

# Measuring Informality of Employment in Urban India

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# Introduction/Background

- The informal sector and informal employment refer to informality. Though these two terms are used interchangeably they imply different aspects of the labour market.
- It is quite often that international definitions are not strictly followed at the actual research and policy analysis. Issues related to the data availability as well as the research objectives are some of the factors responsible for it (Gasparini and Tornaroli, 2007).
- Accusation of the imprecision in definitions

# International and National Definitions

## International Definitions (ILO)

- Informal Sector (15 th ICLS)
- Informal Employment (17 th ICLS)

## Indian Definitions

- Informal sector (NCEUS)

*“The unorganized sector consists of all unincorporated private enterprises owned by individuals or households engaged in the sale and production of goods and services operated on a proprietary or partnership basis and **with less than ten total workers**” (GoI, 2007).*



## Informal Sector and Informal Employment in Non- agriculture in Urban India

	1999-00			2004-05		
<b>Total Employment</b>	<b>Total</b>	<b>Men</b>	<b>Women</b>	<b>Total</b>	<b>Men</b>	<b>Women</b>
<i>.... Economically Active</i>	50.96	78.68	20.83	52.95	79.21	24.42
<i>.... Unemployed</i>	2.45	3.61	1.20	2.35	2.96	1.70
<i>.... Employed</i>	<b>48.51</b>	<b>75.07</b>	<b>19.64</b>	<b>50.60</b>	<b>76.25</b>	<b>22.73</b>
<b>Non-agricultural Employment</b>	<b>91.22</b>	<b>93.49</b>	<b>81.76</b>	<b>91.28</b>	<b>93.88</b>	<b>81.82</b>
	<b>Formal-Informal Sector</b>					
<b>Formal Sector</b>	24.16	24.51	22.53	22.36	22.62	21.25
<b>Informal Sector</b>	67.23	67.14	67.65	71.53	73.53	63.19
<b>Household/Other</b>	8.61	8.35	9.82	6.11	3.85	15.56
	<b>Formal-Informal Sector</b>					
<b>...Formal non-agricultural employment</b>	<b>23.21</b>	<b>23.78</b>	<b>20.53</b>	<b>20.41</b>	<b>21.04</b>	<b>17.76</b>
<i>.....Private formal employment</i>	10.49	10.86	8.74	7.86	8.10	6.87
<i>.....Public formal employment</i>	12.72	12.92	11.79	12.55	12.94	10.89
<b>...Informal non-agricultural employment</b>	<b>76.79</b>	<b>76.22</b>	<b>79.47</b>	<b>79.59</b>	<b>78.96</b>	<b>82.24</b>

## Cross-section of Informal Sector and Informal Employment

<b>Employment/Workers PERSONS</b>			
Production unit	Total	Informal	Formal
	<b>TOTAL</b>		
Formal sector	22.36	<b>4.73</b>	17.63
Informal sector	71.53	<b>69.06</b>	2.47
Households/domestic workers	3.16	<b>3.12</b>	0.04
Others / Unclassified	2.95	<b>2.69</b>	0.27
<b>Total Non-agricultural</b>	<b>100 (81,513,875)</b>	<b>79.59 (64,880,757)</b>	<b>20.40 (16,633,118)</b>
	<b>MALE</b>		
Formal sector	22.62	4.40	18.22
Informal sector	73.53	71.00	2.53
Households/domestic workers	0.91	0.88	0.03
Others / Unclassified	2.94	2.69	0.25
<b>Total Non-agricultural</b>	<b>100 (65,783,999)</b>	<b>78.96 (51,944,643)</b>	<b>21.04 (13,839,356)</b>
	<b>FEMALE</b>		
Formal sector	21.25	6.10	15.15
Informal sector	63.19	60.97	2.22
Households/domestic workers	12.55	<b>12.49</b>	0.06
Others / Unclassified	3.02	2.68	0.34
<b>Total Non-agricultural</b>	<b>100 (15,729,875)</b>	<b>82.20 (12,929,293)</b>	<b>17.76 (2,793,762)</b>

## Intersection of Informal Sector and Informal Employment (by Activity Status)

- Large share of self-employment, constituting 43 % of non-agricultural workforce with 33 percent being own account workers.
- The wage employees constitute 56 % of WF and nearly 37 % of the workforce is informal.
- This activity distribution is more or less similar for men and women in urban India, BUT *women self-employed workers have a much higher proportion of contributing family workers (nearly 18 % of WF).*
- Within the informal sector the status distribution is a little different. *While the share of the self employed workers remain the same, 42 % of the workforce, wage employees constitute a smaller percentage, 29.5 %.*



## Estimating informality in Two Cities (survey Data)

### • **Workforce:**

- In Delhi ,69 % for Men, 11 % for Women (VERY LOW)
- In Ranchi, 67 % for Men, 20 % for Women
  - (*WF in Rural India is higher*)

### • **Informal Sector(ILO):**

- In Delhi, 57 % and 5 % in Household sector
  - Men (60%) and Women(32%)
- In Ranchi, 71 % and 6.7 % in Household sector
  - Men (74%) and Women(59%)

## Estimating informality in Two Cities (survey Data)

- **Informal Employment:**

- **In Delhi, 86 %**

- **Men (87%) and Women (77%)**

- **In Delhi, 89 %**

- **Men (87%) and Women(94%)**

➤ **The informal employment having a greater share among women than men, is closer the pattern noted in urban India.**

## Informal Sector and Informal Employment in Non-agriculture in Delhi & Ranchi, 2009-10

	Delhi 2009-10			Ranchi 2009-10		
<b>Total Employment</b>	<b>Total</b>	<b>Men</b>	<b>Women</b>	<b>Total</b>	<b>Men</b>	<b>Women</b>
<i>.... Economically Active</i>	45.29	72.61	11.62	48.91	74.32	22.62
<i>.... Unemployed</i>	2.48	3.72	0.95	5.22	7.65	2.71
<i>.... Employed</i>	42.81	68.89	10.67	43.69	66.67	19.91
<b>Non-agricultural Employment</b>	<b>99.79</b>	<b>99.76</b>	<b>100</b>	<b>94.49</b>	<b>95.21</b>	<b>92.01</b>
	<b>Formal-Informal Sector</b>					
<b>Formal Sector</b>	32.80	32.42	35.82	22.33	23.23	19.12
<b>Informal Sector</b>	<b>56.82</b>	59.91	32.28	<b>70.96</b>	74.38	58.71
<b>Household/Other</b>	10.38	7.67	31.91	6.70	2.39	22.17
	<b>Formal-Informal Employment</b>					
<b>...Formal non-agricultural employment</b>	13.50	12.36	22.55	11.21	12.73	5.75
<i>.....Private Formal employment</i>	7.31	6.58	13.04	2.33	2.72	0.94
<i>.....Public formal employment</i>	6.20	5.78	9.51	8.88	10.01	4.81
<b>...Informal non-agricultural employment</b>	<b>86.50</b>	87.64	77.45	<b>88.79</b>	87.27	94.25



## Intersection of Informal Sector and Informal Employment (by Activity Status) in Cities

### RANCHI:

- About 11 % of the workforce is informally employed in the formal Sector.
- A much higher percentage of women (35%) compared to men (13 %) were informally employed outside the informal sector.
- 20.61 % of the female workforce is engaged by households in Delhi compared to only 1.52 % of men.
- The women in the traditional (ILO) defined informal sector is very small, 58 % compared to 74 % of the men

## Industrial and occupational distribution in formal and informal employment

### Firm Size( No. of Workers) Vs. Sector(Formal/Informal)

- The formal sector is dominated by enterprises which employ ten and more number of workers while enterprise with less than ten workers are mostly active in the informal sector.
- Within the formal sector the firms where ten or more workers are working, around 60 percent in Delhi and 76 percent in case of Ranchi. Only 14 to 16 percent of firms employ ten or more workers in the informal sector whereas rests of the firms (83 to 85 percent) are having less than ten workers.
- Ranchi has more enterprises with ten and more workers compared to Delhi in both the formal and informal sectors, though this difference is stark in case formal sector



## Industrial and occupational distribution in formal and informal employment

### Industry-Sector Vs. Employment (Formal/Informal)

- The industrial (sectoral) distribution of workers in the formal and informal employment shows that industry-based activities have higher share in the informal sector while distribution in the formal sector is more scattered and services have significant share.

### Occupation Vs. Employment (Formal/Informal)

- The occupational distribution is found to be skewed towards low and semi-skilled activities in case of informal employment and towards skill-intensive activities in case of formal employment



## Industrial and occupational distribution in formal and informal employment

### Place of Work Vs. Employment (Formal/Informal)

- The distribution by workplace across the shows that in case both type of employment, majority workers work at conventional workplaces only. The share of conventional workplace is extremely high in the formal employment it is also quite significant in informal employment

### Education (Level)Vs. Employment (Formal/Informal)

- The distribution of levels education across type of employment rectifies similar fact of occupational distribution. The informal employment is prevalent among less educated workers and formal employment is feature of comparatively educated or trained workers/professionals.



**THANK YOU.....**