

SES'S L.S.RAHEJA COLLEGE OF ARTS AND COMMERCE

Course: TYBA-Sociology Of Informal Sector-Paper V- Sem VI
Prepared by: Dr Samya Shinde

Unit: I-Organisation of Work

Characteristics of formal sector

- Entry into the formal sector labour market is restricted
- The organised sector are supported and protected by the government-
- They provide for better wages, good working conditions and security pension facilities,
- Uses capital intensive and imported technology. characterised by privileged access to resources,
- large scale of operation, capital intensive techniques,
- high wage rates and salary packages
- Workers are selected through formal procedure
- Workers have formally acquired skills and qualifications and are regulated for formal laws- is formally controlled
- has hierarchy of authority
- work is well planned and structured
- specialisation of knowledge
- characterised by effective line of communication,
- higher pay scale according to ability and experience.

Problems of formal sector workers.

- Workers are facing layoffs,
- voluntary or compulsory retirement-
- Many unskilled, semiskilled workers are losing their jobs as there is no scope of manual jobs-
- highly skilled labour has to improve and renew their knowledge to maintain their demand.
- Though workers better paid no job security- large scale factories are closing down
- workers are unionised, unions fail to protect their jobs.

Meaning of informal sector**Characteristics-**

- Ease of entry,
- autonomy and flexibility,
- small scale of operations,
- family ownership and enterprises,
- lack of support, unregulated markets,
- unreported income.

Significance- constitutes 92% of the total workforce in a country; crucial role in our economy in terms of employment and its contribution to the National Domestic Product, savings and capital formation; The persistence of the informal sector is due to the inability of the other sectors like agricultural modern industry and service sector to provide adequate employment opportunities or incomes to the increasing labour force. Migration has taken place on a large scale leading to urbanization. Many urban based modern industries find it difficult to absorb the

growing migrants who then get absorbed in the informal sector. Thus easy entry is the main feature of the informal sector; fundamental reasons to participate in the informal economy are-

- a) Economic recession
- b) Tax evasion
- c) Excessive government regulation

Problems of informal sector-

- Job insecurity;
- Low payment;
- Lack of skill;
- Workers are unorganised;
- Unofficial and unauthorised nature of the informal sector;
- The informal sector employs more women and children who are paid low wages.

Main points of distinction between formal and informal sector.

- Differences on the basis of entry
- legal status,
- skills and qualification,
- scale of operations,
- pay structure,
- organisation structure,
- regulation,
- authority and hierarchy,
- competition.

Dualist Theory

- Both Hart and ILO believed informal sector was a transitory.
- The formal sector would expand and absorb the informal sector.
- The dualists argue that informal units and activities have few (if any) linkages to the formal economy
- Formal sector and informal sector operate as separate sector of the economy and the informal workers comprise the less-advantaged sector of a dualistic labour market. This approach is known as the '**dualist approach**',
- it is regarded as outdated considering the developments in the economy in recent years. The informal sector far from disappearing this sector has grown in all countries including the developed ones.

Structuralist theoretical approach

- The structuralist theory was developed by Manuel Castells, Alejandro Portes and Lauren Benton in late 1989.
- Portes and Castells argue that far from being independent of each other, the formal and informal sectors are related to each other.
- The formal economy finds the informal economy as a useful means for increasing its profits. At the same time, the informal economy depends on the formal sector for its sustenance.

- The structuralists stress the fact that there is a close, symbiotic relationship between the two sectors.

Legalist approach

- This approach was developed by Hernando de Soto (1989), a Peruvian economist.
- The legalist theory states that the informal sector comprises small operatives who work outside the formal economy because they find the legal procedures too elaborate;
- operators prefer to operate informally because the government procedures for giving them formal recognition are long-winded, complicated and difficult for them to understand,
- small scale operators simply try to circumvent the rules because they find them too complex and time-consuming.
- Micro-entrepreneurs such as those owning very small enterprises, street vendors, and home-based workers choose to operate informally in order to cut down their costs.

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Questions:

- 1) Bring out the main points of distinction between formal and the informal sector.
- 2) Explain the characteristics of informal sector and discuss the problems faced by the workers in the informal sector
- 3) Discuss the theories of informal sector.
- 4) Explain the features of formal sector and the problems faced by the workers in the formal sector.
- 5) Elaborate on the relevance of informal sector.

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Unit: II- Informal Labour Market

a) Migration as a Livelihood .

- Who are the migrant workers?

Issues faced by them

- face adverse work as well as living conditions.
- Migration often involves longer working hours, poor living conditions, social isolation and inadequate access to basic amenities.
- The poor migrant workers are extremely vulnerable and often resort to employment through exploitative contractors and middlemen rather than taking up individual contracts directly with their employers.
- This greatly increases the dependency of the group on these middlemen and accentuates risks and uncertainty.
- case study.

b) Workers in Informal Sector**i) Feminisation of labour: Meaning; reason for increase****ii) Contract workers:**

- A contract labourer is defined in the Contract Labour Regulation and Abolition Act, 1970 as one who is hired in connection with the work of an establishment by a principal employer through a contractor
- A contract worker changes principal employers quite often, as per the arrangements of the contractor-
- problems of contract workers- wages paid to contract workers are lower; no job security; is easy to hire; non-unionised because workers fear victimisation.

iii) Problems of agricultural workers.

- **Wages-** Agricultural labourers' wages can be paid either on hourly basis or piece rate system.
- **Patterns of employment-** uncertainty because of seasonality- no fixed hours of work.
- **Seasonal migration-** migrate as seasonal workers- employed in unorganised sector.
- **Health and occupation hazard-** suffer from certain specific health hazards due to extensive use of fertilizers, insecticides and pesticides and mechanization.

c) Conditions of work, wages and occupation**i) Home based workers**

- workers who are self-employed and/or
- Subcontracted piece rate workers, and most of them are women.
- Home-based work does not include the unpaid housework or paid domestic work performed at an employer's premises (like washing, cleaning, child care, etc.) for some payment.
- In the home-based work, the activity must be paid, should not be undertaken at employer's premises
- In subcontracted work the employer may or may not provide with equipment, materials or other input
- Results in output as specified by the employer (s).
- The industries where home-based employment dominated or account for equal proportion of industrial shed based employment are handlooms, beedi, artistic metalware, agarbati and so on. In other industries such as garments, a large part of the production is outsourced to homebased workers

Constraints/issues/problems-

- Homeworkers are less likely to be organised and unionised
- less bargaining power vis-à-vis their employers, ,
- piece rates to homeworkers are known to be very low,
- Work conditions can be exploitative,
- The exploitation of the homeworker by local employers can be just a first step in the exploitation through the global value chain;
- Homeworkers have little or no access to markets and the final consumer.
- Deferred and delayed payment

Case study**iii) Sanitation workers in India**

- Manual scavenging is still widely prevalent in India, driven by class, income divides, caste and patriarchy-
- manual scavengers in the country are Dalit, and even among different Dalit castes, such workers tend to be lower in the hierarchy, coming from some of the most marginalised and oppressed sub-castes- clear gender divide: women workers dominate in the cleaning, removal and carrying of faeces from toilets, in both rural and urban areas- most perilous of occupations- health and safety concerns not met

Swacch Bharat Abhiyan

The explicit aims of the SBA were fourfold: to eliminate open defecation, to eradicate manual scavenging, to bring in modern and scientific municipal solid waste management, and to effect behavioural change regarding healthy sanitation practices. The critical areas of eradication of

manual scavenging and rehabilitation of such workers, as well as the associated need to address solid waste management, are all but forgotten.

ii) Leather workers.

Case study

Study based on the main production areas that supply hides, leather, garments, accessories and footwear for export, namely Kolkata, Agra and the Vaniyambadi–Ambur cluster in Tamil Nadu. Traditionally leather production in India is interrelated with the caste system. While production patterns have changed over the past five decades, Dalits (outcastes or untouchables) and Muslims still make up the majority of the workforce in the leather industry- **cover aspects of Health and safety of workers; Dalit workers in the leather industry ; Casualization of labour; Wages.**

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Questions:

- 1) With the help of a case study discuss the problems faced by migrant workers.
- 2) Write a detailed note on Migration as a Livelihood Strategy.
- 3) Discuss the conditions of work and wages of :
 - a) Home based workers
 - b) Leather workers
 - c) Sanitation workers.
- 4) Explain the problems of agricultural workers.
- 5) Write a note on feminisation of labour.

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Unit: III- Safeguards for Informal Sector Workers

Prepared by: Dr Samya Shinde

a) Towards Decent work agenda**Introduction**

- The 1990s was the phase of globalisation and economic liberalisation. Countries like India too went in for restructuring and liberalisation.
- Decent work sums up the aspirations of people in their working lives.
- The concept was proposed by ILO with the idea of restoring dignity to workers.
- In 1999, the Secretary General of the ILO, Juan Somavia, elaborated on this concept.

There are four main dimensions of decent work:

Rights at work

- These have been expressed in the ILO's core labour standards: freedom of association, freedom from discrimination, freedom from forced labour, freedom from child labour.
- We find discrimination in jobs on the basis of caste, religion, language and gender.
- The right to joining a trade union or the right to form associations is an integral part of Decent Work.
- What we find in many cases is that forced labour is used for production. One way of overcoming this type of forced labour is through provision of jobs by the state. E.g. MGNREGA.

Employment and Work

- Employment is a vital component of Decent Work.
- It includes all kinds of work such as wage-based jobs, self-employment, home-based work, etc., as well as Full-time, part-time and casual work by men, women and children.
- Merely ensuring that work is available is not sufficient. It is necessary that the working class not only works efficiently but is in a position to upgrade its skills to meet the changing technological needs of the day.

Social Protection

- For the working class, the main insecurity results from work
- In India, workers in the informal sector face uncertainty and there is no
- social protection as decent work indicator aims to promote both inclusion and productivity by ensuring that women and men enjoy working conditions that are safe, allow adequate free time and rest, take into account family and social values, provide for adequate compensation in case of lost or reduced income and permit access to adequate healthcare.

Social Dialogue

- The fourth dimension concerns representation and dialogue.

- Social dialogue includes all types of negotiation, consultation and exchange of information between, or among, representatives of governments, employers and workers on issues of common interest.
- Social dialogue, therefore, helps in avoiding confrontation and builds up means for peaceful solutions.
- From the workers' point of view, social dialogue provides a voice and representation to the participants, is the means to defend their interests and express their concerns at work.
- The organization of employers is equally important. It is through social dialogue that widespread support for the other three dimensions of decent work may be built.

b) Social security and the role of the state

Meaning and measures of Social Security.

In India the term social security is generally used in its broadest sense, it may consist of all types of measures preventive, promotional and protective as the case may be. The measures may be statutory, public or private. The term encompasses social insurance, social assistance, social protection, social safety net and other steps involved.

There is considerable debate today on whether social security can indeed be provided to the informal sector, and if so, what would be the mechanisms. The mechanisms can include:

Insurance:

- Although the insurance market in India is a rapidly growing one, most insurance companies have not been looking at the unorganised sector as a possible market.
- Insurance would offer them the facility of spreading risk and vulnerability over a period of time.

Social security funds/Welfare funds:

- Social security or welfare funds are an existing method by which the central and state governments have been providing social security to particular segments of the unorganised sector.
- Some funds are administered by the central government, and many administered in various sectors by the state governments.

Child care:

- Although women workers contribute a large share of the unorganised sector, they tend to be disregarded when it comes to provision of social security benefits. One of the major needs of women workers is the provision of child care.
- Provision of crèche facility will be effective in reducing the burden on women. Link economic and social security: Social security schemes should be linked to economic security, i.e., to employment, income and assets.

There are number of models of providing social security to the workers in the unorganised sector. These may be classified as under:

- Centrally funded social assistance programmes.
- Social insurance scheme.
- Social assistance through welfare funds of Central and State Governments, and
- Public initiatives.

The centrally funded social assistance programmes include the employment oriented poverty alleviation programmes such as Swarnjayanti Gram Swarajgar Yojana, Jawahar Gram Samridhi Yojana, Employment Assurance Scheme. National Social Assistance Programme (NSAP) comprising

old age pension, family benefit and maternity benefits to address the social security needs of the people below poverty line.

Unorganised Workers' Social Security Act 2008.

Main Features

- It 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 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.
- It 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, housing, funeral assistance, etc, if the required funds are available.
 - The operation of the Act would be through the National Security Advisory Board for workers in the unorganised sector.
- 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 centres 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.

Critique of the Unorganised Workers' Social security Act

The Unorganised Workers Social Security Act 2008 is the first attempt of legislate security for 94% of the workforce. On December 18, 2008, the parliament approved the unorganised worker social security bill converting it into an act. However the act has several shortcomings.

- 1) **Compilation of existing BPL schemes**
- 2) **Wage issues**
- 3) **Grievance redressal**
- 4) **Work conditions**
- 5) **Workers' facilitation centres and Panchayati Raj institutions**
- 6) **Women workers**

MNREGA- objectives, implementation and evaluation.

Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA)

- MNREGA aims at guaranteeing hundred days of employment in the financial year to adult members in rural household who volunteer to do unskilled Manual work.
- It was implemented all over India in 2005 with a welfarist approach.
- It mainly provides right to demand work and earn wages for their livelihood.

Goals of MGNREGA

- 1) Strong social safety arrangement for the deprived and poor
- 2) Providing employment on areas those results in poverty through deforestation, drought and soil erosion.
- 3) Empowerment of the rural poor through the process of right based law.
- 4) New ways of doing business as a model of governance reforms on the principles of transparency and democracy.

Features of the act:

- 1) Payment is to be made every week and within 15 days. In case of any delay in the payment of wages, the labourers are entitled to compensation.
- 2) No gender discrimination has to be practiced.
- 3) Provisions to be made for compensation and treatment in the case of injury.
- 4) Basic worksite facilities in the form of safe drinking water, care of small children, rest time and first aid box.
- 5) Contractor's and labour displacing machines to be banned.
- 6) Work within 5 kms
- 7) Unemployment allowance.
- 8) The programme officer to be responsible for the implementation of the employment guarantee program in the block.

Evaluation- CASE STUDY

c) Organising the unorganised

Self-help groups

Self-help groups are vehicles for poor people to build up savings.

Features of self-help groups

- 1) It is built on participants own internal resources.
- 2) It is voluntary and informal association.
- 3) Membership size varies between 10 to 20 members.
- 4) Rules, goals and objectives are well known to the members.
- 5) The group creates a common fund by contributing a small savings on a regular basis.
- 6) Every member of the group participates in decision-making.
- 7) There is collective responsibility of the entire members to repay the loan borrowed from outside sources.
- 8) It may be registered or unregistered group.

Objectives and functions of self-help groups

The basic objectives are:-

- 1) To promote the habit of self-help mutual help.
- 2) To enable the poor are especially rural women to participate in the mainstream of developmental activities.
- 3) To promote entrepreneurship among poor rural women.
- 4) To promote credit linkage with credit institutions like banks and providing loans to members on easy terms.
- 5) To empower the women socially, politically and economically.

Function of self-help groups

- 1) Strengthening confidence, capacity building and imparting skills.
- 2) Increasing income of groups and the members.

- 3) Increasing investments in human capital through training workshops etc.
- 4) Establishing links with banks, development agencies and credit institutions.
- 5) Empowerment of members.

Micro-Finance

Microfinance sector has grown rapidly over the past few decades. Nobel Laureate Muhammad Yunus is credited with laying the foundation of the modern MFIs with establishment of Grameen Bank, Bangladesh in 1976.

Features of Microfinance:

- Borrowers are from the low income group
- Loans are of small amount – micro loans
- Short duration loans
- Loans are offered without collaterals
- High frequency of repayment
- Loans are generally taken for income generation purpose

In India microfinance operates through two channels:

- 1. SHG – Bank Linkage Programme (SBLP)
- 2. Micro Finance Institutions (MFIs)

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Questions:

- 1) Discuss the four dimensions of Decent Work.
- 2) Critically evaluate the Unorganised Workers' Social security Act 2008.
- 3) Explain the features and goals of MNREGA with the help of a case study.
- 4) Write a detailed note on self help groups.
- 5) Write short note on Microfinance.

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Unit: IV- Globalisation and its implications

Prepared by: Dr Samya Shinde

a) Informalisation of work

- Meaning of Informalisation
- Features- flexible labour, contract labour, segmentation of labour, flexible production
- Informalisation and labour rights
- Informalisation of labour markets
- **CASE STUDY**

The study by Bhowmik and More (2001) tries to examine the socio-economic adjustments of families that have undergone decline in living standards within a brief period of time.

IV B**Definition: Downsizing**

Downsizing refers to the process of reducing the size of workforce by terminating the employment of employees.

VRS

Definition: Voluntary retirement scheme is a method used by companies to reduce surplus staff. This mode has come about in India as labour laws do not permit direct retrenchment of unionized employees.

CASE STUDY.

Myrtle Barse (2001)

The impact of voluntary retirement schemes has had wide-ranging impact on the nature of employment, and is changing the quality of workers' lives.

IV B**OUTSOURCING**

Since the 1980s, there has been growing informalisation of industrial labour in India. This has taken the form of a rising share of the unorganized sector in total manufacturing employment, and informalisation of the organized manufacturing sector itself with greater use of subcontracting and increasing employment of contract and temporary workers.

Case studies**I Unilever: A Case of Internal Outsourcing**

Bhowmik (2002) conducted study on Unilever.

II Outsourcing for the International Market

Outsourcing for the international market is prevalent at two extreme levels. At the bottom end there are poorly paid workers who work in 'sweat shops' and put together goods for the international market. On the other end there is outsourcing at the micro-electronics sector, involving large contracts for developing software. The more current trend is of Business Process Outsourcing (BPOs).

IV b) Network Society

Network society and role of ICT

- Manuel Castells' contribution
- What is network society
- Global information capitalism- how ICT/technological innovation has changed organisation structures- labour has restructured – leading to labour flexibility due to outsourcing and subcontracting ; Transformation of labour due to ICT leading to social polarisation.

UNIT IV C-LABOUR REFORMS AND ITS IMPACT

- **Need for labour regulations and reforms.**

Reforms in the labour market aimed at flexibility of labour use by bringing changes in legislative framework has been a subject of debate. With increasing globalisation this debate has intensified further. It has been argued in the Indian context that since labour is highly protected and regulated it increases transaction costs for the enterprises, reduces efficiency in production and makes it difficult for them to survive in the competitive labour market. These rigidities also discourage domestic and foreign investment, expansion in output and increase in employment. It is therefore necessary to bring in reforms to encourage investment and growth of output and increase employment.

CONTRACT LABOUR ACT

AIMS/ OBJECTIVES

The main aim of this act is to have enough provisions to ensure that people working as contract labours get:

- Safe working Environment
- Complete payment of wages as decided.
- Timely payment of the wages
- Ensuring equal treatment to all the labour of any kind.
- Prevent the exploitation of contract labour from the acts of the employer

REFORMS

Maharashtra government amends key contract labour law, trade unions upset

In a major reform of a key labour law, the Maharashtra government has issued a notification amending the Contract Labour (Regulation and Abolition) Act 1970 which will substantially reduce the number of establishment covered by this law in the state.

Earlier, the law applied to units with 20 or more workmen. After the amendment in Maharashtra, it will apply to units with 50 or more employees. As a result, smaller units or contract covering between 20 and 49 workers will no longer come under its purview.

INDUSTRIAL DISPUTES ACT

- The Industrial Disputes Act (IDA) enacted in 1947 provided protection to the workmen against layoffs, retrenchment and closure and for creation, maintenance and promotion of industrial peace in industrial enterprises. This Act was later amended in 1972, 1976 and in 1982 seemingly giving progressively greater protection to workers.
- Under the provision of the Act, in order to ensure industrial peace, the government can intervene in industrial disputes. However, a large part of the provisions of the Act are aimed at voluntary arbitration or collectively negotiated settlement.
- Chapter V-A and V-B are the most contentious of the different chapter in the IDA.
- The chapter V-A applies to relatively smaller industrial establishments employing fewer than 100 workers and within this chapter. Certain sections apply only to enterprises employing between 50 to 99 workers.
- The provisions of chapter V-B on the other hand apply to relatively larger establishment employing on an average not less than 100 workers.

In the ongoing debate on labour flexibility and labour reforms, there has been a concentrated focus on the issue of the employers' freedom to retrench workers. There does not seem to be much problem either to industry or to unions in the prescribed procedure and compensation to be paid to the workers. The industry has mainly objected to the provision of prior government. Permission before layoffs, retrenchment and closure, under chapter V-B.

FACTORIES ACT-1948

Factories Act was introduced with the objective 'to ensure adequate safety measures and to promote the health and welfare of the workers employed in the factories and to prevent haphazard growth of factories through the provision related to the approval of plans before the creation of factory'. The act covers important provisions namely facilities and conveniences, welfare, facilities in case of large factories, safety, working hours, overtime wages, employment of wages, night shift for women, record of workmen, leave, wages for overtime and leave salary, child employment, display on notice board, notice of accidents and diseases and obligations regarding hazardous process and substances (Ministry of labour and employment, 2000).

Proposed amendments in Factories Act, 1948

The centre has proposed an enabling provision that let state government **decide the threshold over which a unit will be considered a factory for the purpose of the law.**

The centre believes that the registration of factories on a web-based portal would be enough.

Concern of the trade unions

- The central trade unions strongly object to the amendment proposed to the definition of factory giving powers to state government to increase the threshold limits of workers up to 20 and 40 in the case of establishment working with and without the aid of power respectively.
- The unions demanded covering all manufacturing firms under the Factories Act.
- The unions also opposed another proposal allowing entrepreneurs to set up factory without getting a license.
- It alleges that in the name of online registration, the process of self-certification coupled with deemed approval and the removal of licensing will result in freeing the employer of any regulatory control.
- This will endanger the health and safety of workers and society at large.

Factories Act: Centre firm on amendment

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Questions:

- 1) With the help of case study discuss the informalisation of labour markets.
- 2) Discuss the contentious amendments to the Factories Act and the debates around it.
- 3) Discuss the trade union response to the amendments to the Industrial Disputes Act.
- 4) Elaborate on the changes to the Contract Labour Act.
- 5) Explain the features of Network Society.
- 6) With the help of case study explain the impact of downsizing.
- 7) Explain with the help of case study the issue of outsourcing.

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