

Beyond the Market: The Quest for Survivability of Informal Workers

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Abstract

There are approximately 256 million people in India who are working full-time but earning less than the national floor minimum wage of Rs. 374 per day or Rs. 9,750 per month. Even with the most optimistic numbers, half of the Workforce continue to earn less than the national floor minimum wage. Despite the outstanding growth and being one of the first developing countries to enact the Minimum wage act, India fails to provide decent pay to its workers. The Minimum Wage Act 1948 of India does not cover all workers. One in every three-wage worker is earning less than the statutory minimum wage. Low pay and wage inequality are still serious obstacles towards achieving inclusive growth. This paper aims to review the wage policies of India and assess the need for a 'decent wage' in the context of India.

Keywords: Minimum Wage Act 1948, Workforce, Wage Inequality, Growth

Introduction

There are approximately 256 million people in India who are working full-time but earning less than the national floor minimum wage of Rs. 374 per day or Rs. 9,750 per month. A study based on PLFS 2018-19 finds that approximately 157 million (58.5 percent) self-employed workers and 99 million (88.5 percent) casual/daily wage workers reported monthly earnings less than this threshold. Therefore, even with the most optimistic numbers, half of the Workforce continues to earn less than the amount required for maintaining a basic standard of living (Azim Premji University, 2021).

In the past three decades, the gross domestic product (GDP) has increased at an astonishing annual average rate of above 7 percent or above the post-reform period since 1991. Indian Economy picked up its speed and achieved the tag of second fastest growing economy in the world, second only after China during the same period (Dreze and Sen, 2014). However, despite robust economic growth, the Indian labour market still remains characterized by high informality, low pay, and substantial wage gaps (India Wage Report of ILO, 2018).

As per the PLFS data, unemployment has increased dramatically to three-fold in the last few years. The unemployment rate was 2.2 percent in 2011-12, and it was 6.1 percent in 2017-18. Thus, between 2011-12 to 2017-18 more than 19 million people added themselves to the unemployment rank. Unemployment among young workers is the highest that worsens the situation further.

The Economic Survey 2018-19 finds that one in every three-wage worker has fallen through the crack and is not protected by the minimum wage law in India. Yet, low pay and wage inequality has remained a serious concern and obstacle in the path of inclusive and sustainable growth. A comparative study between India and China by ILO reveals that the increase in real wages for manufacturing in China grew at an astonishing 12 percent per year or so during the first decade of this century, compared with 2.5 percent per year in India (Dreze and Sen, 2014).

Historically, the first response to poverty is to advise the poor to work. But the poor are already working or cannot find a job. What's the next answer? Silence, of course. And because of this silence, more and more people join the rank of poor.

The objective of wage policies has failed to target the majority of vulnerable bottom-range wage earners, specifically informal workers whose aim was to strengthen the lower and middle class by providing them work and adequate wages. With decent wages, their income will improve, which in turn boosts the aggregate demand and thus leads to a way of sustainable and inclusive growth. Given these circumstances, it does not appear to progress towards the goal of inclusive growth. Hence, there is a strong need for an immediate review of our wage policy in India.

Data

The empirical analysis of this paper is based on the Periodic Labour Force Survey (PLFS) 2018-19. The Periodic Labour Force Survey (PLFS) was conducted by National Statistical Office (NSO) from July 2018 to June 2019. The survey was spread over 12,720 FSUs (6,983 villages and 5,737 urban blocks) covering 1,01,579 households (55,812 in rural areas and 45,767 in urban areas) and enumerating 4,20,757 persons (2,39,817 in rural areas and 1,80,940 in urban areas). We have estimated per day wage earnings of workers using the current weekly status (CWS) approach. The calculation per day wage earning is not limited only to age group 15-59, instead we have considered 15-64 age group for informal sector employers and casual workers (or so called) 'unskilled' because the workers work even after age of 60 (upper age limit in Formal Job) due to lack of laws and poverty.

Indian Labour Market and It's Wage Policy

In last three decades, India has experienced strong economic growth. The Gross Domestic Product (GDP) has increased at an astonishing annual average of 7 percent or more and it has rose to four folds since 1993. The economic growth in India is robust as many emerging and developing countries (such as Russia, Brazil) have experienced a decline in growth rate and some have even faced deep economic crisis in the same time (ILO, 2018).

However, the structural transformation in India has remained slow. The labour absorption in expanding manufacturing sector, as a result of industrialization, has been remained sluggish in India. The data from NSSO and CMIE shows (Table 1.1) continuous increase in working age population 853.4 million in 2011-12 to 986.3 million in 2018-19 and labour force 475 million in 2011-12 to 495.7 million in 2018-19.

The strong economic growth post reform was supposed to generate high rate of economic growth, which would in turn create more employment and better earning opportunities and eventually deliver inclusive growth and social justice. However, the data suggest opposite, the employment has increased only at margin, 465.6 million people were employed in 2011-12 that has rose to only 466.7 million in 2018-19. On the other hand, if we look at the unemployment trends, the situation is not favorable. The unemployment has rose to three-fold in last few years. It was 2.2 percent in 2011-12 which rose to historically high at 6.1 percent in 2017-18 and it was 5.8 percent in 2018-19. A major cause for high unemployment in India is the lack of skill required for jobs that are available. This is worrying because India is a young country – home to 20 percent of the world's young population and a major portion of this young Workforce is educated yet unemployed (SoE, 2017).

	2011-12	2017-18	2018-19
Working Age Population (In Million)	853.4	968.9	986.3
Labour Force (In Million)	475	482.7	495.7
Employed (In Million)	464.6	453.3	466.7
Unemployed (In Million)	10.4	29.4	29
Unemployment Rate (in Percentage)	2.2	6.1	5.8
Source: Azim premji University 2021			

If we examine the Indian labour market further in deep, we see in table 1.1 approximately 227 million (45.7 percent of total labour force) are wage workers while 268.7 million (54.31 percent) are self-employed. The proportion of self-employed is higher among all categories. Further, within wage employment the proportion of regular/salaried workers are 115 million (50.48 percent) and casual workers are 112 million (49.52 percent) in 2018-19 table 1.2.

	Employment Type	1993-94	2004-05	2011-12	2018-19
Total Employment	Self-Employment	53.6	55.9	51.4	54.31
	Regular/Salaried	13.8	14.8	18.4	23.06
	Casual	32.6	29.3	30.2	22.63
	Total	100.0	100.0	100.0	100.0
Wage Employment	Regular/Salaried	29.8	33.5	37.9	50.48
	Casual	70.2	66.5	62.1	49.52
	Total	100.0	100.0	100.0	100.0
	Source: ILO Report & Self-Calculation from PLFS (2018-19)				

The data reveals (table 1.2) the proportion of wage earners has decreased in 2018-19 (45.7 percent of total employment) as compared to 46.2 percent in 1993-94 or if we look over years, the proportion of regular/salaried workers has increased only slightly. This is contrary to traditional economic expectation that with rising

development level more regular and stable jobs will be created. However, within wage work, much of increase has occurred in regular/salaried employment but this increase involves work arrangements of contractual nature i.e., short-term or fixed term contracts (Rani and Sen, 2018).

The formal regular/salaried work has been also known as organized sector. Though the absolute data shows slightly increase in jobs in this sector since the economic reform in 1991 but this increase in formal jobs are majorly casual or contractual without access to social security and other benefits to workers. The workers having no access to social security at job irrespective of job type are part of informal sector. Table 1.3 reveals that the informal sector has a significant share in total employment. The proportion of informal sector is 90.23 percent while the proportion of formal sector jobs are merely 9.77 percent in the economy. The data also reveals the vulnerability of marginally disadvantage groups (SC and ST) whose share in formal sector are high and least in formal sector. This skewness in job distribution across social groups based on caste might be part of economic discrimination subject to further study.

Table 1.3: Percentage Employment Distribution (PS+SS) across Sector			
Social Groups	Formal	Informal	Total Employment
ST	5.26	94.74	10.43
SC	7.52	92.48	19.94
OBC	8.28	91.72	43.38
Others	15.74	84.26	26.25
Total	9.77	90.23	100
Source: Self-Calculation from PLFS (2018-19)			

The data above shows that Indian labour market has failed to channelize the potential of economic growth and still remains fragmented and shows characteristics of high informality. The foundation stone of India has been established on the norm of social, economic and political justice. The policy makers in India always believes in inclusive growth and emphasize on social justice. Therefore, the wage policy of India has a vital role to play in the path of achieving inclusive, sustainable and high economic growth. India is one of the first developing countries to enact the Minimum Wage Act 1948 immediately after its independence. Payment of Wages Act 1936; Payment of Bonus Act 1965; Equal Remuneration Act 1976 and the Codes on Wages 2019 are key wage laws along with Minimum wage Act 1948 in India. The primary objective of these wage laws is to protect the welfare of wage workers and ensure that labour was not employed in precarious conditions.

The Quest for survivability of informal Workers

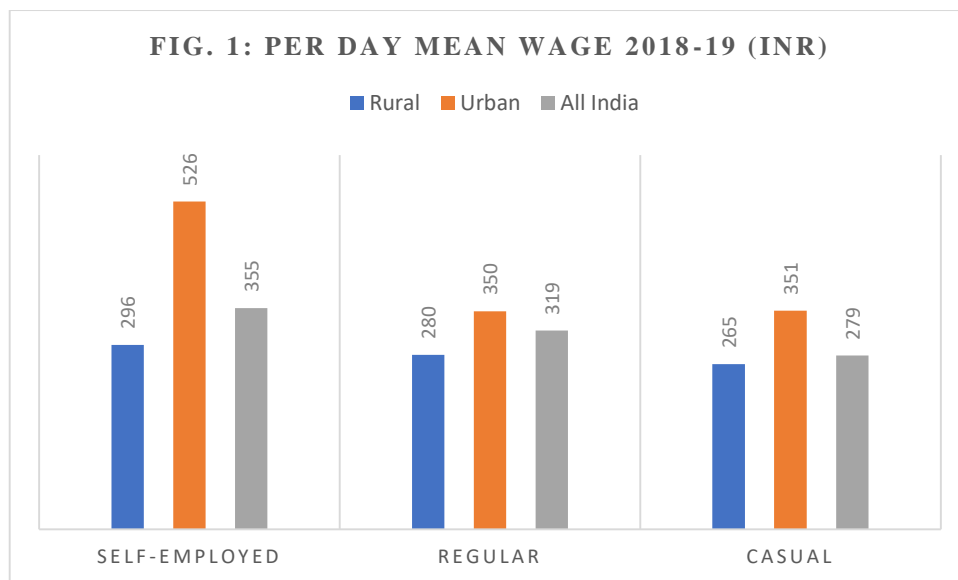
Historically, the first response to poverty is to advise the poor to work. But the poor are already working or can not find a job What's the next response? Silence, off course. And because of this silence more and more of the people join the rank of poor.

The data on wage growth has been slower in post-reform period (1983 to 1993-94) than pre-reform period (1993-94 to 2004-05). A comparative study between India and China by ILO reveals, the growth in real wages for manufacturing in China grew at an astonishing 12 per cent per year or so during the first decade of this century, compared with 2.5 per cent per year in India (Dreze and Sen, 2014).

Category	Self Employed			Regular			Casual		
	Male	Female	Person	Male	Female	Person	Male	Female	Person
Rural	320	142	296	306	181	280	290	183	265
Urban	578	239	526	384	244	350	372	232	351
All Inida	385	169	355	349	218	319	304	189	279

Source: Author's Calculation from PLFS 2018-19

The table 2.1 shows per day average wage (by Current Weekly Status) earned by wage workers across different employment status and gender. The data shows significant wage-gap across employment status and gender. The per day mean wage of self-employed worker, regular worker and casual worker is INR 355, 319 and 279 respectively at all India (Fig. 1). Therefore, it is clear evidence that casual workers are earning the least among all workers. If we turn to mean wages across gender, the result is clearly showing huger wage gap between male and female. Females are earning less than their male counterparts across all employment status. This gender-based wage gap exist even in the regular employment and even in urban sector of economy. A female is earning only Rs. 169, 218 and 189 as compare to males Rs. 385, 349 and 304 in self-employment, regular employment and casual work at all India (Fig. 2).



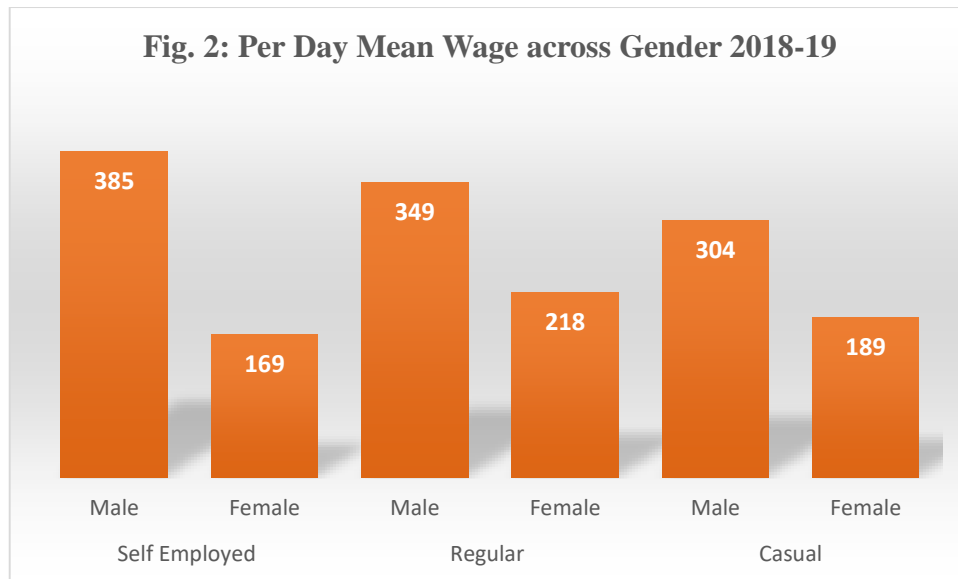
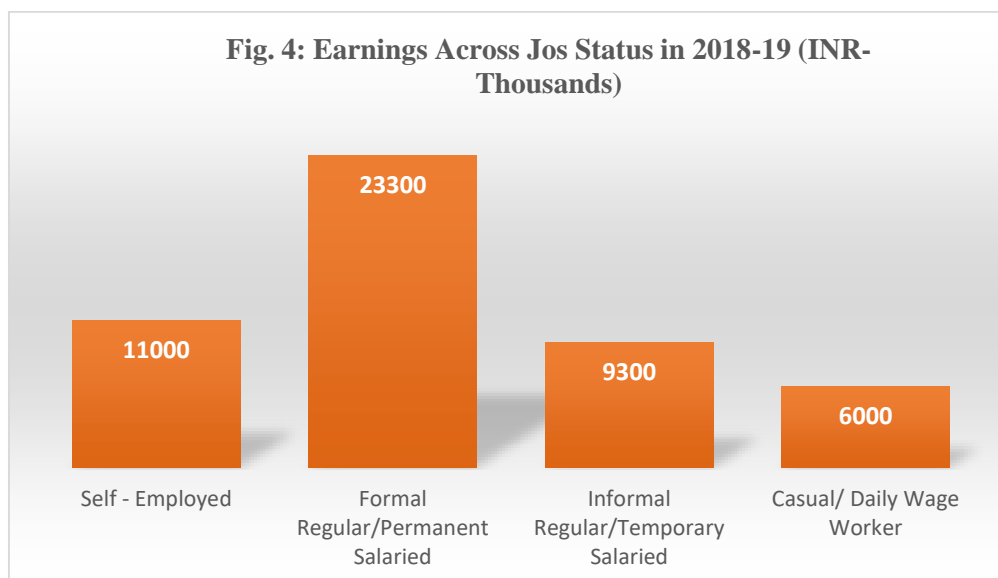
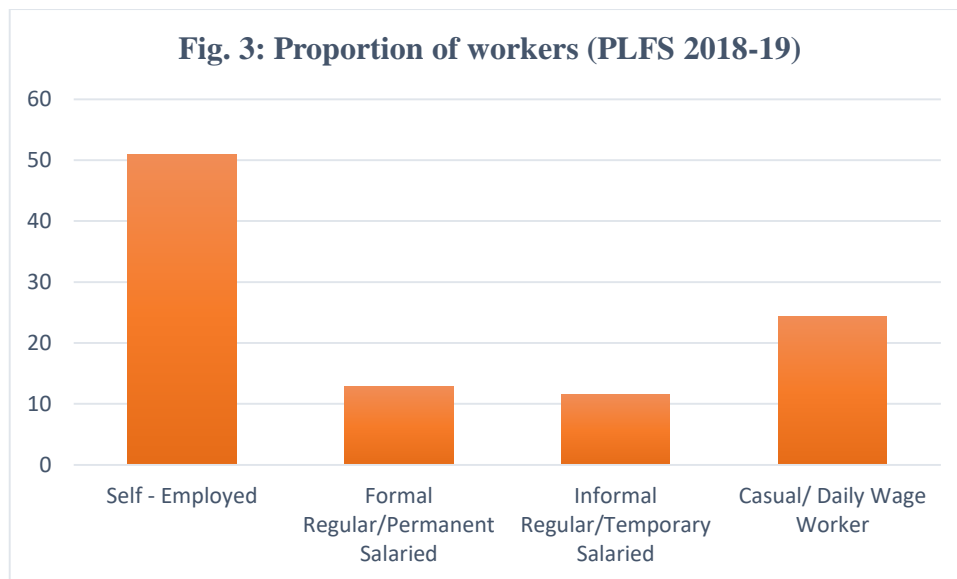


Table 2.2 provides the information on monthly earnings of workers across different employment status and their share in labour force for 2018-19. The data reveals that only a small proportion of workers is engaged in formal regular/permanent salaried employment (12.9 percent). The formal sector of economy is not only reflective of quality of employment but also the fact that, only this category of workers can cope up with a random income shock in the economy (fig.3) while the other category is likely to vulnerable to such shocks, especially casual workers and it was evident during the covid-19 pandemic. The pain of pandemic was not evenly distributed among all sections of society. It was the bottom end or casual workers among wage workers who hit hard by covid-19 pandemic (Economic Survey 2020-21).

	Share in Workforce (%)	Monthly Earnings (Rs)
Self - Employed	51	11,000
Formal Regular/Permanent Salaried	12.9	23,300
Informal Regular/Temporary Salaried	11.6	93,00
Casual/ Daily Wage Worker	24.4	6,000
Source: Azim Premji University (2021)		

The vulnerability of poor workers can be seen through another their monthly earnings as well. Table 2.2 shows it is casual workers who are more vulnerable on the basis of income monthly income earnings. The casual worker earns only Rs. 6,000 per month as compare to formal regular salaried employee who earns Rs. 23,300 a month (Fig. 4).



This study finds the evidence of wage-gap across employment and gender. The Indian labour market does characterize by gender wage-gap and low-pay. The wages are not adequate to provide a decent and dignified living standard to workers and their family. The casual workers are most vulnerable. In fact, Economic Survey 2018-19 finds that one in every three-wage worker in India is not protected by the minimum wage law, that is, approximately 75 million workers do not get even minimum wage in India.

Decent Wage: Fundamental Right?

The typical economist today, might argue that justice, fairness, rights and dignity are not economic concepts and wages are determined freely by market forces. Wages are a market estimation of what a worker adds to the production of goods and service in society. Therefore, workers paid less with low productivity and workers paid high with higher productivity under this value-added approach. On the other hand, Wages also perform numerous important functions in an economy. They are fundamental driving force of the living standard to the millions of wage earners and their families in an economy; they are important indicator of social justice and economic progress (ILO, 2018).

Wages act as an instrument to re-allocate manpower across sectors in an economy – it helps to shift labour towards the sector of economy witnessing rising labour demand. They also act as an efficiency function in economy – a decent wage may have substantial effect on the physical health and vigor of worker; on the other

hand; skillful wage incentives may stimulate workers to work more on the same job. Finally, they act as a re-distributive instrument within economy – to ensure an optimal distribution of national income not in a sense of equity or social welfare but in a sense of distribution which will stimulate consumption and investment to a desired level (Reynolds, L. G. 1969).

A decent wage is not only required to deliver social justice, fairness, rights and dignity but it is also necessary for economy to function. Adam Smith pointed “if the wages are not sufficient, the race of such workmen would not last beyond the first generation and economy would cease to function” (S. Adam, 1976). Indeed, Smith was more concerned about the problem of starvation prevailed at his time and beyond. His anticipation was that economic growth would take care of the problem of starvation and eliminate absolute poverty. However, the problem remains even century after Smith.

Bentham (1781) explains the importance of decent wages - that market economists calculated utilities only after subsistence was provided. This argument become implicit in the setting forth the theories of utility made by market economists. In the absence of this assumption that subsistence had been provided, it would become difficult for them to work out their theories of perfect competition. He questioned; it is hard to imagine a starving person acting rationally? Could Pareto optimality have coexisted with starvation? These are some questions that market economists have avoided.

An effective decent wage policy can hinder the growth and could be safety net to vulnerable bottom rung of wage earners. With decent wage, income goes up that can further help in driving up aggregate demand, building and strengthening the middle class, and thus spur a phase of sustainable and inclusive growth (Economic Survey 2018-19).

Policy Recommendations for survivability of Informal Workers:

The importance of decent wages should be realized soon and promote the decent wage policies. There is need for provision of not only employment but the people must be provided a guaranteed right to job at guaranteed decent wage. However, in the short run we can take certain measures quickly:

First, the immediate step could be expansion of MGNREGA. The entitlement of no of job day should be 180 days with improvement in wages and raise the budget allocation to this scheme.

Second, The National level minimum wage in India is approximately Rs. 176 per day that should be revised to Rs. 376. The later minimum wage (376) was calculated by expert committee on wages (2018) based on all latest data irrespective of sector, occupation and job type. This is the updated minimum wage that meets most of the norms identified by various authorities in India.

Third, The implementation of Universal Basic Income policy as soon as possible. The increase in employment opportunities might be possible in medium run, but what we can do immediately is to provide a financial assistance as direct cash transfer. The direct cash transfer can be executed through existing digital infrastructure, including but not limited to Jan Dhan accounts.

Fourth, there is immediate need for assistance to most vulnerable sections such as marginal sections (SC and ST) and women or Casual/daily wage workers because these are the most vulnerable and worst hit by random shocks such as covid-19 pandemic. A Cash transfer of Rs. 5000 a month is required to these sections for at least next five months or until the covid-19 gets over.

Conclusion

India is home to more than 121 million people and a labour surplus country. Approximately 986 million Indian are under working age, while 495.7 million was India’s labour force in 2018-19. A majority of workers in its labour force are wage earners. Therefore, a wage policy has vital role to play in Indian labour market. However, evidence shows the India labour market still characterized with low-pay, gender wage gap, and wage inequality.

The Employment status shows that the proportion of formal regular/salaried workers are very less, while the casual/daily workers have a significant proportion. The PLFS 2018-19 data reveals that more than 90 percent of workers are working in informal sector of economy without any social security and other benefits.

The wage policy in India is need to revise. Though, the India is one of the first country among developing world to implement the minimum wage law in 1948 but still one in every three wage workers has fallen through the crack and not protected by the minimum wage. The low-pay is another concern, the national level minimum wage is only just Rs. 176 which is too low as compared to current living standard and there is immediate need to revise it.

A wage Policy not only address the social justice, fairness, rights and dignity but it also necessary to function the economy smoothly. Therefore, a decent wage policy along with guaranteed employment is also required to achieve the inclusive and sustainable growth.

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