

By Invitation

Informal Work

Meghnad Desai

The situation of informal workers in India remains precarious. The rigid boundaries defining what is a formal sector enterprise not only leave many outside but even in the formal sector casualization is rampant since the costs of employing workers on a regular basis in a formal sector are higher than having contract labor. The recent troubles at the Maruti Plant in Manesar (Haryana) owed something to the conflict between the rights of casual contract labor as against the regular labor, argues the author.

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Formal Labor Markets

For much of history, work was informal, casual and precarious. But it was seldom regular or bound by the clock. It was often seasonal. People worked for themselves as peasants or for landlords as serfs or slaves. Apprentices signed up with Masters and became like family members. Shop keepers employed their family members or poorer relations on an informal basis.

With the advent of the Industrial Revolution, work became more regular, dictated by the needs of the machines, and the importance of getting things out on time. There were shifts of work and the issue of the length of the working day (to which Karl Marx devoted a large chapter in *Capital* Volume 1) became an arena of struggle. As things advanced, there was a greater protection for workers in enterprises about their hours of work, their health, and their wage rates. Trade Unions entered the fray to secure better rights and got legislation passed to enshrine the rights of factory workers in law. Developed countries ended up with formal labor markets and workers' rights defined at the place of work. The insecurity of periodic unemployment still remained but even so when

employed in an enterprise, workers had rights.

Much of the rest of the world has carried on with a tiny sliver of the economy organized along formal lines with factories and labor legislation guaranteeing workers' rights. These, largely urban, workers employed in the larger enterprises have secured rights, similar to those in the developed country in theory, if not in practice. In India, after independence, there was great effort to secure the workers in the formal sector as many rights as their fellow workers in the metropolitan economies enjoyed.

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Yet the bulk of labor force worked in the informal sector. In India, the developed formal sector remains an island of under 10 percent surrounded by the swamp of informal workers. Informal work is the norm; formal work the exception. Yet little effort has been made to extend even a modicum of rights to those working in the informal sector

Formal Sector Casualization

As many articles in this Special Issue point out, the situation of informal workers remains precarious. The rigid boundaries defining what is a formal sector enterprise not only leave many outside but even in the formal sector casualization is rampant since the costs

of employing workers on a regular basis in a formal sector are higher than having contract labor. [The recent troubles at the Maruti Plant in Manesar (Haryana) owed something to the conflict between the rights of casual contract labor as against the regular labor.]

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The issue of costs of employment is the key here. In the formal sector, the money costs of the risks and uncertainties of enterprise have to be shared between the employer and the employee. These costs are additional to the wage as such. In the informal sector, all the costs fall on the worker. The gap between the total costs of employing a worker on a regular basis in the formal sector and the wage of a worker in the informal sector or even a casual worker in the same enterprise is very wide. India has an exceptionally large proportion of workers in the informal sector even compared to other South Asian or developing economies as Chen and Vanek show in their paper in this Special Issue. The advent of liberal economic reforms has not led to any extension of rights to the informal sector, nor any dilution of rights in the formal sector. Still as Ramaswamy shows, the persistent high growth of the last decade has led to a rise in real wages across the board in the informal sector. This is welcome but not enough to alleviate the insecurity of the worker in the sector.

One reason for weakness of the informal sector is the difficulty of organizing the workers in these sectors. The unit of employment is small, unincorporated and/or unregistered which makes combining workers in solidaristic unions difficult and the downside costs of employer resentment high. Joseph and Jagannathan show this in their account of three case studies. Yet as Nayak and Sen in their separate contributions show, there have been some successful attempts at organizing informal workers many of whom are self employed. There is an important gender dimension here as women are often self employed and they are also more likely to be in the informal sector than men.

This Special Issue is not concerned with changes in the legislation etc. It seeks to inform and enlighten us about the true situation of the informal sector today and as such it should become an item to read again and again.

One More Thing

I want to take up a controversial issue which arises out of this set of studies but is not addressed by any of the authors. What follows is my own view on the issue of informal labor markets.

The answer to the insecurity of informal employment is of course to make as much employment formal as possible. Chen and Vanek see this as one of the options. There will always be self employment and many SMEs will not have all the characteristics of a fully incorporated enterprise. But if one can envisage

even a third of total labor force under formal employment in India that would be a great step forward. Can this be done?

In India, this issue is often described as labor market/labor law reform or the hiring and firing question. There is a great resistance to diluting any of the legislation protecting the rights of the workers in the 10 % (if that) of the economy. This has led to the manufacturing sector of the Indian economy being capital intensive and medium or high tech. The share of manufacturing in the total economy has also stagnated around 25%. This is because the cost of labour in the formal sector is very high and only highly capital intensive firms can manage to bear it. Other countries of South Asia (Bangladesh for instance) or South East Asia (Malaysia, Indonesia) have managed to have low tech manufacturing enterprises with a large size employing thousand plus workers on a single sight. China has of course done much better.

India needs to work out a midway solution between a well protected but small formal sector and a vast informal sector or a total evisceration of all rights which many people fear who resist any change in the current legislation. It should be possible to extend basic rights of security of employment, regularity of pay and health and safety rights to a much larger part of the workforce. India could remove many more people from abject poverty if it could provide regular factory employment to many who are stuck in informal sector jobs. But this requires leadership.