Chapter - I

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Introduction - Occupational Structure

An important aspect of country's population relates to its working population described as work-force. The work-force is distributed among three broad sectors viz., Agriculture, Industry and Services. Since the occupational distribution of work-force is closely linked with the level of development of the economy, there is a direct relationship among these three sectors.

Occupational structure of a country means the distribution of work-force in different occupations or sectors of the country. As is known very well, all economic activities are broadly divided into three groups, viz., (1) Primary (largely, Agricultural) Sector, (2) Secondary (or Industrial) Sector, and (3) Tertiary (or Service) Sector.

In the primary sector are included cultivation and other occupations allied to agriculture like animal husbandry, fishery, forestry and mining. In the secondary sector are included large and small manufacturing units, construction, etc. The service sector includes trade, transport, communication, banking, tourism, insurance and other government and non-government services.

Further, the economy is divided into two viz., organized (formal) and unorganized (informal) sectors. It may be noted here that only about 10% of the work-force is absorbed by the organised sector. And the remaining is to be found in the unorganised sector. Most of these workers in the unorganised sector are engaged in family enterprises and they often move in and out of
these activities, change their jobs and combine productive work with household work, etc. It is, therefore, very difficult to measure the exact number of workers in the unorganised sector. Because of this difficulty, even the consecutive censuses have often changed the definition of worker in the unorganised sector.

The occupational structure in India is, more or less, similar to that of any underdeveloped country in the world wherein a substantial portion of the workforce is engaged in agriculture and allied activities, and a very small portion in industrial sector. Agriculture is, therefore, the major economic activity for very large proportion of the working population. Nearly, 67% of the labour force is engaged in this sector. Industrial and Service Sectors provide work to a very small proportion of the labour force. The Secondary Sector viz., Industries have absorbed 13% of the work-force and the Tertiary Sector viz., Service Sector about 20% of the work-force. This shows that the industrial and service sectors together provide work only to one-third of the work-force. It is thus clear that from the point of view of country’s economy, agricultural sector plays a stupendous role.

But this sector (viz., Primary Sector) appears to be in a very unsatisfactory state. Because, even with the large proportion of work-force engaged in agricultural activities, the country is not self sufficient in quite a number of agricultural products and therefore, it is importing quite a few of these to meet
the gap between the domestic supply and demand. Not only production but also agricultural productivity is very low.

However, in the recent years, there is a slight decline in the proportion of workforce engaged in agricultural sector and a very small rise in those engaged in industrial and service sectors. Further, there has been a rise in per capita income and shifting of importance from agriculture to other sectors is significant now when compared to 1981 (or even earlier). This shift can perhaps be in favour of Service Sector. The fall in the contribution of agricultural sector has been largely made up by the rise in that of service sector. This signifies the rise in work-force in the service sector rather than in the commodity sector.

An increasing number of new employment opportunities are generated in the non-agricultural sector. While incomes rise in non-agricultural sector, there is no corresponding rise in the demand for food and other agricultural products. This is because, the income elasticity of demand for such goods is less than unity. At the same time, with more capital and better technology in agriculture, there is a large increase in the productivity of labour and land. As a result, there is less need for labour in agriculture. This brings down the proportion of labour force in agricultural sector and the emergence of unorganised sector.

In the case of Industrial and Service Sectors, the rise in income level brings about a large increase in demand for industrial goods and services. The use of
more capital and modern techniques makes it possible to bring about large increase in production per head. But the demand increases at a faster rate than the rise in productivity. This process results in an increasing demand for labour in the industrial and service sectors. The surplus labourers in the agricultural sector are being absorbed in the non-agriculture sector. Changes in occupational sector symbolize the changes in the economic structure of the country.

The growth rate of industrial production, though reasonable, has not been large enough to increase its share in the National economy. The investment in this sector (in particular, in the infrastructure related to industry) has been very low. For many years (till 90's of the 20th century), the strategies of development have been focused on the heavy and capital goods industries. As these industries have high Capital-Output Ratio and long gestation period, the output flows have been small and slow coming. The reason for the unsatisfactory performance of the industrial sector has been the restrictive environment including licenses, quotas, regulations, etc. This resulted in the closure of certain industries further increasing unemployment problem. Those who lost their jobs in the organized industrial sector started working in unorganised sector for their livelihood. That means, the persons who have been thrown out from their regular employment have started their self-employment or started working with the employers on a contract system. This is one of the factors
responsible for, besides a large number of other factors, the growth of unorganised sector.

**Concept of Unorganised Sector**

The economic reforms introduced in India in nineties are widely believed to have corrected many macro economic distortions. But the results are not encouraging. They have resulted in a series of serious problems including slow growth in the employment opportunities generated. The emergence of informal sector has often been viewed as providing a solution to few of these problems by ensuring sustainability of livelihood for a large section of population particularly the poor. Indeed, a sizeable portion of the incremental employment opportunities generated in the nineties is in the informal or unorganised sector - both in the Secondary and Tertiary Sectors.

The attempts to define informal or unorganised sector have resulted in the identification of certain features on the basis of which it (i.e., informal or unorganized sector) is distinguished from the formal/organized sector. Of course, even today, there is no universally accepted definition to the term “informal sector”. However, many attempts have been to define the concept. Further, the system of “unorganised labour” (i.e., the labourers or workers working in the unorganised sector) is also called contract labour, query, domestic labour, construction labour, agricultural labour, bonded labour, casual labour, workers in small scale industries (SSIs), handloom and power loom
workers, beedi and cigar workers, sweepers and scavengers, workers in tanneries, tribal workers, etc.

The term "unorganised sector" was first used in a study in Ghana which reviewed the theory of economy of developing countries which is characterized by the basic distinction between modern and traditional sectors and suggested to name them as formal and informal sectors. The International Labour Organisation (Employment Mission to Analyze the Employment Situation) worked out a strategy for employment and adopted the concept of Informal Sector. The report suggested that in order to promote employment opportunities and to achieve more equitable income distribution, it is important to concentrate on the developmental efforts specifically on informal sector. Later in 1970, the concept gained considerable significance in the literature on development policy in general and employment policy in particular. The informal sector is also known as unorganized, unregulated, unprotected, sweated, traditional, household, peasant, unremunerated sector, etc. Keith Heart also uses the terms unorganised sector, unremunerated sector, and self employed individuals, more or less, alternatively and interchangeably to mean informal sector.

According to Lubell, the informal sector constitutes the residual labour market of the last resort into which persons enter has self employed, low income producers of marginal goods and services for lack of any other means of earning as livelihood. According to Seturaman, one of the most
convenient ways of identifying the informal sector is to define it in terms of the source of employment of the urban poor. Since the vast majority of urban labour force, particularly the urban poor, would depend on private sources of employment, public sector employment would be considered to fall outside the informal sector. The large industrial and commercial establishments in the private sector are excluded because small fraction of their labour force consists of the urban poor. Thus, the informal sector or unorganised sector might be defined as all enterprises which employ labour at a relatively low wage.4

Informal sector is a sizeable segment of non-agricultural sector of the economy and it is made up of small establishments, the self-employed and the casual labour. It contributes heavily to the production of goods and services in the economy and employs a substantial proportion of non-agricultural work force.5

The role and potential of informal sector in the development process (of a developing economy) has been a subject of much debate and discussion for a long time. It is accepted that the urban informal sector has a special role to play in the urban economy and as a matter of economic advantage, this sector needs to be strengthened. Berman states that there are two lines of thought on the role of informal sector in the long run development process.6 Firstly, the informal sector is inevitable as a transitory phenomenon in the development process providing the poor with some income and secondly, employment until they are absorbed in the formal sector.
Rapid growth of formal sector, no doubt, may provide scope for employment of poor and absorption of work-force but it requires huge capital and high technology. And it may be noted here that, it is very difficult to supply instantaneously huge capital and high technology. On the other hand, development of informal sector is not only less capital intensive, but also associated with more employment opportunities for unskilled labour force. So development of this sector will be more effective and useful/beneficial in tackling the problem of unemployment and poverty in urban areas.

In India, however, the term “informal sector” is of recent origin and has been in use only during the last two decades. A number of studies have been conducted to assess the size and employment structure of the sector in different urban localities by agencies like The Institute of Applied Manpower Research (IAMR) during the late eighties and early nineties.

The first National Commission on Labour, under the chairmanship of Justice Gajendragadkar, defined the unorganized sector as that part of the work-force who have not been able to organize in pursuit of a common objective because of constraints such as (a) casual nature of employment, (b) ignorance and illiteracy, (c) small size of establishments with low capital investment per person employed, (d) scattered nature of establishments, and (e) superior strength of the employer operating singly or in combination. The Commission listed ‘illustrative’ categories of unorganized labour which include (i) contract labour including construction workers, (ii)
casual labour, (iii) labour employed in small scale industries, (iv) handloom/power-loom workers, (v) beedi and cigar workers, (vi) employees in shops and establishments, (vii) sweepers and scavengers, (viii) workers in tanneries, (ix) tribal labour, and (x) other unprotected labour.

The Report of the National Commission on Self-Employed Women, set up in 1987 under the chairpersonship of Smt. Ela R. Bhatt, characterized the unorganized sector as the one in which women do hazardous work as wage earners, piece-rate workers, casual labourers, and paid and unpaid family labour. Further, the report states that the economic and social conditions of these women and their families are dismal. The Report also observed that the unorganized sector is characterized by a high incidence of casual labour mostly doing intermittent jobs at extremely low wages or doing work at very uneconomical returns. There is a total lack of job security and social security benefits. The areas of exploitation are high resulting in long hours, unsatisfactory work conditions and occupational health hazards.

The National Commission on Rural Labour, set up in 1987, defined rural labour as a person who is living and working in rural area and engaged in agricultural and/or non-agricultural activities requiring manual labour, getting wage or remuneration partially or wholly, in cash or in kind or both during the year, or such own account workers who are not usually hiring labourers but are part of the petty production system in rural areas. According to this Report, rural labour comprised of 150 million persons or
roughly 60% of the total rural work-force in the country during 1986-87. The Commission pointed out that (a) the number of rural labourers, both in agricultural and non-agricultural operations, was increasing at a faster rate than the rate of growth of the rural population, and (b) a number of factors like the uneven and declining labour absorption in agriculture, declining land base, and scarcity of non-farm employment opportunities had led large scale migration and casualization of rural labour.

The National Council for Applied Economic Research (NCAER) and Self-Employed Women’s Association (SEWA) conducted a joint workshop on the subject of defining the informal sector during March-April 1997. The Central Statistical Organisation constituted an expert group on the informal sector (Delhi Group) to suggest a definition of the informal sector. In the NCAER-SEWA workshop, a Gujarat-based group of experts on Estimation of the Informal Sector proposed a definition for the informal sector based on employment. According to the Group, the informal sector included all workers in informal enterprises, some workers in formal enterprises, self-employed workers, and those doing contract work for informal or formal sector enterprises and contractors. The NCAER-SEWA workshop raised doubts on the enterprise-based definition which would leave out the workers who were working on contract basis. It said that the definition should be based on activities and ranks of the self-employed producing non-tradeable services and items for the local markets. It further said that the National Accounting must
cover the informal sector which included home-based workers, artisan groups and contract workers, besides workers in the unorganized sector of services, manufacturing and agriculture.

**Features of Unorganized Sector**

The word ‘informal’, per se, denotes the informal nature of work in the activity concerned irrespective of the actual number of workers employed, and irrespective of whether it is within the purview of the requirements for registration. Some studies done in India restrict the informal sector to enterprises employing less-than 10 persons. These tend to set an upper limit of employment at 9 persons and also identify other criteria for identifying the activities of informal sector.

In India, the terms ‘unorganized sector’ and ‘informal sector’ are used interchangeably in research literature. The term ‘unorganized sector’ is used commonly in all official records and analysis. It is defined as the residual of the organized sector. The term ‘organized’ is generally used when referring to enterprises in which 10 or more employees work together. Various methods employed in estimating data on employment in the organized sector by the Annual Survey of Industries (ASI), Employment Market Information (EMI) programme, etc as well as those used in assessing overall employment like the decennial Population Census and quinquennial surveys of the National Sample Survey Organisation (NSSO) have their own limitations. Problems of underestimation and insufficient coverage in the unorganized sector lead to
further problems in deriving the residual estimate of the unorganized sector. Therefore, definitions based on the residual approach that consider the organized sector as employing 10 or more workers and the unorganized sector as the residual, no longer seem to be dependable. Many new types of enterprises and employments that have emerged in recent years have to be taken into account.

The unorganized sector is very diverse. Many efforts have been made to identify the characteristics of employments or undertakings in the sector. But none of the characteristics can be termed crucial in defining the sector. However, it is appropriate to look at some of the characteristics which are presented below.

- Low scale of organization,
- Operation of labour relations on a casual basis or on the basis of kinship or personal relations,
- Small own account (household) or family-owned enterprises or micro enterprises,
- Ownership of fixed and other assets by self,
- Risking of finance capital by self,
- Involvement of family labourers,
- Production expenditure indistinguishable from house-hold expenditures and use of capital goods,
- Easy entry and exit,
- Free mobility within the sector,
• Use of indigenous resources and technology,
• Unregulated or unprotected nature,
• Absence of fixed working hours,
• Lack of security of employment and other social security benefits,
• Use of labour intensive technology,
• Lack of support from government,
• Workers living in slums and squatter areas,
• Lack of housing and access to urban services,
• High percentage of migrant labour, etc.

Some analysts differentiate the word ‘unorganized’ from ‘informal’. They argue that the number of workers in an undertaking or employment is not the factor that enables one to distinguish the unorganized from the organized. According to them, the organized sector can be distinguished from the unorganized by the presence of legal protection, size of establishments, capability of workers to organize themselves in unions, and the systematic manner in which production processes are organized in perceptible pattern. The distinguishing factors often mentioned to demarcate the organized from the unorganized cannot be applied to the informal sector. For instance, the rules that the municipal bodies framed for licensing shops that sell medicines under the Drugs Act, and those that are framed for licensing caterers. There is a considerable difference in the nature of work undertaken by these two establishments. The nature of medical practice or druggists’ shop is highly
organized, systematic and sophisticated requiring high level of skills acquired through formal education. On the other hand, the nature of the work involved in small or medium restaurants cannot be said to be formal or organized. Again, work in numerous garment-manufacturing units, many of which employ a large number of workers, is organized in nature, but is entirely informal.

However, the formal-informal categorization has helped in identifying a variety of new income generating activities that have hitherto remained un-enumerated and excluded from statistics. It has also been pointed out that the informal sector employment often occurs in circumstances in which the labour processes the conditions of work which are outside the area of public scrutiny.

In the broader sense, the number of workers employed in an enterprise cannot be the sole basis for defining the unorganized sector. Because, such an enterprise-based definition does not take into account the vast masses of unorganized labour who work as agricultural workers, cultivators, construction workers, self-employed vendors, artisans, traditional crafts persons, home-based workers, traditional service workers, workers depending on the common property resources such as forests and fisheries and others. Almost the entire non-agricultural activity in rural India is unorganized. All these sectors are mostly unorganized in terms of organization, employment and labour participation.
The unorganized sector is in no way an independent and exclusive sector. It is linked to (or in many cases, dependent on the organized sector) the rest of the economy through a variety of linkages. It depends on the organized sector for raw materials and other capital requirements, generation of employment, marketing facilities and so on. The sub-contracting model is used by the formal sector for engaging labour in the unorganized sector.

It cannot be denied that the unorganized sector does not get enough protection under Labour Legislations. Despite the existence of Labour Laws, for various reasons, the workers in this sector do not get social security and other benefits as their counterparts in the formal sector. Here, workers are highly exploited by entrepreneurs. They are employed on a casual basis. With the exception of very few cases (where organizations like SEWA are present), there is hardly any trade union or other institutional machinery to fight for the workers. Upto now, collective bargaining has not been able to get any visible space in the unorganized sector. As the workers in the unorganized sector, particularly women, have not been able to organize themselves, they are further discriminated against in the sector. Thus, this is a sector in which workers do not have protection or adequate bargaining power.

**Growth of Unorganised Sector – An Analysis of Contributing Factors**

The growth of employment in the organised sector in India declined steadily between 1973 and 1994. This is true for almost all industry groups which imply that the growing labour force cannot be fully adsorbed within the
shrinking organised sector. Hence, the labour force was absorbed in agricultural and in the unorganised/informal segments of the non-agricultural sector. This also led to an increase in women's employment in the informal sector.

The growth of anciliarisation and industrial employment through sub-contracting combined with a steady fall in incomes of households due to the poor performance of the economy as a whole, and other factors contributed for the increase in the number of women entering the unorganised sector. The reasons for the growth of unorganised sector are important from the point of view of formulating policies. The process of globalization, export orientation, industrialization and relocation of industries from the developed to the developing countries also contributed for the growth of unorganised sector.

With the growth of industrialization and urbanization, landless labourers (in the absence of assured source of employment in rural areas) migrate to urban areas in search of employment. In urban areas, labourers are generally employed in unorganised sectors like weaving, handicraft, construction activities, beedi rolling, etc.

Moreover, the alarming rate of growth of population in developing countries including India has resulted in an increase in the rate of labour supply in cities and towns. The huge migration of rural poor to the urban area in search of work and livelihood reflects the spill-over of rural poverty. Along with this process, it has been recognised that there is a dichotomy in urban economies in
developing countries. Whatever may be the reasons, economic development failed to generate adequate employment and income opportunities particularly in the modern formal sector. Under these circumstances, the surplus labour force has been compelled to find its own sources of employment for its survival. Thus, the growth of informal sector and employment in informal sector emerged with its multi-dimensional coverage.

**Unorganised Sector – An Analysis of Features**

Unorganized sector can be classified into two sub-sectors, viz., irregular sector and unorganized sector proper.

01. An **irregular sector** consists of a variety of low status and illegitimate fringe activities (like various forms of casual labour, car-washing and leaf raking as well as many illegal activities like gambling), and

02. The **unorganized sector proper** consisting of small scale economic activities, normally non-wage and carried on by family concerns including beedi making in unorganised sector.

The informal sector is a convenient way of designating a segment of the economy having certain characteristics which lead to unfavourable conditions for the growth of enterprises and activities operating in this segment. The Planning Commission of India commissioned a series of studies on such practices as they provide database for studying the process of production, marketing and surplus accumulation. The Commission states, the **working of the market is such that the producer or organization has grown**
while the workers' earnings and share in the produce have dwindled leading to the concentration of richness in the hands of a few and deprivation of the mass of workers. In six studies conducted by the Commission, it was found that more than 60% of the workers earn less than Rs.40 per month each which is below poverty line at 1975 prices. Most of the workers are not paid any advance by the owners/employers but deductions are made even on slight pretexpts.

Informal sector also markets commodities produced by the formal sector at marketing costs much lower than the marketing costs in the formal sector. This process saves the cost of marketing for the large producers or wholesale dealers as the cost of labour is cheap. It is a common sight to observe very small retail outlets, pavement retailers or traveling salesmen selling bottled drinks, cheap quality mill produced textiles, cheap garments and wood ware, eatables packed by large industries, plastic ware and old stocks of manufacturers, etc. The case of news papers/magazines delivered at homes or sold on streets by young boys/children too is a case of prevalence of cheap marketing facility for the publishers/distributors. With these details, a brief analysis is made in the following paragraphs about some of the important features of unorganized sector.

01. Small Size of Operations: Estimates of the size of informal sector may vary. Majority of the writers seem to hold the opinion that large or even more of the population of large cities of the Third World Economies operate in small
establishments. The smallness may have different connotations in different empirical situations. The demarcation is generally made on the basis of size of the employment. On the other hand, it is sometimes suggested that single worker establishments and those with only self-employed and own account workers form the core of the informal sector. On the other hand, the informal sector (because of its limited access to resources and the competitive nature of its products and services) is characterized by small scale operations.

Because of small scale operations, mostly local inputs and resources are used. Small size of operations is considered a necessary condition for the inclusion of an enterprise in the informal sector. Because, smallness is usually accompanied by several other attributes which make such enterprises disadvantageous.

02. Family Ownership of Enterprises: The formal sector is characterized by high degree of ownership and control of industry by certain groups of people. As a result, the employees might be absorbed from different parts of the country and world. On the other hand, the informal sector has entirely indigenous ownership of its means of production. The proprietors would organize and control the activities of the enterprises. There could also be extensive use of family labour though this may not be true and appropriate always. The informal sector operators do not have the same access to credit facilities as their formal counterparts. This obviously would limit the scale of operations.
03. Production Techniques: The operations of informal sector are more labour intensive, while in formal sectors, use of machinery and technology is common. The formal sector activities too could, however, be labour intensive. The distinction between formal and informal sector on the basis of the use of imported foreign technology or indigenous technology appears to be a rather extreme view point, for even in formal sector, cases of import of know-how or foreign collaboration would be fewer. The extent of using technology as variable in distinguishing informal from formal sector is to highlight that the informal sector units are relatively more labour intensive, predominantly manual and adopt productivity techniques of low level technology than formal sector enterprises.

04. Highly Competitive and Unprotected Product Market: The informal sector operates in a highly competitive market and often has to sell goods and services at unfavourable conditions, and the nature of segmentation of labour market and determination of employment face an inequitable competition from the organized industries which form price controls due to their monopolistic and oligopolistic positions. Thus, the informal units operate in a highly competitive market as they are very large in number and however, none is large enough to influence the market. The handicraft units in the informal sector, on the other hand, operate in a market mostly devoid of any competition.
The personal services form an important example of informal activity catering to the needs of higher income groups. However, the products produced by the informal units are to the low and middle income groups. By and large, one can say that the informal sector establishments are not able to realize the same amount of revenue per unit of their output, which their counterparts in formal/organized sector realize. This is not much on account of the nature of demand for the product and the nature of market faced by the firms, but it is due to the lack of holding capacity and marketing arrangements available to the informal sector enterprises which can again be ascribed to their small scale of operations and meager resources. They sell/settle to the buyers who-ever are at hand when their product is ready for sale and therefore, are not able to realize the full value of their product.

05. Non-accessibility to Public Facilities: Informal sector has no access to public facilities and state patronage like bank credit, advantages of organized capital market, foreign technology, imported raw materials, protection from the formal sectors, electricity and water, etc. Sometimes, these enterprises have to pay extra amounts for the same facilities or enter into clandestine arrangement with various agencies for this purpose. It is not because these facilities are officially deprived to the informal sector units, but they are not able to avail them because of their limited material resources, even when the state tried to mitigate some of these disadvantages by giving them a preferential treatment.
In some countries, many of the economic agents in this sector operate illegally though pursuing economic activities similar to those in the formal sector. Illegality is usually a consequence of official limitations of access to formal sector.\textsuperscript{18} The bureaucratic procedures which have to be followed to obtain scarce inputs such as foreign exchange are complicated enough to put them at a serious disadvantage or force them into risky black market transactions.\textsuperscript{19} The government quite often forces these enterprises to move on account of overcrowding, health considerations, traffic congestion, environmental or aesthetic factors or because the land they occupy does not belong to the owner.\textsuperscript{20} Bank credit, space, electricity, water, etc are examples of such services and inputs which are to be supplied on a government license, yet the informal sector units are not able to avail them adequately. This situation is the outcome of uneven distribution of private resources which seems to directly determine the distribution of the benefits of public resources as well.

Various studies conducted in the developing countries of the world show that the urban informal sector is a vast sector producing a large variety of goods and services which are mostly used by the poor and middle income population. A large proportion of the urban labour force also finds its placement in the informal sector. The urban labour force in this sector has been increasing over time. This sector is infact a gateway for such entrants and absorbs most of the migrants who cannot continuously find gainful employment in the formal sector of the urban economy. The women and child labour are very easily
absorbed in the informal sector enterprises because it is difficult to implement Labour Laws in this ubiquitous sector of the developing economies. Through remittances, a sizeable proportion of income generated in this sector goes to the rural areas because migrants generally maintain effective links with their respective places of origin.

The earnings of the labour force in the informal sector are far lower than those in the formal sector and also vary considerably within the sector. Since a part of the labour force in this sector is comprised of women and children, a significant proportion of them are found to be earning much less than the base income in the formal sector. It is also seen that a higher proportion of the labour force in this sector is relatively less educated and a significant proportion of them are unpaid family members.

Since the technology employed by the enterprises in the informal sector is generally indigenous and labour intensive, most of the enterprises employ illiterate or semi-literate workers who have neither any trade experience nor any skills. Most of skills required are often acquired during the job. Since most of the workers are illiterates, they have no scope to rise in the same enterprises in the informal sector. Most of them, including the child labour, try to move from one enterprise to another in order to enhance their earnings or to avail better working conditions.
No fixed work schedule exists in the informal sector and normally, the workers have to stay at work place for longer hours than would be the case otherwise. Many enterprises do not even provide their workers the benefit of weekly paid holidays. Most of the benefits available to the workers in the formal sector such as retirement benefits, bonus and paid holiday are altogether missing in the informal sector. The formal sources of information and placement such as newspapers, advertisements and employment exchanges are of no avail to the informal sector workers and they have to rely either on self help or relatives and friends to secure employment. There is also significant gender discrimination in respect of wage rates - male adults are being paid more than female; children are paid much less than their adult counterparts though both work for same number of hours with similar nature of job.

The above account describes the characteristics of the informal sector vis-à-vis the formal sector. It is also found that unorganized sweated labour is more evident in the informal sector. The urban economy, with its formal features, generates an informal sector.

**Work-force in Organised and Unorganised Sectors**

Employment in the unorganised sector is derived as a residue after deducting the employment in the organised sector from the total labour force. In this background, composition of, and trends in, employment in organised and unorganised sectors are presented in the following table.
### Table – 1.1: Composition of, and Trends in, Employment in Organised and Unorganised Sectors, 1961-91

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Persons Employed (in millions)</th>
<th>Total</th>
<th>%age of Employers in Unorganised Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Organized Sector</td>
<td>Unorganized Sector</td>
<td></td>
</tr>
<tr>
<td>1961</td>
<td>14.60</td>
<td>174.10</td>
<td>188.70</td>
</tr>
<tr>
<td>1971</td>
<td>20.20</td>
<td>206.70</td>
<td>226.90</td>
</tr>
<tr>
<td>1981</td>
<td>22.90</td>
<td>214.00</td>
<td>236.90</td>
</tr>
<tr>
<td>1983</td>
<td>24.01</td>
<td>264.00</td>
<td>288.01</td>
</tr>
<tr>
<td>1987</td>
<td>25.70</td>
<td>268.00</td>
<td>293.70</td>
</tr>
<tr>
<td>1991</td>
<td>26.70</td>
<td>259.38</td>
<td>286.08</td>
</tr>
<tr>
<td>2001</td>
<td>27.80</td>
<td>NA</td>
<td>NA</td>
</tr>
</tbody>
</table>

Note: NA = Relevant data not available  
Sources: Various Issues of Economic Survey, Government of India, New Delhi

It is obvious from the above that the share of employees in the unorganized sector is above 90% for all these years. During this period, though the relative share of employees in the unorganized sector has moved in both the directions, it did not fall below 90%. Even in 1991, the share of unorganised sector in Indian economy was as high as 90.66 per cent. This number (i.e., the number of employees in the unorganized sector) has increased from 174.1 million during 1961 to 259.38 million by 1991 registering an increase by 85.28 million or 48.98%. Employment in the unorganised sector, over a period of three decades, grew at an annual rate of 1.63 per cent. The addition of employment in the unorganised sector per annum during this three-decade period was 2.84 million.
On the other hand, employment in the organised sector has not grown at a rate high enough to reduce the problem of unemployment. The share of employment in the organised sector in 1961 was only 7.74 per cent. And this share has increased marginally to 9.33 per cent by 1991.

This analysis and the data in the table bring the point to the fore that the unorganized sector has provided employment opportunity to very large number (more than 90%) and has the potential to provide the same to many more. However, the condition of the persons working in this sector is unfortunately not satisfactory.

Even from the view point of contribution to net domestic product (NDP), the contribution of unorganized sector is very substantial. This becomes evident from the following table.

Table - 1.2: Contribution to Net Domestic Product by Organised and Unorganised Sectors (at current prices)

<table>
<thead>
<tr>
<th>Year</th>
<th>Sector (Rs. crore)</th>
<th>Share of Unorganised Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Organised</td>
<td>Unorganised</td>
</tr>
<tr>
<td>1980-81</td>
<td>33,073</td>
<td>77,267</td>
</tr>
<tr>
<td>1985-86</td>
<td>72,952</td>
<td>1,34,610</td>
</tr>
<tr>
<td>1986-87</td>
<td>84,652</td>
<td>1,45,555</td>
</tr>
<tr>
<td>1987-88</td>
<td>96,755</td>
<td>1,64,755</td>
</tr>
<tr>
<td>1988-89</td>
<td>1,14,624</td>
<td>1,99,895</td>
</tr>
<tr>
<td>1989-90</td>
<td>1,31,644</td>
<td>2,28,049</td>
</tr>
<tr>
<td>1990-91</td>
<td>1,51,749</td>
<td>2,68,030</td>
</tr>
</tbody>
</table>

Source: National Accounts Statistics, 1993, pp. 203-4
The data in the above table show very clearly the substantial contribution made by the unorganized sector. The contribution from the unorganized sector, though declined during this 10-year period, is remarkable and it did not fall below 60%. It increased from Rs.77,267 crore during 1980–81 to 2,68,030 crore in 1990–91 registering an increase by 246.89%. One can also find a continuous increase in its contribution (in absolute amount) to country’s NDP. Though this sector is contributing heavily for the economic development, unfortunately, this sector is the most neglected one by the governments in terms of facilities provided and problems attended/solved.

Background of Beedi Industry

Beedi, the Indian Cigarette and the poor man’s smoke, is made by wrapping tobacco in tender leaves and leaves of some other trees. Beedi making was started in India way back in 1887. Thereafter, Beedi Industry expanded very rapidly. The causes for the growth of the industry are complex but not far to seek. It is a well known fact that the traditional smoke of Indian is the Hookah and the Chilam. With increased industrialization and faster travel by rail and car, the need for a cheap smoke in India was met by cheap foreign cigarettes and to certain extent, by beedies. Supply of the former became difficult to obtain during the World War - I. Rural Indians in forest tracks used and even now use the leaves of local species, considered suitable, for making tobacco pipe for smoking and it did not need a genius to suggest the use of leaves for preparing cheap Indian cigarettes. Beedi is thus a blend of the East and West.
The industry received greater impetus from the conditions that prevailed during the World War - I which resulted in the shrinkage of imports of cheap foreign cigarettes and relieved an even greater one from the World War - II.

**Beedi Industry** has become one of the premier cottage industries in rural as well as urban areas throughout the country. Concentrated in Andhra Pradesh, Assam, Bihar, Gujarat and Uttar Pradesh, it is a labour-intensive industry. All the processes involved in beedi manufacturing are carried out manually. Beedi Industry provides livelihood to millions of poor people, fetches revenues to the tune of hundreds of crores of rupees to the central and state governments in the forms of excise duty and sales tax, and earns foreign exchange. As reported in the Economic Times (Bombay, May 22, 1989), there are about 50 lakh workers engaged in beedi making. According to another report in the same daily (May 5, 1990), the country earned foreign exchange to the extent of Rs.290.20 lakh through export of beedies in 1989-90.

Beedi industry is dependent on tendu leaves and to some extent, on the leaves of a few other species as these leaves are used for wrapping tobacco for making beedies. As such, tendu leaf business started simultaneously along with the Beedi Industry.

Beedi manufacturing is one of the largest unorganized sector activities in India in which a large number of men and women workers are employed. The Labour Ministry estimates that there are about 4.5 million workers in the Beedi
Industry, Unofficially, however, the trade unions and NGOs say the actual number of beedi rollers could be much higher since most home-based beedi workers do not have identity cards. A rising concern is also the involvement of children, particularly girls, in the process of beedi rolling. Being in the informal/unorganized sector, it has been very difficult to organize the workers with the result that the majority of beedi women work and live in extremely vulnerable conditions. This is due to multiple sub-contracting of work by the employers/contractors, often under exploitative conditions, high mobility of the beedi rolling activities, non-issuance of identity cards to home-based beedi women workers (which is the basis for the entitlement of welfare benefits and protection under Labour Laws), poverty, illiteracy and lack of awareness among beedi woman-workers. The lack of skills, little or no access to credit and other means of livelihood force many women to continue in this occupation.

The future of the beedi industry is also likely to be adversely affected by the anti-tobacco policies on public health grounds (such as bans being imposed by the authorities on smoking in public places) and WHO's frame-work convention on tobacco control. There is a growing concern for the livelihood of the workers engaged in beedi industry.

Nature of Beedi Industry and Its Activities

Beedi manufacturing is one of the traditional and largely home-based industries in India. It is highly labour intensive and engages about 4.4 million workers.
Since the task of beedi rolling is suited for being done at home, it suits women to take up this activity at home. It is also suitable for women because they can combine household work with beedi rolling. It is suitable for young and adolescent girls also, as this activity can be taken up inside the house and they need not go out of their house. Therefore, there is a predominance of women and girls working in this home-based production of beedi. As such, over 90% of beedi rollers are women, girls and children.

Though beedi rolling began in the organised sector during the early 20th century, it gradually shifted to the unorganised sector consisting of households, small units and work sheds. At present, hardly 10% of the total work pertaining to beedi manufacturing takes place in the organised sector. Moreover, the bulk of production takes place through sub-contracting system. In many states, one can find new factories which are engaged in beedi production. However, in most of the cases, the work in the factories is confined to labelling, packing, etc. Because, the actual process of beedi rolling is done at home. This process of beedi rolling, under home-based system of production, consists of the following tasks.

- Tendu leaves are cut to the required shapes, usually using a cardboard cut supplied by the agent/contractor. The cut leaves are then moistured and left for half-an-hour so that they become ready for rolling.

- On the cut leaf, required quantity of tobacco is spread and the leaf is then rolled into beedi shape, normally a conical shape. The two ends are then folded and the end that is tapered is tied with thread.
• Normally, bundles of 25 or 50 beedies (or as in required number of beedies) are made and handed over to the depot manager/contractor.

• The depot manager/contractor then takes the beedi bundles to the factory where they are cured, wrapped, labelled and dispatched.

Since different activities in home-based beedi production can broadly be classified into a few major groups, this feature is encouraging division of labour - if one cuts the leaves, another fills in the tobacco, the third ties the thread and so on.

In the system of home-based work, there is no direct employer-employee contact. Here, the manager of the employer-unit (organized) or the contractor acts as the link between the beedi workers and the organization. These home-workers are mostly women and children, and they are socially and educationally vulnerable for exploitation as they are unorganized. Home-based beedi workers are, by and large, working on piece rate basis carrying out work on contract basis (of course, without any formal written contract binding the parties) for the employers (or their agents or sub-agents). Normally, the employers supply the raw materials and collect back rolled beedies (in bundles). Hence, the problems of these unprotected and unorganized workers are many and very acute.

Beedi Industry is basically a cottage industry which contributes heavily to the economy in various forms such as exercise duty, generation of employment
opportunity to the village folks and others, business for the sources of raw materials, etc. Tendu leaves have to be procured from different parts of the country more particularly from Madhya Pradesh, Orissa and Maharashtra whereas tobacco is to be procured from Gujarat and Maharashtra. This distance, relating to the procurement of tendu leaves and tobacco from other states, has not become a hindrance in the development of the industry as there is a well organized system to procure the basic raw materials.

There are wide differences in the welfare measures between the workers in the organized sector and in the unorganized sector, and between the workers in developed countries and developing countries, and these differences led to various attempts at providing social and economic security to the workers in the unorganized sector in order to narrow the gap. Still, the condition of the workers in the unorganized sector, more particularly the beedi workers, has not improved much.

The Voices of the Poor - a study conducted in 60 countries has shown that despite very different socio-economic and political contacts, poor people's experiences are pervaded by a common sense of powerlessness and voicelessness. Working to enhance empowerment is thus a bog challenge for developing countries and their external partners. It is both a moral challenge and an intensely practical one. Reducing the human degradation of powerlessness and releasing the energies of people to contribute their society through empowerment are two sides of the same coin and represent not only
key inputs to development effectiveness, but also criteria by which the
development effort can be judged.

It is now widely recognised that the developmental path followed by the
developing countries has not solved the problems. Because, it has resulted in a
situation wherein the benefits of growth have accrued only to a small segment
of the society and the other segment of the society (constituting millions of
population) has been socially excluded. They are suffering from persistent
deprivation associated with generally low standards of living and various kinds
of social insecurities. Unfortunately, the social security system in India has
taken the form of a dualistic pattern in which a small segment of the workforce
has been able to obtain the protective social security benefits while a large
segment has remained unprotected.

**Linkages of Beedi Industry**

With a view to highlight the importance of Beedi Industry, an attempt is made
in the following paragraphs to present its linkages with other units/sectors/
functions.

01. **Production Linkages of Unorganized Sector**: A large number of
corporations, both at the national and international levels, give some parts of
their contractors/activities outside (their own enterprises) to small and tiny
units. It is cheaper to have work done outside the formal sector in cases where
there are no economies of scale. Typical examples of sub-contracting can be
found in Beedi Industry, food processing, garments, textiles, furniture and in the mechanical engineering industries.21

The form of production linkage is the employment of cheap manual labour in the making of beedies by corporate sector on piece rate basis. The whole business of beedi making is on contract basis and it is technically outside the organized sector, thus avoiding most of the Legislative Provisions like wage and work regulations. Further, earnings are at subsistence level or even below.

02. Marketing Linkages of Unorganised Sector: Marketing linkages of the unorganized sector with formal sector fall into two divisions. A large number of commodities produced in the unorganized sector are marketed by the formal sector at considerable profit while the wages in the former (i.e., unorganised sector) are at the subsistence level. This is typically true even in the case of beedi making. Because, the activities pertaining to beedi making do not require sophisticated technology and are produced by individual craftness or by small group of traditional workers who use their own indigenous means of production and are in no position to reach the consumers with their products directly.

It is evident that the unorganized sector is an infinite source of cheap labour which is used for capital accumulation by the organized sector through the establishment of linkages. Thus, there exist continuous contacts in production activities with no fool proof method by which one can draw the line between
the two sectors. However, the current trend, after globalization, is the proliferation in the unorganized sector as the organized sector is giving way to multinationals.

03. Economic Linkages of the Unorganized Sector: The unorganized manufacturing sector is defined as those comprising of the units that are not registered under the Factories Act, 1948. These can further be divided into three groups, viz., Own Account Manufacturing Enterprises (OAE), Non-directory Manufacturing Establishments (NDME), and Directory Manufacturing Establishments (DME). **Own Account Manufacturing Enterprises** use house-hold labour, and no hired worker being used. **NDMEs** use less than five workers of which at least one is a hired worker, and **DMEs** use more than six and less than ten hired workers.

The unorganized sector has assumed increasing importance in the Indian economy. The contribution of unorganized sector to the economy can be found through several macroeconomic aggregates like employment, domestic product, etc. It is basically labour intensive and provides employment opportunities to a large section of the society. Its contribution to the country’s net domestic products is also very high.

**Tendu Leaves and Beedi Making**

Beedi is the poor man’s smoke which is popular in rural as well as urban areas. Leaves for making beedies are obtained from a number of tree species in India
such as Jack, Ashtri (Apta), Palas, Sal and tendu, and these leaves are used for beedi wrapping. Of these, tendu leaves are the most common and extensively used leaves as they do not have their own taste, and the smoker can enjoy the real natural taste of tobacco wrapped in them. Tendu or beedi leaves are grown in dry mixed deciduous forests of the Indian peninsula abundantly in Madhya Pradesh, Maharashtra, Orissa, Andhra Pradesh (Telengana regions) and sparsely in Rajasthan, Uttar Pradesh, Gujarat, Bihar, West Bengal, Kerala and Tamil Nadu. Tendu is known by different names in various states. It is called Abnus in Urdu, Tunniki in Telugu in Andhra Pradesh, Kendu in West Bengal, Tembru in Gujarat, Kari in Kerala, Tembharni in Maharashtra and Balai Toupra in Tamil Nadu.

Almost all the parts of Tendu tree are useful and, therefore, have high socio-economic value. Most of the tendu or beedi leaves are obtained from natural vegetation and nursery techniques have been found successful for extending the area under this species. The leaves from the bushes are generally larger, thinner, relatively more pliable and have less prominent nerves whereas the leaves from matured trees are generally shorter, thicker and brittle. The former types of leaves are, therefore, preferred for beedi wrapping. Certain cultural practices such as pruning, trenching around tendu tree and coppicing tendu bushes have been found useful in enhancing and improving the quality and quantity of the leaves.
In most parts of the country, fresh tendu leaves appear during early February and mature for plucking by the third week of April. The leaves are plucked manually from standing trees and bushes. The collection season continues up to the end of May and the collection is stopped about a week before the anticipated time for the onset of monsoons.22

The leaf plucking activity provides work during the lean agriculture period and is, therefore, particularly important for the land-less agricultural labourers, scheduled tribes, oblique scheduled castes and marginal farmers in the tendu growing areas and the rural area in the vicinity. Women and children, in large numbers, engage themselves in the plucking of leaves.

**Tendu Leaves - Production and Employment Opportunity**

The annual production of beedi leaves in India was estimated to be around 3,00,000 tonnes and the annual potential employment in collection, drying, packing and transportation of beedi leaves was estimated at 1,07,000 persons per years.23 Besides, Beedi Industry which uses Abnus leaves for rolling the beedi as wrappers, yields a revenue of Rs.400 – Rs.500 million and provides primary level employment to 20 - 25 million people annually.24

Marketing of tendu leaves has conventionally been in the hands of private traders who purchase rights to collect the leaves from the state forest land and through annual auctions. Wages paid for the collection of leaves are determined by contractors who obtain lease in such lands. Individual growers
also sell the leaves grown on their privately managed lands to private traders who pay a negotiated price for leaves and wages for plucking them. This resulted in (a) smuggling of leaves from state forests, and (b) exploitation of labourers plucking the leaves who were paid low wages. In some important tendu growing areas, the practice of private trading in beedi leaves resulted in monopoly by big traders who enter into the long-term agreements to purchase leaves from those areas, preventing other traders from bidding for the right to collect leaves from the forest lands in and around such area. This was harmful both to the state governments who suffered revenue losses and the labourers who were paid lower wages.

In order to eradicate these evils and malpractices, different state governments took various legislative and other measures for controlling the trade in beedi leaves, on the recommendation of the Central Board of Forestry. This culminated in the nationalization of the trade in beedi leaves first by the Government of Orissa in 1961 and later on by the governments of all other tendu growing states.

Beedi industry has been under pressure in the post-1991 due to economic liberalization policies which enabled the entry of tobacco multinationals and also changing customer preference towards non-beedi tobacco products. Beedi manufactures also allege that changes in the taxation policy have led to competition between machine-made mini-cigarettes and labour-intensive beedies. The organised beedi sector also faces competition from other tobacco
based products (such as chewing tobacco) and unorganized and/or unregistered beedi manufacturers. This is forcing many beedi manufacturers to shift their operations from a relatively organised area to more backward area in search of cheaper labour. Further, there is a growing concern for the livelihood of the workers engaged in beedi industry. The work-force in beedi industry mostly comprises of those who are from agricultural sector. As is known, agriculture is neither a perennial assignment nor an all day job as it depends on the vagaries of monsoon and the climate. Moreover, the labour force comprises of a large segment of women (as also men) who would have otherwise deviated to dissipation and variation of resources during the long periods of non-employment in agricultural works. Beedi Industry, therefore, provides beneficial diversion and employment for the agricultural labourers without affecting their primary task viz., agriculture.

Beedies produced in Karnataka have found acceptance not only in India but also in the international market. As a result, Beedi Industry is providing gainful employment opportunity to around six lakh beedi rollers mainly from the agricultural sector in Karnataka.

Beedi rolling has become a collective work of all the members of the family without any age bar. From adults to the old people, all alike, learn this art of rolling the beedi easily which, at times, is the only livelihood. The recent move towards commercial crops in Karnataka has left the female folks unemployed.
This section has found the alternative way of earning some additional amount by rolling beedies. Most of these are women in the age group of 20 - 40 years.

The contractors (of the trade mark owners of the beedies) procure the raw materials from the manufacturers, (i.e., the sources of supply) and distribute the same among the workers in villages and collect back the rolled beedies after some time. The time gap between the distribution of raw materials and collecting back rolled beedies is as per the oral understanding and mutual convenience. However, at the manufacturing level, a series of quality control checks are performed in order to ensure that the beedies comply with the standards of quality. Beedi Industry thus provides supportive employment to a large labour force by providing work which can be attended either on full time basis or during their free time.

Conclusion

In this chapter, an attempt is made to analyze the distribution of work-force in different sectors of economy. The analysis of occupational structure of India reveals that the substantial work-force is engaged in agriculture and a very small proportion is found to be engaged in industrial and service sectors. Due to the decline in the job opportunities in the agricultural sector and also on account of a number of other reasons including uncertainty, people are looking at other sectors for employment opportunities. This brings down the proportion of labour force in agricultural sector and leads to emergence of unorganized sector as the area which has the potential to absorb more number of persons.
The investment in industrial activities has been very low due to restrictive environment including license, quota, regulations, etc. This leads to closing of certain industries increasing further unemployment problem. The persons who lost their jobs in organized sector started working in unorganized sector for their livelihood.

Due to the economic liberalization policy, beedi industry has been under pressure and this is forcing many beedi manufactures to shift their operations from a relatively organized area to more backward area in search of cheaper labour. The beedies produced in Karnataka have found acceptance not only in India but also in the international markets. Therefore, Beedi Industry is providing gainful employment opportunity, which, at times, is the only livelihood for many workers. Beedi Industry provides supportive employment to large labour force by providing work which can be attended either on full time or during the free time.

Notes and References


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