

## **A STUDY OF INCLUSIVE GROWTH OF UNORGANIZED SECTOR WORKERS – WITH REFERENCE TO THE STATE OF ANDHRA PRADESH**

**KRISHNA MURTY KAYALA**

Assistant Professor©, Mahatma Jyotirao Phule College of Law,  
Dr. B. R. Ambedkar University, Srikakulam, Etcherla, Andhra Pradesh, India

### **ABSTRACT**

The various Labour Policies pursued by the Government made inclusive growth of the unorganized sector workers. An Indian economy experienced a reasonably high growth rate, but this was not seen as inclusive in the unorganized sector. Everyone is connected due to the recent globalization. In fact, economy is a fundamental livelihood earning principle to the Nation's population. The Constitution rightly speaks that every citizen of our Country should be assured to work with proportionate wage. Of course, to implement wage structure comprises constraints are to be analyzed. India is being a welfare society should always protect the workers from social insecurity. To promote social security in an unorganized sector, the workers are needed an effective implementation and promoting social security for enhancing workforce from the workers.

Modernization and industrialization have paved a progressive way for the workers who are laboring in the construction industry. Small towns and cities have become more urbanized and the construction sector is expanding by leaps and bounds. Irrespective of occasional slumps in the economy, the construction sector is going through many problems regarding unorganized labour. The construction workers are increasing in large scale due to the expansion and fast growth in the construction sector. In general the lack of greater employment opportunity, the inflow of labour in this sector.

**KEYWORDS:** High Growth Rate, Nation's Population,, Proportionate Wage & Promoting Social Security

### **INTRODUCTION**

The unorganized sector workers have been migrating to the States in India, has now become so rampant that its impact is felt in every aspect of life. Migration became a way of life to many, who are unskilled and semi skilled and find difficult to get better jobs within their natives and locality. Construction labour are leaving their native villages in search of daily jobs. The migrating workers are in general nomadic in their life and usually do not return to their native places. They have maximum mobility because of the nature of their work. These labourers are engaged in huge industrial constructions, residential flat constructions, city beatification works. These construction labourers are as a part of unorganized work force are being most exploited since independence.

The unorganized labourers welfare is the primary objects of the Five Year Plans to ensure opportunities for work and better living to all the sections of the rural community and, in particular, to assist agricultural labourers. Agricultural workers constitute most neglected classes in rural India. Their per capita income is very low and employment is very irregular. Since they possess no skill or training, they have no alternative employment opportunities either socially or a large

number of agricultural workers belonging to Scheduled Castes and Scheduled Tribes. Subsequently, this section of the people and their economy is very poor due to involvement of their workforce in the unorganized sector so to say their rights and job security has to be protected by effective implementation of labour laws.

As far as my reading is concerned, near about 448 millions of unorganized sector workers are in our country, among them 93% work force is in the fold of Unorganized Sector. While India has embarked on a high growth path that has received considerable international attention, the plight of the working poor continues to be a heated subject in public debates within the country. Since the unorganized sector workers are the vast majority of employed, employable employed and self employed workforce that encompass contract labour, casuals, temporaries, home workers, domestic servants, time rated or piece rated, part time workers, own account workers, agricultural workers, share croppers, marginal farmers, contractual workers, and include women, child labour and old aged workers. Their wages and earnings generally at subsistence level.

The construction industry in India is very large and more visible one engaging 3.2 crore workforce. For most of these workers the construction industry is their 'principal' source of employment. In the year of 1996, the Building and Other Construction Workers Act (BOCWA) was enacted with the intention of providing safety, healthcare and social security for them and the benefits are available only for workers registered under this Act. However, registration has been hitherto low due to apparent complexities in the registration process and therefore many remain outside of the ambit of this law.

Recently in November, 2012 the central cabinet proposed to amend the BOCWA to simplify the process of registering. This is very significant proposal welcome move by the Government and was introduced in the Rajya Sabha on 18<sup>th</sup> March, 2013<sup>1</sup>. If the amendment bill passes and becomes a law, the resultant improvement in the registration of workers could open up to the large stock of unutilized funds in State Construction Welfare Boards for the social security of the workers. According to the report of the 19<sup>th</sup> Parliamentary Standing Committee on labour as of August, 2011 the utilization of cess funds are largely low with state level variations ranging from as low as 0% to as high as 77%. This amendment could also be a starting point for maintaining better statistics on the unorganized sector workers, especially on accidents and fatalities.

The unorganized sector workers can be protected by emphasizing enforcement of Labour Laws and promoting social security, welfare and Health care Cover. They are also engaged in unorganized economic activities which encompasses small scale industries, cotton Industries, micro units of production, construction, large manufacturing units, textile and garments, horticulture, agriculture, rural occupations, forest based employments, fisheries, sweeping and cleaning, loading and unloading, mining, entertainment and thousands of many more occupations or avocations. These workers are contributing more than 50 percent to the GDP growth.

The unorganized sector workers of our country have no social security coverage. The income and employment protection, employment regulation and livelihood protection are primarily concerned of unorganized sector workers, but these are not effectively protected by the Government schemes and proposal. Social security is the protection against various contingencies like accidents, loss of income, loss of employment or livelihood, old age situations etc.

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<sup>1</sup> <http://www.prsindia.org> regarding construction workers

### Measures for Strengthening Employment and Social Security

The present paper focused on measures for promoting employment and social security for the unorganized labour force in the study area (i) public works programs; and (ii) initiatives to provide social security for unorganized workers. After discussion the factors driving outcomes follows, before a review of the National Rural Employment Guarantee Act (NREG) and concluded that the factor which drives chronic and transient poverty in the study area, the labor is uninsured risks faced by households. It needs an inclusive growth like an equity rationale for understanding the role of public policy in helping households deal with risks and shocks related to unemployment, health and death, maternity and sickness, and unprotected old age.

Apart from the measures for strengthening employment and social security, it is also important to examine the objectives of public-works programs in order to assess workfare in the study area.

- The transfer impacts that benefit to the participating households. This impact is often equated with the employment impact.
- Impacts on overall wage levels, which may be felt by participating and non-participating households whose incomes are below the post-program area wage. The positive impact may be offset by the negative impacts on labor demand for higher wages.
- Indirect impacts from the economic benefits of assets created under works schemes.
- Skills development impacts for workfare participants, through work or training provided.
- Impacts on gender and other socioeconomic relations due to features such as equal pay for equal work, increased female labor-force participation, etc.
- Community empowerment impacts which may arise through reliance on communities at different stages of sub-project planning and identification, beneficiary selection, works execution and monitoring.

### The Impact of Policy and Expenditures on Unorganized Workforce in Study Area

Since the 1970s, public works have been an important component of the Indian safety net, with a succession of programs, both centrally sponsored and state-specific. This assessment focuses on the major central-works programs. While changes in programs have been frequent, much of the development has been branded rather than fundamental reform. The most significant policy shift in the 1990s has been the increased role of PRIs (Panchayat Raj Institutions) in rural area unorganized labour. However, this shift, which is clear in the objectives of the workfare programs of the unorganized labour through in NREG. It assures to the unorganized labour legislatively backed 100-day rural-employment.

The below are drawn figure shows spending for recent years on employment assurance works schemes are launched with a share of total central government expenditure and GDP. There was a clear fall in total spending as a share of GDP and government spending between 1997 and 2009-2010 (the trends are more or less similar to the previous trends). Spending in real terms tracked the decline in government spending share. While this trend has reversed in more recent years due to mis-utilization of the funds in the study area. Spending share funds remain below their high point. While the decline and recent reversal are the most notable feature, it is interesting to note the upticks in 1996–1997 and 2009–2010, i.e., The years preceding national calamities and spending more on infrastructure development.

### **Impacts of Public-Works Schemes to Streamline Unorganized Labour Workfare**

Administrative data on employment generated are 'based only on arithmetic calculation' (CAG 1997), i.e., Work days generated is calculated backwards from total spending on an assumed 60:40 split between wages and materials. Through Survey-based assessments and estimates. The NSS also insists the labour households only about participation in public works of more than 60 days.

### **Direct-Employment Effects on Unorganized Labor in the Study Area**

The below are drawn figure shows that the study area administrative estimates of work days from the major works programs from 1996 to 2010, as well as aggregate rainfall data. As with spending share fund, employment-generation performance declined between the mid-2000s and early 2010s.

The level of public-works employment generated has been far lower than program objectives would suggest. Average annual employment per BPL household under SGRY in 2007–2010 around 6.5 days, assuming that all workdays were for BPL. The same work days spread across the agricultural workforce would mean around two days work per worker. Such employment-generation figures are lower than JRY and EAS, which had an average of 16 days employment per BPL household under JRY and 15 days per registered EAS worker in 2004–2010. The fall in employment seems broadly consistent with real spending since the mid-2000s.

Mandal wise employment-generation figures for SGRY suggest that the aggregate employment effect of workfare in all the mandals is very low and the neighboring district un-organised workfare is more because of its Industrialization and the availability of the migrating labour. In recent times in the study area the mining activity is taking place, hence the study area villages labour involving in mining laboring activity with proportionate wage but risky.

In the study area, the coverage rate is lower to higher during the period 1996 to 2010 in each subsequent period, from 2.9 percent in 1996-1997, to 3.4 percent in 1996-2002 to 4.5 percent in 2006-2010. The work depending on exogenous factors and trends. This can be seen in state-specific coverage rates, which in a number of cases exhibit more pronounced inter-temporal variance, with a different pattern for the Study area. From 2008-2010, public works were able to respond well to a severe flood in the study area. Drought data on a desegregated basis needs to be explored to examine the responsiveness of works programs to more localized covariate shocks.

### **Targeting Social Security Schemes in the Study Area**

The Social Security Schemes are more progressive in the study area than all other major anti-poverty programs with the relatively high coverage rate in the poorest quintile and among hill area ST households. Results from a 2006-2008 National survey for SGRY/FFW indicate progressive coverage across wealth groups, though low overall coverage even for the poor. Nonetheless, the high relative coverage rates in the bottom quintile and among ST households( ST People are involving more and more as labour in the unorganized sector who are also prone to migrating labour from Seethampeta, Bhamini and Kotturu. In this places More construction activity taking place as the best program performer in distributional terms

The positive performance of the social security schemes in the study area the following data collected from District administration.

**Table 1: Coverage of SGRY/FFW by Wealth and Social Group, 2009/2010 in the Study Area**

	Beneficiary Households	%Of All SGRY Hhs From	Median Daily Wage Rate	Benefit Incidence (% Benefit Captured)
Poorest	0.7	57.3	50	48.9
Richest	0.1	3.6	220	13.5
OC	0.1	0.7	140	1.9
OBC	0.2	33.9	50	33.3
SC	0.3	23.6	50	23.1
ST	0.9	31.0	50	30.4
Other	0.1	10.9	52	11.1
Study area Others	0.3	100	50	100

Source: HRD survey 2009-2010.

Note: Benefit incidence assumes an equal number of work days.

**Table 2: Average and Marginal Odds of Participation in the Study Area Workfare Programs, 2009–2010**

Quintile	Average Odds of Participation in Workfare (A)	Marginal Odds of Participation in Workfare (M)	M/A
1. Poorest	1.23	1.16	94.2
2. OC	1.13	0.93	82.3
3. OBC	1.04	0.80	76.9
4. SC	0.83	0.55	66.3
5. ST	0.86	0.92	107.0

Source: office of the Asst. Labour Commissioner, Srikakulam (2009).

The above analysis assesses targeting in terms of average incidence. This may be misleading where there are marginal adjustments in budgets. Analysis from 2009-2010 indicates that the average benefit incidence underestimates the gains to poor households from increased spending on works (Lanjouw and Raveling 2009). While the marginal odds of participation are lower for nearly all groups than averages, the relative reduction in the odds is significantly less for poorer than for higher income.

Driving Employment Outcomes in the Study area through Schemes and Public Works:

**Table 3: Daily Wages for Various Agricultural Labor Activities, 1996/1997 and 2009/2010**

Work Type	Rural Males (Rs/Day)			Rural Females (Rs/Day)		
	1996–1997	2009-2010 (1996–1997prices)	Annual Rate of Growth	1996–1997	2009-2010 (1996–1997prices)	Annual Rate of Growth
Public works	24.65	30.89	3.83%	18.52	24.87	5.04%
Casual agricultural labor	21.59	25.48	2.8%	15.12	17.99	2.94%
Casual non-agricultural labor	30.15	37.49	3.7%	17.46	23.49	5.07%
Casual labor all activities	23.18	28.65	3.59%	15.33	18.51	3.19%

Source: Source: District Chief Planning officer, Srikakulam

The study area is the most backward districts in Andhra Pradesh. The people of district occupied is agriculture, so the study can find more unorganized Labour. Due to poor irrigation facilities in the above, said mandals the people are moving to other areas to search of a job. The study area is very poor in industrialization, no other go to the people except depending on agriculture. It is a very difficult task to implement the wage structure to the unorganized labour. I found 65% of models do not have irrigation facilities more people are attracted to urban areas to settle as laborers earn their sustainable livelihood. The study area people are mostly depending on employment assurance schemes which generates wages for their life who are vulnerable.

The present study focused on there is a wide gap between employment assurance and its outcome. It is understood several factors appears to be at work. The above table clearly indicates there is a falling in employment assurance in the Mandal villages. In the year 1996-97 the employment assurance has been considered comfortable by raising real wages. Between 1996-2010 the average annual growth in real earnings on employment assurance works was 3.8 % that was higher than growth rates for casual rural labourers in and out of agriculture. By the late 1996-97 the Government assurance wage rate was gone up 21% for men, and 38% for women, which are higher than average wages in casual agricultural labour. While public works schemes in fact do not aim by paying less than minimum wages around 75% of all work days of rural casual labour were below agricultural minimum wages supported by 90% state Government funding in the study area.

The wage structure and its implementation are affected by high demand for participation, budgetary resources. Public-works programs do not appear to have met the 60:40 labour to capital ratio, although the official method of calculating work days makes this hard to confirm. However, a survey-based EAS evaluation for 1996–2000 found that no category of works met the 60 percent wage component criterion, with the study area average share of wages to total expenditure at 47.5 percent. Furthermore, only three of 20 mandals met the 60 percent wage target across activities. In contrast, several mandals had much lower wage shares.

#### Study Area of Mandal

**Table 4**

S. No.	Division	Mandals
01	Tekkali	Ichapuram, Sompeta, Vajrapu Kottutu, Palasa, Tekkali an Santhabommali
02	Srikakulam	Narasannapeta, Saravakota, Srikakulam Rural, Gara, Amadalavalasa, Sarubujjili, Etcherla and Ranasthalam
03	Palakonda	Rajam, Regidi, Palakonda, Veeraghattam, Pathapatnam and Hiramandalam

The Labour wage intensity of EAS works depends on reliance on public works contractors. As per Government norms the EAS schemes given 10-15% profit margin for the EAS work launcher that indirectly reduce the rate of labour involvement and also reduces labour budget for the unit. The EAS evolution clearly indicates SGRY found the use of contractors that was substantially lower than previous spending.

The EAS assures to fill the gaps between the scheme and the labour. The assessment of EAS for 2001-2004 found that only 53% of villages had any works with much lower. Only 5.4% have been covered with the proportion of villages are only 5.4%. The EAS public works has often not been well matched to seasonal employment needs moreover the EAS public work period is when the lowest market demands. January to March when the opportunity costs of labour are high.

The study area district Agriculture process and development is very low. The agricultural activities take place only for six months, i.e. September to March, remaining six months the villages do not have work in their hands subsequently they depend on EAS schemes. My study point is, unless we implement the wage structure to the unorganized sector workers then only the strengthening of employment and social security would take place for handsome wage earning.

#### Study Area Employment Schemes and Other Impacts

Employment through providing Employment Guarantee Scheme is highly challenging. The first, foremost impact is no data available on the Mandal level that impacts overall wage levels, economic benefits of assets created community empowerment and skill development impacts.

Female labor-force participation in SGRY is very low and also shows that female participation were near about 12% as my study has noticed that JRY & EAS near about 16% female beneficiaries. As per CAG report also repeated the findings. The Study area district (Srikakulam) target share is 30%. My finding is not favorable to three female rural workforce where the rural women have to involve domestic activities that is why she may not be an active wage earner in the rural areas.

### The National Rural Employment Guarantee (NREG)

The NREG was initially with food for work till the year 2006. The main objective this rural employment scheme is to create employment in the rural areas. The scheme works on parameters such as poverty, labour markets and the local economy. This scheme is very sensible and it is very difficult for implementation, but to keep the spirit of creating employment with proportionate wage so that one can avoid political and institutional involvement

**Table 5: Estimated Labor-Supply Effects in the Study Area (Lean season NREG)**

Expenditure Quintile	Pre-NREG Lean-Season Employment Rate	Casual Labor Supply At NREG Wage Rate (2009–2010 Prices)	
		Rs.100	Rs.75
Poorest	34.5	41.7	41.8
SC	28.7	34.1	34.4
ST	24.5	29.3	29.4
OBC	20.0	24.6	24.7
Others	12.2	15.6	15.7

Source: District Revenue office, Srikakulam.

**Table 6: Estimated Labor Supply by Gender and as Share of Total Casual Labor, and Fiscal Costs**

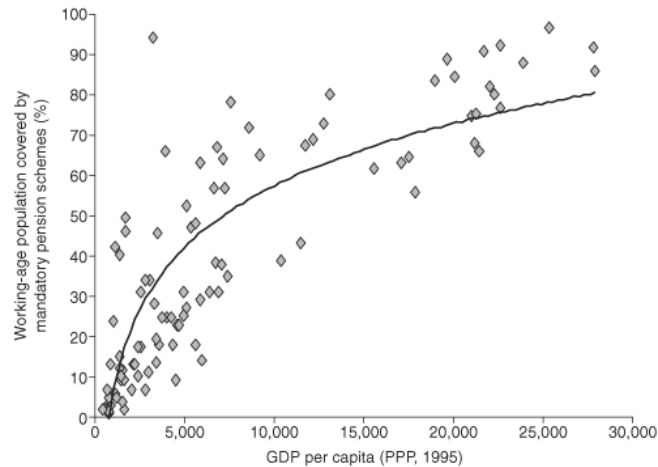
Wage Rate (2009/2010prices)	Estimated Number of EGS Applicants on Typical Day			As % of Total Casual Labor	Estimated Fiscal Cost (% GDP)
	Males	Females	Total		
Rs.75	24.4	14.0	38.4	35.7	1.6
Rs.80	25.0	16.0	41.0	36.2	1.8
Rs.95	25.3	18.0	41.3	36.6	2.0

Source: Joint Director of Agriculture, Srikakulam

The above table clearly Indicates the estimated labour supply by gender share of total casual labour and fiscal costs are increasing proportionately with the wage structure. 75-80 rupees are equivalent to 95-100. So wage rates are Rs. 75,80,95(100)

### Social Insurance for the Unorganized Sector

In developing countries the unorganized sector workers are facing uninsured risks making them highly vulnerable in this context the mutual informal insurance and low rates of occupational and geographical mobility founding study area with migration and marriage. Credit and insurance market failures to limit the ability of study area workers and to seek more productive employment opportunities.



**Figure 1**

**Source:** Insurance Schemes i.e LIC & GIC etc.

The above figure provides coverage estimates of different social insurance types 2008-2010 across the distribution showing not only the failure of formal health and pension insurance system to expand coverage, but also the growing penetration of life insurance of the unorganized sector workers

### **Social Insurance (SI) for the Unorganized Sector**

SI Coverage is very low to the unorganized sector workers. The various approaches are being tried with differing degrees of success in terms of reaching scales, achieving financial viability, and providing financial protection to the worker household. The main initiatives described below

- Welfare and provident funds for unorganized-sector workers at central and state levels, which include both occupations-specific and generalized unorganized sector funds.
- Government of India national schemes for unorganized-sector workers outside the welfare-fund model.
- NGO and community-based initiatives, which range from coverage of specific SI types (usually health) to more bundled social-insurance packages.

### **CONCLUSIONS**

The present study concluded that the organized efforts are necessary for the welfare of the unorganized worker class. They are the most vulnerable and deprived section of the society in the need of protection, security, benefits and assistance. A lot of weakness has been found relating the proper implementation, inadequacy of benefits, long procedure of assigning benefits and the like. Obviously, such factors create greater hurdles in the proper execution of social security measures and are also responsible for the limited utilization of the social security legislation which hit the basic aim and objectives of the social security. The social security system needs to be effective and constructive and should have of more and more coverage areas. The government should get the confidence of the working class to protect them from uncertain contingencies so that they can happily contribute towards social security benefits.

The informal sector is not an isolated sector; it has interdependence with the formal sector. That's why; it is not only surviving, but also increasing day by day. The word 'informal' has already demanded that we should change it into 'formal' form. For this, the state should take an initiation first. Where more than 90 per cent labour force is in the informal



sector, institutional development of labour force cannot expect without bringing it into formal boundary. That's why; there should be appropriate legal provision to cover all informal sectors.

With the Globalization, the process of informalisation of work has been taking place very rapidly. Keeping it in the view, we should amend our existing labour laws to protect poor informal laborers. There should be sufficient ground for recognition of trade unions in the unorganized Sector. To challenge hidden condition of the labour force in the informal sector,, there should be proper provisions to cover self-employed workers inside in the trade union movement.

Agricultural sector, which covers 81 per cent of total labour force has been still ignored to increase productivity of agriculture, right to organize and collectively bargain for agricultural worker should be guaranteed. Besides, land reform should be the major agenda in our policy. We should seek negative lesson by previous reform activities in this regard. It will be incomplete if we do not address forced and bonded labour system in the agriculture. With the agenda like commercialization of agriculture, we should relate elimination of all forms of unfair labour practices.

Numbers of Female are increasing day by day in the agriculture. Keeping it in our mind, a comprehensive perspective package should be prepared to empower women economically with appropriate programs and technology.

Employment should be the first economic objective in India. To generate employment and to attract direct foreign investment, additional and interlinked policies should be pursued. An Open border with India should be regularized to protect Indian labour displacement by the heavy flow of Migrant labour. The nation should be saved by brain drain and skill drain. Informal sector can be protected by proper package of social security. Till now, we do not have such a scheme. Thus, we should urgently take steps towards this direction.

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