resulting in misery.

Human resources include skill and unskilled workers working in both organized and unorganized sector; the workers in organized sector through their collective bargaining and trade unions peruse their authorities in implementation of their demand. But, workers in unorganized sector have no such mechanism; as such they are treated as commodity even today. ILO observes that no labourer shall be treated as commodity.

**Analysis and Interpretation of Data**

The primary data was mustered from 25 sample respondents who are employed in the unorganised sector in the city of Bengaluru are taken for the research study.

**Table 1:** Age of the respondents

Age in Years	Frequency	Percentage
18-30	7	28
30-40	8	32
40-50	7	28
50 and above	3	12
Total	25	100

(Source: Primary Data)

The age group of the respondents chosen for the study indicate that 28% of the respondents are in the age group of 18-30 years. 32% of the respondents are in the age group of

30-40 years. Only 12% of the respondents are aged above 50 years.

**Table 2:** Gender of the Respondents

Gender	Frequency	Percentage
Male	19	76
Female	6	24
Total	25	100

(Source: Primary Data)

The gender composition of the sample respondents reveal that more than three-fourth of the respondents are male and one-fourth of the respondents are female. The sample chosen are just based on the availability. The economic conditions of the unorganised labourers forces the family members also to be employed to increase the family income.

**Table 3:** Wage rate per day

Wage Per Day	Frequency	Percentage
150-200	5	20
200-250	3	12
250-300	2	8
300-400	4	16
400-500	3	12
500 and above	8	32
Total	25	100

(Source: Primary Data)

The wage earned by the sample respondents are gathered which reveal that 20% of the respondents are in the wage bracket of 150-200 Rupees. One-fifth of the respondents are having the wage earnings between 200-300 Rupees. 32% of the respondents are having earnings of 500 Rupees and above.

**Table 4:** Nature of the family

Nature of the family	Frequency	Percentage
Micro family	9	36
Medium size family	11	44
Joint family	5	20
Total	25	100

(Source: Primary Data)

**Table 7:** Cross Tabulation between Age Group and Wage Rate Per day

Age	Wage rate per day						Total
	150-200	200-250	250-300	300-400	400-500	500 and above	
18-30	1	2	1	1	1	1	7
30-40	1	0	1	1	1	4	8
40-50	3	0	0	1	0	3	7
50 and above	0	1	0	1	1	0	3
Total	5	3	2	4	3	8	25

The cross tabulation results of the sample unorganised labourers reveal that between age group of 18-30 and 30-40 one and 4 respondents are getting salary of 500 rupees and above respectively. One respondent in each of the age category are employed with the wage earnings of 300-400 Rupees per day. A total of 5 out of 25 respondents across all the four age groups have income between 150-200 Rupees.

The nature of the family of the sample respondents collected reveal that 36% of the respondents belong to micro family. 44% of the respondents belong to Medium size family. One-fifth of the respondents are from joint family. The size of the family decides the income need and necessity to work. The larger the size of the family the more the financial need and the dependence on the work is more.

**Table 5:** Total Number of Members in the Family

Number of Members in the Family	Frequency	Percentage
2 member	3	12
2 to 4 members	15	60
4 to 6 members	6	24
6 and above	1	4
Total	25	100

(Source: Primary Data)

The information about the total number of members in the family reveals that 12% of the respondents have two members in the family. 60% of the respondents have 2 to 4 members in the family. About one-fourth of the respondents have 4 to 6 members in the family. The size of the family decides the financial need of the respondents.

**Table 6:** Mean Scores and Standard Deviation of the Variables under study

Variables	Mean	Std. Deviation
Age	2.24	1.012
Gender	1.24	0.436
Wage rate per day	3.84	1.972
Nature of the family	1.84	0.746
Total number of your family	2.20	0.707
Marital Status	1.20	0.408

(Source: Primary Data)

The present study considered the above Six variables for understanding the plight of unorganised labourers in the context of the Bengaluru city. The Mean scores range between 1.20 to 3.84 and the standard deviation range between values of 0.436 to 1.972. The variation among the responses is within the acceptable limits.

**Hypothesis Testing**

**Ho:** There is no significant relationship between Age, Gender, Nature of the Family, Marital Status, Total Number of Members in the Family and the Wage Earnings per day.

**Ha:** There is a significant relationship between the Age, Gender, Nature of the Family, Marital Status, Total Number of Members in the Family and the Wage Earnings per day

**Table 8:** ANOVA Table between the Variables Age, Gender, Nature of the Family, Marital Status, Total Number of Members in the Family and the Wage Earnings per day

		Sum of Squares	df	Mean Square	F	Sig.
Age	Between Groups	1.693	5	.339	.281	.918
	Within Groups	22.867	19	1.204		
	Total	24.560	24			
Gender	Between Groups	1.218	5	.244	1.385	.274
	Within Groups	3.342	19	.176		
	Total	4.560	24			
Nature of the family	Between Groups	2.727	5	.545	.974	.458
	Within Groups	10.633	19	.560		
	Total	13.360	24			
Marital Status	Between Groups	.958	5	.192	1.197	.348
	Within Groups	3.042	19	.160		
	Total	4.000	24			
Total number of family members	Between Groups	4.708	5	.942	2.454	.071
	Within Groups	7.292	19	.384		
	Total	12.000	24			

The ANOVA result shows the relationship between the Age, Gender, Nature of the Family, Marital Status, Total Number of Members in the Family with that of the Wage Earnings per day. The result for the Age with the Daily wage income of the sample unorganised labourers do not differ significantly ( $p=0.918>0.05$ ) with F test value at 0.281. The result for the Gender with the Daily wage income of the sample unorganised labourers do not differ significantly ( $p=0.274>0.05$ ) with F test value at 1.385.

The output of the ANOVA analysis for the variables Nature of the family, Marital Status and Total number of family members reveal that Anova ( $F= 0.974, 1.197$  and  $2.454$ ) with respective ( $p=0.458, 0.348$  and  $0.071$ ) indicate that there was no significant relationship between Age, Gender, Nature of the Family, Marital Status, Total Number of Members in the Family and the Wage Earnings per day.

### Conclusion

The unorganised sector in India has no doubt plays a very important role in the upliftment of economic, social and cultural life of the workers therein. The sector has provided employment to the people at various levels in the economic sphere. The household employment has helped the people at the bottom of the economic pyramid in a tangible way. The Government needs to take initiative in bringing this employed section to the mainstream. The social security benefits must be expanded to this vulnerable section to make them economically stable.

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