CHAPTER - II
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REVIEW OF IMPORTANT ILO PUBLICATIONS ON INFORMAL SECTOR

2.1 Introduction:

International concern to improve employment situation in developing countries was marked in the World Employment Programme. It was the main contribution of ILO to the International Development Strategy for the Second United Nation’s Development Decade. The aims of the programme were to identify particular policies and measures to improve the employment situation in developing countries and to assist in the implementation of such policies and measures.¹ Five monographs published by ILO are a series of research studies undertaken under Urbanisation and Employment Project under the programme.²

2.2 Paul Bairoch’s Study:

Paul Bairoch’s study drew meaningful comparisons between employment situation as it is at present in developing countries and that of new industrialised countries in their corresponding stage of development. Listing out general parameters³ having a considerable influence on over-all pattern of urban employment situation in developing countries he felt that the most important of these parameters is unquestionably the rapid urbanisation process experienced by most of the developing countries in the last few decades.⁴
The rapid urbanisation was caused by many factors. Among these the most important were demographic inflation with its particular consequence of increasing density of occupation of arable land; gap between urban and rural incomes; rapid expansion of education and its inappropriateness making rural way of life unattractive; rapid natural growth of the urban population; the impact of colonisation and of decolonisation; the attraction of urban way of life; and the existence of social restrictions in rural society. The study brought to light important characteristics of urban unemployment of developing countries. Unemployment rate was higher among women, though the number of unemployed women were fewer than the number of unemployed men. Unemployment rates in the 15-24 age groups were equal to or more than double the rate for the population as a whole. One of the principal causes of such high rates of unemployment was large flows of migrants, particularly young into towns. However the unemployment incidence was not greater among newly arrived migrants than among the rest of the urban population. Moreover this unemployment of young people occurred predominantly among those seeking their first job. The incidence of unemployment was much higher among moderately educated i.e. with six to eleven years of schooling followed by those who did not progress beyond primary schooling, the illiterate and lastly those with educational qualifications above the secondary level. The low rate of unemployment among illiterates was due to a strong tendency to migrate among educated young people who were reluctant to take jobs of low social status but which illiterates were willing to fill. Unemployment rates in capital cities were less than in other towns and unemployment was mainly medium-term in duration. A broader but more significant indicator of extent of urban underemployment was the swelling of tertiary activities of the developing countries.
Explaining how the structural unemployment in urban areas of developing countries was caused by massive inflow of rural active population, Paul Bairoch provisionally defined 'Urban Over-Unemployment' as a "high level of structural unemployment resulting from a disequilibrium between supply and demand caused especially by a massive inflow of an active population cast out of a rural environment."

Finally the study recommended the following measures to reduce urban unemployment under two categories namely long-term and emergency measures. Labour-intensive industrial techniques and a reduction or a slowing-down of the rural-urban drift came under long-term measures. Emergency programme of urban rehabilitation using the urban unemployed in works of infra-structure, technical retraining of the employed, increase of employment in manufacturing, temporary control of migration to urban centers, were put under emergency measures.

2.3 Harold Lubell's Study:

The study, 'Urban Development and Employment: The Prospects for Calcutta' by Harold Lubell was the first of a series of city case studies. The study put to test the general hypothesis that urban unemployment in the developing countries is primarily a consequence of the fact that increase in productive employment opportunities falls short of the rapid increase in the urban labour force, the latter resulting from massive rural-urban migration.

This study highlighted the following facts on migration. Permanent-dwelling unskilled labourers constituted appreciable number of seasonal migrants. Labour force participation rates were much higher for the normal
migrants, who came to Kolkata for the most part without their families than for the resident population or East-Pakistan (Now Bangladesh) refugees who came to Kolkata with families. The female to male ratios for ordinary migrants were much lower than displaced persons. Illiteracy was much higher among ordinary migrants than original residents. The city attracted comparatively more educated persons from among the Bengali-speaking population living outside, while among the Hindi-and Urdu speaking people, it was comparatively the uneducated sections which had migrated to the city in large numbers. Over half of the migrants from West Bengal to Kolkata came from its adjoining districts. Distribution of working population by economic sector showed somewhat lesser proportion of resident population engaged in manufacturing than in trade and in other services. Largest proportion of job-seekers found work through friends and relatives, fellow villagers or townsmen and caste affiliation.

As far as unemployment was concerned, the study dwelt on the following aspects. Unemployment rates were low for ordinary migrants, quite high for original migrants and extremely high for displaced migrants from East Pakistan. The period of unemployment in Kolkata had been much longer than in the other cities. Bengalees were mostly employed in white collar and skilled jobs. Identifying target groups for an employment policy the study spotted young educated unemployed who were children of old Bengalee middle class and industrial workers settled in metropolitan Kolkata. A second target group was the educated young people in the small towns of West Bengal who would drift into Kolkata if employment opportunities were not created for them near home.
Development of informal sector, inter alia, was the key element of an employment strategy suggested by the study. Further the study felt: "As long as a large labour surplus exists, all these unorganised services, laundering, barbering, tailoring, house cleaning and other basic services in the metropolis will continue to absorb large number of the unskilled at low rates of compensation. The unorganised service sector will remain one of the manpower markets of last resort."

2.4 Kalmannschaefer's Study:

Kalmannschaefer's Study of Sao Paulo threw much light on the urban labour market and migration. There was a greater tendency for young adults, 20 to 39 years, to migrate than for those in other age groups. Using minimum wage as a cut off point, income concept, it was reported that underemployed workers were by no means concentrated in the tertiary sector much against the general belief. Education and underemployment were inversely related. Migrants and those between the ages of 10 and 24 displayed higher incidence of underemployment. Migrants who have necessary skills had no difficulty in obtaining better jobs.

The study further attempted identification of informal sector in Greater Sao Paulo in terms of size, relative importance and employment conditions. Using sector criterion where traditional activities like commerce, construction and personal and paid-domestic services formed informal sector, it was estimated that 43.3 percent of Greater Sao Paulo's active labour force was in the informal sector: 46 percent of these were migrants and 54 percent non-migrants. From the break-down of the informal sector employment by sex and migration status, it was observed that migrants with less than two years of
residence had the highest percentage of employment in the informal sector among both male and female migrants. Employing minimum wage criterion, 34.6 percent of wage-earning population were classified as in informal sector; of this 44.4 percent were migrants of those migrants, 20.5 percent were two year migrants, 10.4 percent were two-to-five year migrants and 13.6 percent were six-to-ten year migrants. This study included self-employed persons, except those in liberal professions, and all establishments having no more than nine employees in the informal sector. After identifying the informal sector establishments and assuming an average employment of 4.5 persons per establishment, 24.6 percent were estimated to be employed in the informal sector on the establishment criterion. The wide range of estimates was not unreasonable when viewed in terms of the 'informal labour/informal sector' dichotomy.

2.5 Sethuraman's Study:

Sethuraman's Jakarta study revealed many aspects of urban employment, underemployment and unemployment.Labour force distribution by employment status broken down into five categories namely, self-employed, employers, employees, unpaid family workers and unemployed, showed majority of those employed were employees. Surprisingly only a small proportion of the total employed were unpaid family workers. Trade and agriculture and related activities had high proportion of self-employed and unpaid family workers compared to other sectors. With respect to underemployment nearly 60 percent of the employed worked more than 44 hours per week irrespective of weekly incomes earned. Similar conclusions followed when the workers were distributed by hours and employment status. From these facts it was concluded that large majority of
the underemployed i.e. those wanting work, wanted really more income. Said in other words the problem was one of raising labour productivity and earnings rather than providing more work. The rate of unemployment was higher for young persons. Defying the general belief that employment opportunities are perfectly elastic in the informal sector, the unemployment rate for those with no schooling was quite high – 9.4 percent for females and 16.2 percent for males. For new entrants to labour force the waiting period was somewhat longer than those with previous work experience.

The study also dealt with migration aspects of labour. It was shown that virtually all estimated number of migrants were below 29 years of age. 57 percent of male migrants and 48 percent of female migrants were single. Over 60 percent of migrants had less than six years of schooling whereas 38 percent had no schooling at all. By distributing migrants by last place of residence, it was concluded that large urban areas tended to attract their population from far-off places as well as neighbouring areas, while smaller urban areas seemed to attract their population within the province concerned. Dealing with the question of step-by-step pattern of migration the study showed over 80 percent of migrant household heads came directly to Jakarta while the rest in stages. 50 percent of the migrants simply followed primary migrants. Of the primary migrants 60 percent reported employment was the motive for migration. Another interesting finding of the study was that proportion of the migrants reported saying they were economically better off after migration increased with their stay in Jakarta. Labour force participation rate for male migrants substantially increased after migration. Many male migrants secured jobs paid on daily basis; only about 25 percent succeeded in getting jobs paid on monthly basis. These findings support the hypothesis that the urban informal sector plays a vital role in absorbing migrant labour.
About changes in occupations after migration the study found that male migrants with less than six years of schooling accepted jobs as daily labourers, traders and vendors and quit these jobs generally as time passed. Female migrants who accepted domestic jobs soon after their arrival to Jakarta, moved into trading and vending business with the affluxion of time. A substantial number of those with more than six years of schooling succeeded in entering white-collar jobs as length of stay increased in Jakarta. The rate of unemployment of migrants coming from rural areas was slightly higher than that of natives and far lower than that of urban migrants.

The study dealt at length with informal sector. All unregistered commercial enterprises and all non-commercial enterprises that had no formal structure in terms of organisation and operation were included in informal sector. Measuring the size of informal sector as a fraction of total employment, the study estimated that over 40 percent of employment in Jakarta was in informal sector activities. Informal sector of Jakarta included a wide range of activities such as household and personal services including commercial and non-commercial enterprises. It was also reported that there was close correlation between physical lay-out of the city and the social structure of the population. To develop informal sector the study suggested increasing opportunities for informal sector to expand and building capacities within itself to exploit such opportunities. The study envisaged skill level of informal sector participants as a major constraint besides capital. The study exhorted to undertake studies on different sub-sectors of informal sector with a view to identifying specific policies pertinent to them. It further
recommended the review of regulatory and licensing policies, which had bearing on informal sector and the ways and means of upgrading technology and integrating the informal sector with the formal sector through manipulation of backward and forward linkages.

2.6 Heather Joshi, Harold Lubell and Jean Mously’s Study:

Heather Joshi, Harold Lubell, and Jean Mously’s study of Abidjan discussed at length migration and urban labour market. Inequitable distribution of income among members of rural community where young and women contributed most of the labour and received less than proportionate share of the returns, increased incentive for the young to leave the land. Another incentive for migration to Abidjan was that level of income per head and per capita gross domestic product were higher in Abidjan than in the rest of the country (Ivory coast). Added to these was a difference in real income between Abidjan and hinterland due to concentration of amenities and services in Abidjan. Informal contacts through family, clan or friends were very important in recruitment and transmitting information about job vacancies in modern sector for immigrants. Informal hiring of immigrants in daily casual labour market like access to petty trade and service sector, escaped the purview of the employment exchange. Illiterate and unskilled migrants willing to leave after a short stay in the city did not form a large enough proportion to provide all the necessary adjustment to the labour market. On the contrast, educated, village abhorring and would be-permanent town dweller-migrants’ response to unemployment would be a very slow and painful process.
This study attempted identification of informal sector, appraised the useful functions of it and clarified the manner in which it could contribute to economic growth. Significant analytical feature of the formal-informal dichotomy was that the formal sector was actively advantaged by state favours, while the informal sector was actively harassed, or at best ignored, and had no access to capital. Capital in the informal sector was generally of personal or family origin and its amount tended to be small. The study presented informal sector in terms of number of enterprises, employment by sector (Primary sector and tertiary) and branch of activity. Commercial activities, formed an important segment of informal sector. Some of the branches of informal sector activities were carried on only in a precarious and intermittent fashion and thus played a secondary role in the economic activities of individuals concerned. For example in trade a commercial enterprise was often temporary in terms of age, intermittent in terms of products sold and a secondary as a source of income. Women constitute a large proportion of persons engaged in certain trades like prepared foods, beverages and fabric sales. There were a few female household heads. The income of the wives was only of subsidiary character. Productivity per worker was considerably lower in the informal sector than in formal sector, as indicated in the estimates of value added per worker. The incomes in Urban informal sector were compared to those of agriculture and urban formal sector. Average gross value added in agriculture was lesser than that of informal sector. As the situation for formal sector occupations was not clear, the annual minimum wages for unskilled labour, the lowest category workers, and the highest paid temporary administrative employees in modern sector were compared and was found that the former was not higher than the latter.
The study concluded that the role of informal sector as a generator of income was very important as it ensured some means of subsistence for a considerable part of the population or helped in raising its standard of living. Second conclusion was that the average level of income, taking average productivity as indicator, in the informal sector was very close to statutory minimum wage. Training of labour in the informal sector was on the job and vocational training in specialized institutions was not normal. The recipients of the training included family members and outsiders that received training were treated as members of it. The latter were fed and housed by their employers who received, sometimes, fee from families of apprentices which was hardly sufficient to meet the costs of apprenticeship. The study indicated that informal sector could play a passive role by absorbing rural people who could not otherwise gain employment in the formal sector. It could also play an active role by supplementing the modern sector by producing goods and services by employing capital-saving techniques thereby releasing capital to be used more productively.

By reason of free entry and competition prevailing in informal sector it could be regarded as reservoir of ambitious and enterprising persons who could be brought eventually into modern sector increasing its growth potential. This sector used little capital and permitted accumulation of saving that would otherwise not be made or would be hoarded and not invested. Anonymity of this sector vis-à-vis the authorities had an advantage of tax avoidance and greater latitude for quality standards. On the other hand it did not benefit from any state assistance in respect of credit, supplies and technical progress. The objective should be the progress of informal sector, or at least of those parts of it which offered opportunities for development.
The result would be to create transitional sector which, as the economy developed, would evolve little by little, ultimately forming part of modern sector. Once the selected elements of this sector to be helped are identified regulations should be introduced not to destroy the spontaneity and kill the individual enterprise and initiative.

2.7 Review of Unorganised Sector Workers' Social Security Bill, 2005

In India:

2.7.1 Introduction:

In order to fulfill its firm commitment to the welfare and well-being of workers, particularly those in the Unorganised Sector/Informal Sector as laid down in the common minimum programme, the Government of India has taken several radical steps in recent years. The passing of the National Rural Employment Guarantee Act and the Right to Information Act are important among them. The Government is in the process of taking a third radical step, i.e., passing a Social Security Bill that has been drafted for the unorganised workers.

The draft of the bill has come from the National Commission for Enterprises in the Unorganised Sector, set up in September, 2004 to examine the problems of the Unorganised Sector/Informal Sector and suggest measures to overcome them. As one of the terms of reference of the commission is to review the social security system available for labour in the informal sector and to make recommendations for expanding its coverage, the commission has recently drafted the Unorganised Sector Workers' Social Security Bill 2005. The bill is submitted to the Prime Minister of India to take necessary action.
2.7.2 Main Features of the Bill:

The bill covers the entire country and all workers in the unorganised sector with the monthly income of Rs.5,000 and below. It covers self-employed workers, including small and marginal farmers, wage workers and home-based workers, as well as informal workers in the organised sectors without any social security cover. The number of workers eligible for the benefits is estimated around 300 million [Press Note, National Commission 2005].

The social security package for the workers will comprise of a national minimum social security cover comprising of (a) old age pension for workers above the age of 60 years, (b) health insurance for self, spouse and children below the age of 18 years, (c) maternity benefits for women workers or spouse of men workers and (d) insurance to cover death and disability arising out of accidents. The act will require workers to register themselves to attain the benefits.

The bill does not seek to replace the social security schemes, which have been introduced for selected groups in a number of states. These schemes will continue as before. The bill also states that the central government or any state government may frame additional social security schemes for unorganised workers in the areas of provident fund, housing, skill upgradation, education, funeral assistance, etc., if the required funds are available.

The central government will create a National Social Security Fund, from the contribution of grants and loans, contribution from workers,
employers and the state government, any tax or cess that the central government may decide to impose. Contributions from national financial/development institutions and from voluntary contributions of individuals and institutions. The contributions from the worker will be Re. 1 per day (central government will make this payment for those below the poverty line), from the employer it will be Re. 1 per worker per day (this contribution will be made by the central government if the employer is not identifiable) and from the government it will be Re. 1 per worker per day (Re. 0.75 from the central government and Re. 0.25 from the concerned state government).

The bill has suggested an elaborate institutional set up for the purpose of its implementation. At the central level, there will be national social security board, supported by a general council and an executive council. There will be a secretariat with adequate professional and other staff to help the national board. At the state level there will be a state social security board, which will be supported by a state level general council and a state level executive council. There will also be a secretariat to help the state board. There will be a district committee for the registration of works and implementation, supported by workers facilitation centers responsible for disseminating information and implementation of the act. The delivery of social security to workers will be done either through workers' organisations or directly through any other organisations (like panchayat bodies, self-help groups, trade unions, etc.) that the concerned state boards decide. The workers facilitation centers will provide all the required support to the state boards in the implementation of the act, when passed by the Parliament.
Every unorganised sector worker above 18 years of age will be eligible for registration through self-declaration for registration. Each worker will get a unique social security number and an identity card which can be used anywhere in the country. In other words, the migrant workers will be entitled to the social security benefits even when they migrate to distant places.

In short, the bill has worked out the details of the benefits as well as the mechanism for the purpose of the implementation of the bill (act).

There are, however, two problems with the bill: First, it has not paid attention to the heterogeneous character of the unorganised sector, and second, by clubbing all sub-sectors of the unorganised sector together, the bill has discouraged the present struggle for social security carried out by trade unions and other organisations of unorganised workers, frequently supported by state governments.

2.7.3. Heterogeneous Social Security Needs:

the unorganised workers are a highly heterogeneous group of workers. They include workers employed in a wide range of economic activities, from street vendors and casual workers in a tea-shop to bidi workers, brick kiln workers, salt pan workers and sub-contracted and temporary workers of factories. The different economic activities in this sector are at different levels in terms of technology, productivity, wages and profits. The affordability and the paying capacity of employers as well as the needs of workers for social security bill therefore be different in different activities. A uniform package will not be valid for the different categories of workers.
Again, the specific needs for social security of these workers will differ widely. For example, social security needs of construction workers living on the pavements of a large city will be different from the needs of home-based factory workers or of temporary workers of the organised sector. A critical security need of (migrant) construction workers or migrant salt pan workers living in open fields will be shelter, while the first priority of home-based workers will be health insurance and life insurance. Also, children’s education will be a high priority of migrant parents, while it may not be so for non-migrant workers. The specific minimum social security package needed by each of the sub-sectors is likely to be different, as their priorities are likely to be different. Though a minimum package of social security will be desirable for the workers at the bottom layer of income and wages, it will help if attention is paid to the specific needs of the workers of different categories.

It needs to be noted that over the years, the unorganised workers in some of the sub-sectors have made considerable achievements in terms of providing social security to their workers, thanks to the trade unions of these workers, NGO initiatives and the initiatives taken by some progressive state governments. Several state governments have set up welfare boards, welfare funds or tripartite boards, which have designed much higher levels of social security than the package mentioned in the bill. Several groups of workers like mathadi workers, bidi workers, dock workers, construction workers, agriculture workers, dolomite workers, etc., in some states are entitled to the benefits of these social security packages. Again, a few state governments have passed acts that intend to ensure larger social security packages than the one designed in the bill by the National Commission.
There is a growing perception in the country at present to extend social protection to excluded groups through various strategies and various micro social insurance schemes. Several civil society organisations, NGOs, Microfinance institutions, trade unions as well as state governments have taken initiatives in this area. Some of the major state level initiatives are social security schemes for rickshaw pullers in Andhra Pradesh, head load workers’ insurance scheme in Karnataka, agricultural workers’ life insurance scheme in Gujarat, mathadi (head load) workers’ social security scheme in Maharashtra, etc. In addition, there are welfare boards set up for some sectors in Gujarat, Kerala (more than 20), Maharashtra, Madhya Pradesh, etc. All these schemes address specific needs of the workers located in different sectors in different states. Their social security packages differ from each other, as they try to meet the specific needs and priorities of different categories of unorganised workers.19
REFERENCES:

1. The research carried out under the programme included seven major projects dealing with technology and employment, income distribution and employment, population and employment, education and employment, urbanisation and employment, trade expansion and employment and emergency employment schemes.


3. The pace of population growth, changing structure of active population and absorption of the surplus active population, active rural population and density of settlement of agricultural land, the pace of urbanisation and unurbanisation and levels of development, are discussed having influence on the over-all urban employment situation. For detailed discussion of each of these parameters see Paul Bairoch, Urban Unemployment in Developing Countries: The Nature of the Problem and Proposals for Solution, ILO, Geneva, 1973, pp. 7-24.
4. Ibid., p.7.
5. Ibid., pp.56-60.
6. Ibid., p.66.
8. Measures suggested for containing rural-urban drift include increasing the weightage of agriculture in development programme, deceleration of demographic growth, reduction of difference between urban and rural incomes, modification of the content and form of education and improvement of social facilities in rural areas.
10. Ibid., pp. 52-64.
11. Ibid., p.64.
13. Ibid., pp.63-79.
15. Ibid., pp.91-124.

18. Ibid., pp.49-61.