

Unorganised Sector Workforce in India

Trends, Patterns and Social Security Coverage

India's workforce comprises nearly 92 per cent in the unorganised segment, with the entire farm sector falling under the informal category, while only one-fifth of the non-farm workers are found in the organised segment. Estimates suggest that in the non-farm sectors, as we move up the income ladder, the share of the informal sector gradually declines. However, as far as the agricultural sector is concerned, irrespective of economic class, the share of the unorganised workforce remains flat. Further analysis reveals that the coverage of social security schemes has been extremely sparse among the economically and socially vulnerable sections. The pro-rich, pro-capital policy of the present regime is reflected in the recent downward revision of the interest rate to the subscribers of provident fund. Further, the move towards defined contributory schemes away from defined benefit schemes of pension funds is fraught with danger. Therefore, we argue that given the poor affordability and lack of an institutional mechanism, any design of social security that relies heavily on a contributory basis is bound to fail dismally.

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I Introduction

Across the globe, neoliberal policies are uprooting social security mechanisms that have been long in place in most of the developed and developing economies. The state-based social security system is giving way to market-based fundamentalism. The contemporary model of globalisation typically perpetuates and thrives on its central theme of “risk taking” and “insecurity”. The present phase of capitalist onslaught rooted in the Washington Consensus works through a model in which the working class is left to bear much of the worst forms of insecurity, while large-scale asset-holders are relatively well shielded from insecurity. Although the “ageing crisis” has been thrown up as the reason for watering down social security institutions and policies in developed market economies, the bogey of “fiscal stress” is often cited as a reason for destroying these institutions in developing economies. However, it is another story that in many developing countries, the social security system is unavailable to a majority of working population. Although the need to provide employment and social security is crucial for the poor and other vulnerable sections of population, even after over half a century of development policies, there does not appear to be any effort to ensure this for large sections of the working force. Rather, recent efforts in many developing economies go to show that the unorganised labour force is left to fend for itself, as more and more workers are added to the army of informal job markets.

Bulk of India's workforce is unorganised in nature. While almost the entire farm sector can be characterised as informal, roughly 80 per cent of the workforce in the non-farm sector is informal. In this study, we have delineated unorganised from organised workers using both residual and direct approach. The study examines the growth and structure of formal and informal sector workforce by one-digit industry across major Indian states.¹

We have examined the coverage of social security schemes among economically and socially vulnerable sections of the workforce, with particular reference to provident fund schemes in India.

II Methodology

We have adopted two approaches for estimating unorganised workers in India. These are the residual and direct approaches. While scholars in the past have made use of the residual approach, estimation through the direct approach has been a recent phenomenon with the availability of enterprise module in the 55th round of quinquennial employment-unemployment schedule.^{2,3} The residual approach is the result of deducting estimates of organised employment (available from DGE and T source) from total employment figures derived from employment-unemployment surveys (EUS) of NSS. Absolute numbers of workforce figures are arrived at by first obtaining worker-population ratios (of usual principal and subsidiary status) from the unit level records of EUS of each round. The ratios are worked out for four different categories, viz, rural male, rural female, urban male and urban female across states. Applying these ratios to the estimated interpolated population figures relating to mid-survey year of 1999-2000, we obtain aggregate workforce estimates. To understand the trends and patterns of both formal and informal segment of workers through residual approach, we have used four quinquennial rounds (38th round – 1983; 43rd round – 1987-88; 50th round – 1993-94; and 55th round – 1999-2000) of EUS of NSS along with the Employment Market Information (EMI) figures of DGE and T (Directorate General of Employment and Training) for the corresponding period.

Deviating from earlier practice, the NSSO for the first time in 1999-2000, in its survey of employment-unemployment, administered few probing questions to elicit information from

the households themselves about the type of enterprise in which they work. Apart from this, the survey also collected other vital data from households on the number of workers engaged in the enterprise, type of job and coverage of provident fund. The uniqueness of the 55th round of employment-unemployment survey lies in obtaining such information from the households rather than the enterprises.

Direct estimation involves arriving at organised/unorganised component of workers directly from EUS, based essentially on the following variables: (a) employment status of workers: salaried/regular labourers, casual wage workers and self-employed workers; (b) type of enterprise; (c) number of workers; (d) type of job: part-time/temporary, etc; and (e) coverage of provident fund.

More specifically, the entire agricultural sector, except for plantations, is considered as belonging to unorganised segment. As far as the non-agricultural sector is concerned, a variety of criteria has been used here applying the ILO conceptual framework on informal employment and SNA, 1993s definition of informal sector. Firstly, all self-employed labourers engaged in proprietary and partnership concerns are included under the unorganised sector. Secondly, all casual workers employed in any economic unit come under the informal segment of the workforce. Thirdly, all those who are regular/salaried employees working in public sector, semi-public organisations, cooperative societies, public limited companies, private limited companies and other units covered in the Annual Survey of Industries (ASI) are considered to be part of the organised sector. However, those regular/salaried workers who are temporary or part-time and not receiving provident fund benefits have been considered as part of informal segment of the workforce. It must be noted that the household approach has severe limitations in delineating whether a household belongs to the formal or informal economy. One of the severe lacunae found in EUS of 55th round is that there are considerable numbers of households who have no clue about the characteristics of the enterprises with which they are associated.

Having delineated formal from informal sector workers, we proceed to obtain the percentage of workers covered under social security measures. However, the survey elicited information only about the coverage of provident fund: general provident fund, contributory provident fund and public provident fund or a combination of these. Hence, we confine our analysis only to the coverage of provident fund among various groups.

III Unorganised Sector Employment: Residual Estimates

Over half of India's national output comes from the unorganised sector. While employment in the formal sector has been stagnant in the last decade, employment creation in the informal segment of the economy has been tremendous. Broad employment trends for the organised and unorganised sector is shown in Table 1 for the years 1983, 1987-88, 1993-94 and 1999-2000. It is evident that throughout this period an overwhelmingly large portion of the workforce in India is found to be employed in the unorganised sector. Out of 399 million workers in 1999-2000, it is estimated that 371.2 million workers (nearly 93 per cent) are employed in the unorganised segment of the economy whereas only 27.8 million workers (7 per cent) are engaged in the organised sector.

The share of unorganised employment in the economy has displayed remarkable steadiness over the years. The share of informal employment has risen from 92 per cent (nearly 276 million out of 300 million) in 1983 to 93 per cent in the 1999-2000. It is clear that employment opportunity in the organised sector has remained more or less stagnant, showing only a marginal increase from 24 million in 1983 to 27.8 million in 1999-2000.

The near stagnancy of employment opportunity in the organised sector becomes evident from Table 2, where the compound annual growth rates of employment in the organised and unorganised sector are presented. Employment in the organised sector has registered a growth of 1.25 per cent between 1983 and 1987-88 and 1.26 per cent between 1983 and 1993-94. But during the decade of the 1990s, we witness a sharp decline in employment opportunities. During this period organised employment grew by only 0.34 per cent. Overall, the decade of the 1990s in India has been characterised by slow growth in employment opportunities. This is also true for the unorganised sector of the economy.

The stagnancy of employment opportunities in the organised sector in the 1980s has to a large extent been compensated by a significant expansion of workforce in the unorganised segment of the economy. We observe that during 1983 to 1987-88, employment in the unorganised sector grew by 2.05 per cent while during the period of 1983 to 1993-94, the growth rate was around 2.27 per cent. This fact clearly indicates that unorganised sector served as a buffer for the workforce when the employment opportunity in organised sector dwindled. However, the unorganised sector also underwent a sharp slump during the 1990s with the growth rate of employment falling to 1.25 per cent.

Trends in Industry-wise Employment

In Table 3 the size of the workforce employed in different sub-sectors is presented. One can observe that over the last two decades, agriculture, hunting, forestry and fishing absorbed an overwhelming proportion of workforce in the Indian

Table 1: Size of Workforce in Organised and Unorganised Sector
(In million)

Year	Organised	Un-organised	All	Organised (Per Cent)	Unorganised (Per Cent)
1983	24.0	275.6	299.6	8.0	92.0
1987-88	25.4	301.9	327.3	7.8	92.2
1993-94	27.4	348.8	376.2	7.3	92.7
1999-00	27.8	371.2	399.0	7.0	93.0

Note: Employment figures represented here correspond to usual principal and subsidiary status taken together.

Source: Organised employment figures are obtained from annual reports (1983 and 1988) and Quarterly Employment Review (1994 and 2000), DGE and T. Unorganised employment figures have been calculated using residual method.

Table 2: Growth Rate of Organised and Unorganised Sector Employment
(In per cent)

Year	Organised	Unorganised	All
1983 ~ 1987-88	1.25	2.05	1.99
1987-88 ~ 1993-94	1.26	2.43	2.34
1983 ~ 1993-94	1.26	2.27	2.19
1993-94 ~ 1999-00	0.34	1.25	1.19

Source: Calculated from Table 1.

economy, a continuation of trends witnessed during previous decades. Moreover, most prominent has been the unorganised pattern of cultivation. The size of the unorganised segment of the workforce in this category was 203.8 million in 1983, 209.9 million in 1987-88, 238.3 million in 1993-94 and 238.6 million in 1999-2000 respectively. The dominance of unorganised employment in this category of industry is clearly visible from Table 4.

It is clear that during the 1980s and 1990s, 99 per cent of employment in agriculture, hunting, etc., could be categorised under the unorganised segment. This is followed by employment in trade, hotels and restaurants whose share of unorganised employment in this category accounted for 98 per cent. Construction and manufacturing sectors are the other two sectors witnessing rapid informalisation of the workforce. In the construction industry, share of unorganised employment has increased from 82 per cent in 1983 to 90 per cent in 1987-88 (an increase of 8 per cent points). In the post-liberalisation period, this share further increased to 94 per cent in 1999-2000 (an increase of 12 per cent points between 1983 and 1999-2000). As far as the manufacturing sector is concerned, the share of unorganised employment has increased from 80 per cent in 1983 to 83 per cent in 1987-88. And in the next decade, this share has further risen to 84 per cent in 1993-94 while in 1999-2000 the share is found to be 85 per cent (an increase of 5 per cent points between 1980s and 1990s). A careful examination of Table 4 also reveals that during the 1980s, informalisation of the workforce has been most prominent in electricity, gas and water supply industry where the share of unorganised workers has increased by 19 per cent points (from 9.3 per cent in 1983 to 28.7 per cent in 1987-88). But in the next decade, the transport, storage and communication industry experienced a rapid informalisation of the workforce where the share of the unorganised workers increased by 8 per cent points (70.3 per cent in 1993-94 to 78.45 per cent in 1999-2000). In fact, this particular category of industry has experienced the fastest informalisation of the labour employed, with an increase registered at 17 per cent points in the share of unorganised employment (from 61.2 per cent 1983 to 78.5 per cent in 1999-2000). In Table 5, the compound annual growth rates for the unorganised workforce distributed over the eight broad industrial categories are represented. In the pre-liberalisation period, informalisation of workforce involved in the electricity, gas and water supply occurred most rapidly (unorganised workforce in this industry grew by 18 per cent between 1983 and 1993-94).

Growth rates for unorganised workers in mining, quarrying and construction industry were also quite high for this period (7 per cent growth for each of these industries). But in the post-liberalisation phase, the situation changed dramatically. Between 1993-94 and 1999-2000, the highest growth rate for the unorganised workers was observed in transport, storage and communication (compound annual growth of 9 per cent). Growth rates for unorganised workers in construction industry (8 per cent growth rate) and in trade, hotels and restaurants (7 per cent growth rate) were quite high. But for electricity, gas and water supply industry as well as in the mining and quarrying industry, growth rates

Table 4: Share of Organised and Unorganised Sector Employment across Industries
(In per cent)

Industry	1983		1987-88		1993-94		1999-2000	
	Org	Unorg	Org	Unorg	Org	Unorg	Org	Unorg
Agriculture, hunting, forestry and fishing	0.6	99.4	0.7	99.3	0.6	99.4	0.6	99.4
Mining and quarrying	55.5	44.5	44.2	55.8	40.7	59.3	43.2	56.8
Manufacturing	19.7	80.3	17.3	82.7	16.1	83.9	14.9	85.1
Electricity, gas and water	90.7	9.3	71.3	28.7	69.7	30.3	79.0	21.0
Construction	17.7	82.3	10.1	89.9	10.0	90.0	6.5	93.5
Trade, hotels and restaurants	2.1	97.9	1.8	98.2	1.6	98.4	1.2	98.8
Transport, storage and communication	38.8	61.2	34.8	65.2	29.7	70.3	21.5	78.5
Services	40.3	59.7	36.8	63.2	31.7	68.3	34.8	65.2

Source: Calculated from Table 3.

Table 5: Industry-wise Growth Rate of Unorganised Workforce in India

Industry	1983 to 1987-88	1987-88 to 1993-94	1983 to 1993-94	1993-94 to 1999-2000
Agriculture, hunting, forestry and fishing	0.65	2.14	1.50	0.02
Mining and quarrying	11.29	3.74	6.91	-4.56
Manufacturing	3.42	1.86	2.53	2.17
Electricity, gas and water	38.11	4.18	17.56	-9.05
Construction	16.58	-0.05	6.76	8.32
Trade, hotels and restaurants	4.72	3.49	4.02	7.45
Transport, storage and communication	5.01	4.63	4.79	8.93
Other services	5.57	5.98	5.81	-1.98

Source: Calculated from Table 3.

Table 3: Industry-wise Employment in Organised and Unorganised Sector
(In million)

Industry	1983			1987-88			1993-94			1999-2000		
	Organised	Unorganised	All	Organised	Unorganised	All	Organised	Unorganised	All	Organised	Unorganised	All
Agriculture, hunting, forestry and fishing	1.3	203.8	205.1	1.4	209.9	211.3	1.4	238.3	239.7	1.4	238.6	240.0
Mining and quarrying	1.0	0.8	1.8	1.0	1.3	2.3	1.1	1.6	2.7	1.0	1.3	2.3
Manufacturing	6.3	25.7	32.0	6.3	29.9	36.2	6.4	33.4	39.8	6.5	37.2	43.7
Electricity, gas and water	0.8	0.1	0.8	0.8	0.3	1.2	1.0	0.4	1.4	1.0	0.3	1.3
Construction	1.2	5.5	6.7	1.2	11.0	12.2	1.2	11.0	12.2	1.1	16.4	17.5
Trade, hotels and restaurants	0.4	18.5	18.9	0.4	22.8	23.2	0.5	28.0	28.5	0.5	40.1	40.6
Transport, storage and communication	2.9	4.5	7.4	3.0	5.7	8.7	3.1	7.4	10.6	3.1	11.4	14.5
Services	10.2	15.1	25.2	11.2	19.2	30.4	12.6	27.2	39.9	13.2	24.7	37.8

Source: Same as Table 1.

for unorganised workers were found to be negative. This suggests that in the post-liberalisation era, informalisation of the workforce is most prominent in the transport industry, construction industry and for wholesale and retail trade and also for the hotel industry.

IV Unorganised Sector Employment: Direct Approach

Estimates from the residual approach suggest that 92 per cent of Indian labourers are engaged in the unorganised sector while organised segment constitutes the remaining 8 per cent. Corroborating the overall trends estimates from the direct approach also reveals that roughly 9 per cent of the workforce in India is in the organised sector while the rest 91 per cent are in the unorganised segment, a difference of 1 per cent between direct and residual approach. Further, it can be noted that 95 per cent of female workers and 89 per cent of male labourers are engaged in the unorganised segment in India. The informal nature of farm and non-farm activities in rural areas drives this trend of overwhelming presence of unorganised sector in India. Thus, nearly 95 per cent of the rural workforce is engaged in unorganised activities whereas barely 5 per cent of rural workers are found in formal economic activities. The gender break-up of workforce in informal sector in rural areas suggest that roughly 97 per cent and 94 per cent of male and female workers are found in the unorganised sector respectively. On the other hand, roughly two-thirds of the urban labourers constituting around 76 per cent are engaged in the unorganised sector and the rest one-third of them are engaged in the organised segment. As far as male and female workforce break-up is concerned, the results show that the former accounted for a little over one-third while the latter around 80 per cent in the urban unorganised sector.

Although the informal nature of farm activities in rural areas has been well documented, even non-agricultural activities appear to be extremely unorganised in nature in India. Estimates derived from the non-agricultural sector reveals that nearly 80 per cent of the workers are unorganised and the rest belongs to the category of formal employment. As far the rural-urban break-up is concerned, nearly 80 per cent of rural non-farm activities is found to be in the informal sector, while the share of the informal sector in urban areas accounts for around 75 per cent.

It is interesting to note that state-wise estimates of the formal/informal sector share clearly show an overwhelming presence of the informal sector workforce in most Indian states. This is particularly visible in economically backward states such as, Bihar, UP, MP, Orissa and Rajasthan. These are the very same states whose share in agriculture and allied activities are extremely high relative to other states. It is estimated that over 94 per cent of workers in these states are engaged in informal economic activities. Even in industrially advanced states such as, Maharashtra, Gujarat, Tamil Nadu, West Bengal, etc, the share of unorganised workers is close to 90 per cent of the total workforce. However, smaller states such as Goa, Delhi and Kerala appear to have less unorganised workers, accounting for roughly three-fourths in each of the states.

It can also be seen from state-wise estimates (as in Table 7) that unorganised segments constitute around four-fifths of the

total non-farm workforce even in industrially advanced states. Maharashtra alone is an exception with unorganised sector workers in non-agricultural sector accounting for a little over 70 per cent apart from few smaller states like Goa and Himachal Pradesh that also depict a similar picture.

It is observed that industrial distribution of workforce, as depicted in Table 8, reveals that barely 2-3 per cent of the agricultural sector workers are in the organised segment, largely comprising the plantation sector. As far as mining and quarrying is concerned, two-thirds of the workforce engaged in this sector is informal in nature. However, the rural-urban break-up suggests that while in rural areas roughly 13 per cent is in the organised segment; in urban areas, the share of organised workers is close to 60 per cent in mining and quarrying. Manufacturing, on the other hand, displays a different pattern, wherein a little over 85 per cent of workers in this sector are unorganised. In urban areas, unorganised workers in manufacturing worked

Table 6: Share of Organised and Unorganised Workforce in India, 1999-2000
(In per cent)

Sector	Organised Workforce			Unorganised Workforce		
	Male	Female	Total	Male	Female	Total
<i>Overall workforce</i>						
Rural India	6.39	3.11	5.23	93.60	96.89	94.77
Urban India	24.23	19.57	23.30	75.77	80.43	76.70
All-India	10.91	5.28	9.10	89.07	94.67	90.87
<i>Non-farm workforce</i>						
Rural India	16.15	9.49	14.72	83.95	90.51	85.28
Urban India	25.66	23.30	25.24	74.34	76.70	74.76
All-India	21.14	15.91	20.12	78.86	84.09	79.88

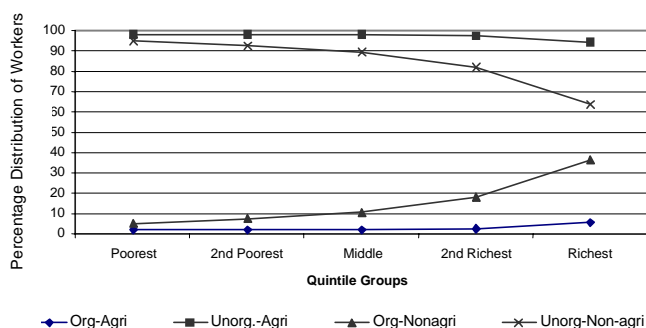
Source: Computed from unit level records of Employment-Unemployment Survey, 55th round of NSS, 1999-2000.

Table 7: Share of Unorganised Sector Workers in Indian States: 1999-2000
(In per cent)

States	All Workers		Non-Farm Workers	
	Organised	Unorganised	Organised	Unorganised
Andhra Pradesh	7.07	92.93	18.69	81.31
Arunachal Pradesh	12.98	87.02	48.97	51.03
Assam	22.04	77.96	22.12	77.88
Bihar	5.08	94.92	17.72	82.28
Delhi	26.36	73.64	27.18	72.82
Goa	24.64	75.36	30.50	69.50
Gujarat	8.03	91.97	20.76	79.24
Haryana	10.40	89.60	23.48	76.52
Himachal Pradesh	8.72	91.28	29.67	70.33
Jammu and Kashmir	11.16	88.84	32.39	67.61
Karnataka	11.05	88.95	21.03	78.97
Kerala	27.69	72.31	18.15	81.85
Madhya Pradesh	5.48	94.52	20.92	79.08
Maharashtra	11.98	88.02	28.25	71.75
Manipur	11.22	88.78	30.73	69.27
Meghalaya	7.56	92.44	32.24	67.76
Mizoram	14.46	85.54	43.07	56.93
Nagaland	26.32	73.68	70.78	29.22
Orissa	5.71	94.29	18.00	82.00
Punjab	10.09	89.91	21.52	78.48
Rajasthan	5.60	94.40	16.46	83.54
Sikkim	20.04	79.96	47.84	52.16
Tamil Nadu	10.46	89.54	19.08	80.92
Tripura	17.87	82.13	22.14	77.86
Uttar Pradesh	5.48	94.52	14.86	85.14
West Bengal	10.36	89.64	16.77	83.23
Total	9.13	90.87	20.12	79.88

Source: Computed from unit level records of Employment-Unemployment Survey, 55th round of NSS, 1999-2000.

Chart 1: Share of Farm and Non-Farm Unorganised Employment by Quintile Groups



out to a little less than four-fifths while in rural areas, the percentage share is over 90.

Informal workforce in public utilities like electricity, gas and water supply account for only one-fifth of the total workers in this sector. Since public utilities are directly under the supervision and control of the government, employment security and benefits are assured to the maximum extent. Hence, the organised segment accounts for a larger share in public utilities. Construction, which accounts for close to 5 per cent of the total employment in India, displays an almost similar structure to that found in agriculture. The break-up of the component of construction sector shows that close to 98 per cent of the workforce is in the unorganised segment of this industry. This is closely followed by trade, hotels and restaurants sub-sector, where 95 per cent of workforce is unorganised.

The sub-sector of transport, communication and storage slightly deviates from the above trend. The organised component of the workforce in this sector accounts for close to one-fourth of the total workers in this sector. Barring transport, communication and storage, the other service sectors such as, (i) finance, insurance and real estate; and (ii) social, personal and community services, displayed a different trend. The significant presence of the government in the field of banking, insurance, education, health, etc, enables close to half of the workforce engaged in these sub-sectors to be organised. But such trends may be reversed with the withdrawal of government from these sectors, as private sector cannot be expected to provide employment and social security for the unorganised.

Furthermore, an analysis of the possession of industry-wise skills (in terms of level of education) among informal workers in India reveals that 98-99 per cent of them are illiterate who are engaged in agriculture, construction and trade, hotels and restaurants (Table 9). Even among the other sectors, 90 per cent of the unorganised sector workforce is found to be illiterate. The only exception being public utilities. It is observed that 54 per cent of the illiterate workforce in electricity, water and gas supply is organised in nature. On the other end of the spectrum, workers possessing graduate and higher level of education in the informal sector shows that in traditional forms of sub-sectors such as, agriculture, construction, trade, hotels and restaurants they account for 95, 81 and 88 per cent respectively. In spite of possessing the skills, workforce in these sectors is still largely engaged in unorganised activities. However, workers with graduate degree and higher levels of education appear less likely to be in the unorganised segment and are largely engaged

in the public sector such as public utilities, mining and quarrying, and social, community and personal services. The respective share of these set of workers in such sub-sectors are 7, 16 and 30 per cent.

The extremely informal nature of the farm sector is clearly visible from the Table 9. Overall, while the poorest quintile is virtually found in the informal sector, only one-fourth of the richest expenditure group is organised. Even the fourth quintile group (2nd richest) is unorganised to the extent of 90 per cent. It is interesting to note from Table 10 that even the richest (5th quintile) in agricultural sector appear to be overwhelmingly unorganised, accounting for 95 per cent. However, there appears to be some deviation from this trend, when one compares non-agricultural vis-à-vis the farm sector. As the quintile ladder goes up, the share of the informal sector declines gradually in the non-farm sector. In contrast, the unorganised segments share in the farm sector remains extremely high and flat, as depicted in Chart 1.

Table 8: Industrial Distribution of Organised/Unorganised Sector Workers
(In per cent)

Industry	Organised Sector Workers			Unorganised Sector Workers		
	Rural	Urban	Aggregate	Rural	Urban	Aggregate
Agriculture	2.30	3.56	2.34	97.73	96.44	97.66
Mining and quarrying	12.58	59.85	26.50	87.42	40.15	73.50
Manufacturing	8.18	21.75	14.38	91.82	78.25	85.62
Elec, water and gas supply	73.95	86.81	80.94	26.05	13.19	19.06
Construction	1.67	3.53	2.42	98.33	96.47	97.58
Trade, hotels and restaurants	2.04	6.40	4.62	97.96	93.60	95.38
Transport, com, storage	16.77	29.22	23.43	83.23	70.78	76.57
Finance, insurance, etc	38.72	42.64	41.67	61.28	57.36	58.33
Soc, pers and community services	42.01	55.36	48.97	57.99	44.64	51.03
Total	5.23	23.30	9.10	94.77	76.70	90.90

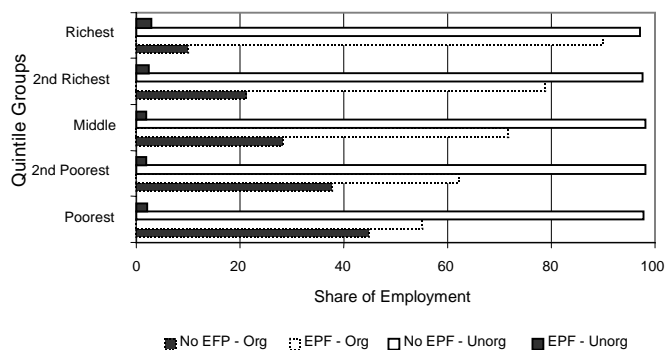
Source: Computed from unit level records of Employment-Unemployment Survey, 55th round of NSS, 1999-2000.

Table 9: Share of Unorganised Segment by Education Level across Industries
(In per cent)

Industry	Illiterate	Primary and Below	Middle	Secondary	Higher Secondary	Graduate and Above
Agriculture	98.46	96.78	96.42	96.14	97.07	95.40
Mining and quarrying	86.25	73.43	70.48	45.50	41.87	16.37
Manufacturing	94.79	90.95	86.26	74.52	66.47	51.68
Elec, water and gas supply	45.89	31.44	19.02	16.56	15.20	7.46
Construction	98.53	98.51	98.07	95.33	91.13	81.42
Trade, hotels and restaurants	98.37	96.84	95.61	93.76	92.47	88.28
Transport, com, storage	93.25	86.06	78.83	63.52	52.47	37.68
Finance, insurance, etc	90.00	72.62	71.39	67.38	61.10	47.88
Soc, pers and community services	86.35	68.48	58.02	32.94	31.58	29.96
Total	97.57	94.00	90.61	79.60	72.58	53.61

Source: Computed from unit level records of Employment-Unemployment Survey, 55th round of NSS, 1999-2000.

Chart 2: Coverage of Provident Fund among Quintile Groups



V Existing Social Security Schemes: An Overview

As of today, there are a variety of social security policies and institutions in India – both promotional and protective. While promotional measures include financing and provision of education, health, nutrition, employment, etc, protective ones on the other hand, comprise pension and provident funds, maternity benefits, sickness allowance, employees' state insurance, etc, which are provided to the workers. Protective measures are largely available to the central and state government employees in specific and to the minuscule organised workforce in India in general.

Employees' provident funds available for the workers in India are essentially a statutory form of compulsory saving schemes that enable old and retiring workers to maintain their living standards in post-retirement years. The Provident Fund and Miscellaneous Provisions (PF and MP) Act dates back to 1952. The act applies to units engaged in any industry listed in schedule I and where 20 or more persons are employed. Further, it is also applicable to any other establishment employing 20 or more employees or any class of such establishments, which the central government may notify in the official gazette from time to time. Under this act, as on March 2005, there are an estimated 4,08,831 units and 4.11 crore workers covering 180 odd industries. The progressive contribution received towards the employees' provident fund as on March 2003 is put at Rs 1,08,510.14 crore.

Coverage of Social Security Scheme in India

In this section, we intend to examine the coverage of social security schemes in India by different groups. We confine our analysis here only to the examination of employees' provident fund. Employees' provident fund is one of the largely available social security instruments in India for workers. It is estimated that roughly four crore workers are presently covered by this instrument. The latest round of the 55th round of National Sample Survey (NSS) collected information regarding the coverage of provident fund among workers (specific data was obtained as to whether the workers were covered by provident fund or not and if yes, whether they are covered under (i) general provident fund; (ii) contributory provident fund; (iii) public provident fund; and (iv) combination of GPF, CPF, PPF).

Irrespective of the quintile groups, results suggest that non-farm unorganised sector workers have been virtually been left out of social security arrangements, and Table 11 and the accompanying chart attests to this fact. As far as organised sector workers are concerned, 90 per cent of the richest groups avail provident fund facility. Further, it appears that only 55 per cent of the poorest among non-farm organised segment of workforce are covered under the provident fund system in India. Overall, in the non-farm sector, as against a paltry 5 per cent of poorest, 35 per cent of the richest workers avail provident fund benefits.

Industry-wise Coverage of Social Security Benefit

It is interesting to observe that except public utilities, the coverage of provident fund among the unorganised segment of workforce in India is virtually next to nil. Since electricity, gas and water supply are largely under the public sector, around

Table 10: Unorganised Segment of Workforce among Quintile Groups
(In per cent)

Quintile Group	All Workers		Agricultural Workers		Non-Farm Workers	
	Organised	Un-organised	Organised	Un-organised	Organised	Un-organised
Poorest	2.39	97.61	1.69	98.31	4.80	95.20
2nd Poorest	3.37	96.63	1.75	98.25	7.78	92.22
Middle	4.86	95.14	1.88	98.12	10.93	89.07
2nd Richest	9.04	90.96	2.60	97.40	17.85	82.15
Richest	25.89	74.11	5.55	94.45	36.51	63.49

Source: Computed from unit level records of Employment-Unemployment Survey, 55th round of NSS, 1999-2000.

Table 11: Share of Employees' Provident Fund Coverage among Quintile Groups
(In per cent)

Quintile Group	Organised Sector		Unorganised Sector		All Workers	
	Not Covered	Covered by EPF	Not Covered	Covered by EPF	Not Covered	Covered by EPF
Poorest	45	55	98	2	95	5
2nd Poorest	38	62	98	2	94	6
Middle	28	72	98	2	90	10
2nd Richest	21	79	98	2	84	16
Richest	10	90	97	3	65	35
Total	16	84	98	2	81	19

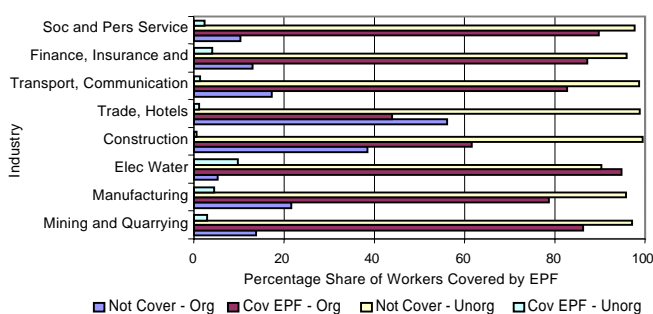
Source: Computed from unit level records of Employment-Unemployment Survey, 55th round of NSS, 1999-2000.

Table 12: Social Security Benefits among Industry Groups
(In per cent)

Industry	Organised Sector		Unorganised Sector		All Workers	
	Not Covered	Covered by EPF	Not Covered	Covered by EPF	Not Covered	Covered by EPF
Mining and quarrying	14	86	97	3	75	25
Manufacturing	22	78	96	4	85	15
Electricity, gas and water	5	95	90	10	22	78
Construction	38	62	100	0	98	2
Trade, hotels	56	44	99	1	97	3
Transport, com, etc	17	83	99	1	80	20
Finance, ins,	13	87	96	4	61	39
Soc, per serv	10	90	98	2	55	45
Total	16	84	98	2	81	19

Source: Computed from unit level records of Employment-Unemployment Survey, 55th round of NSS, 1999-2000.

Chart 3: Social Security Benefit among Industry Groups



10 per cent of unorganised workers are covered under the scheme of provident fund. Further, it must be noted that in this sector, nearly 95 per cent of organised workforce is provided with the facility of provident fund. This is followed by (i) social, community and personal services; (ii) mining and quarrying; and (iii) finance, insurance, banking, etc, where the coverage is roughly in the range of 85-90 per cent among the organised labourers. In the organised manufacturing sector, 78 per cent of workers are estimated to be availing of this facility.

However, since the organised sector contributes to a paltry 8 per cent of the total workforce, an examination of social security coverage among all workers would provide us a better understanding. Workers in construction, trade, hotels and restaurants appear to be receiving absolutely no social security benefits. Two sectors which are predominantly dominated by public sector, i.e., (i) electricity, gas and water supply; and (ii) social, community and personal services, are found to receive maximum employees provident fund benefit. The respective shares of those covered under this scheme in these two sectors are 78 and 45 per cent. Further, evidence suggests that roughly 40 per cent of the workers engaged in finance, insurance, banking, etc, which is largely in the organised domain, provide social security benefits.

Social Security Coverage among Social Groups

India's workforce is typically characterised by labour segmentation wherein employment and social security among socially vulnerable groups are against them. The last quinquennial (55th round – 1999-2000) national sample survey in India collected information regarding socio-economic and employment particulars of households. It also included data on caste groups, such as scheduled tribes (ST), scheduled castes (SC), other backward castes (OBCs) and others.

Data extracted from unit level records of households and provided in Table 13 reveal that 93-94 per cent of socially vulnerable groups, such as, STs, SCs and OBCs are under the unorganised segment. In the non-farm sector, SCs and OBCs each accounted for roughly 85 per cent of informal workers. On the other hand, nearly one-fourth of the other forward caste groups are found in the organised segment of non-farm sector.

As far as the coverage of social security schemes are concerned, estimates from the survey show that 85 per cent of workers from non-farm sector belonging to the category of SCs and OBCs do not have social security benefits. For the other category, the same works out to 75 per cent. Among the unorganised segment of workforce, there is hardly any coverage of social security schemes. Estimates for the organised segment suggest that 85-90 per cent

of the workforce belonging to the category of STs and others are covered under social security schemes. Further, it is noted that the same for SCs and OBCs are lower and particularly in the latter, the coverage is less than 80 per cent.

VI Conclusion

India's workforce comprises nearly 92 per cent of unorganised workers, with virtually the entire farm sector falling under the informal category, only one-fifth of the non-farm workers are found in the organised segment. Utilising both residual and direct approaches, the study uses the last four quinquennial rounds of employment-unemployment of national sample survey. The study examines the growth and structure of formal and informal sector workforce by one-digit industry across major Indian states. Estimates suggest that in the non-farm sectors, as we move up the ladder of income, the share of informal sector gradually declines. However, as far as the agricultural sector is concerned, irrespective of economic class, the share of the unorganised segment of the workforce remains flat. Further analysis reveals that the coverage of social security schemes has been largely against economically and socially vulnerable sections. While regular workers are largely covered by the provident fund regime, the ever increasing army of casual and contract workers, even in the organised sector appear to have been discriminated against, not to speak of the entire self-employed, which accounts for a significant proportion of India's workforce. Although the statutory provisions of provident fund are supposed to be applicable universally among industries specified in schedule I, the evidence clearly points to a dismal state of affairs. Hence, there is a crying need to enforce the same in the industries covered apart from revising the list (enhanced) of industries continuously.

It is in this context, constant skirmishes from the ruling class to "reform" provident fund must be resisted tooth and nail. The current interest regime of provident fund is being "liberalised"

Table 13: Share of Informal Sector among Socially Vulnerable Groups
(In per cent)

Social Groups	All Workers		Non-farm Workers	
	Organised	Unorganised	Organised	Unorganised
STs	5.84	94.16	21.29	78.70
SCs	6.46	93.54	15.96	84.03
OBCs	7.08	92.92	15.22	84.78
Others	14.21	85.83	25.99	74.01
Total	9.09	90.90	20.12	79.88

Source: Computed from unit level records of Employment-Unemployment Survey, 55th round of NSS, 1999-2000.

Table 14: Social Security Benefits among Socially Vulnerable Groups
(In per cent)

Social Groups	Organised Workers		Unorganised Workers		All Non-farm Workers	
	Not Covered	Covered by EPF	Not Covered	Covered by EPF	Not Covered	Covered by EPF
STs	10.61	89.38	98.46	1.54	79.75	20.25
SCs	17.34	82.66	98.14	1.86	85.23	14.76
OBCs	21.37	78.63	97.84	2.16	86.20	13.79
Others	14.25	85.75	97.32	2.68	75.72	24.28
Total	16.38	83.62	97.75	2.27	81.36	18.63

Source: Computed from unit level records of Employment-Unemployment Survey, 55th round of NSS, 1999-2000.

from the earlier administered regime. Recent efforts by the present government in revising interest rate downward from 9.5 to 8.5 per cent to the fund subscribers must be seen in this context. This is a clear case of transfer of income from labour to capital [Fine 1999]. The Pension Fund Regulatory and Development Authority (PFRDA), 2005 is only a prelude to the larger design of privatisation of pension and provident funds. Global pension fund managers find that the huge corpus fund that Indian ruling class is offering them on a platter irresistible.

Moving away from defined benefit schemes to defined contributory schemes is fraught with danger. The exposure to risks of shifting to contributory schemes arising from future adverse investment return, etc. will have a serious bearing on the workers' fragile savings. As far the larger issue of extending social security measures to the unorganised sector is concerned, we argue that given the poor affordability and lack of institutional mechanism, any design of social security that relies heavily on contributory basis is bound to fail dismally. [27]

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Notes

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- 1 The terms "unorganised" and "informal" is used interchangeably in this study.
- 2 For instance, see Kulshreshtha, A C and Gulab Singh (2001) and Satpathy (2004) for recent estimates derived from residual approach. As for recent studies on estimates of unorganised workforce from direct approach using 55th round of NSS, see Satpathy (2004) and Sastry (2004).
- 3 Overall as well as sector-specific estimates of unorganised segment of workers and enterprises are also available through various Economic Census and special surveys of NSSO in different rounds.

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