



EXPLAINER

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# A Comprehensive Overview: Defining and Measuring Informality in India's Labour Market

# **A Comprehensive Overview: Defining and Measuring Informality in India's Labour Market**

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## A. BACKGROUND

Informal employment broadly refers to workers who are employed in jobs where they do not have access to social security benefits under existing labour legislations. This can be either because of the informal nature of the enterprise where a person is employed, or due to the nature of the work itself, which can be casual, part-time, or home-based self-employment. The labour legislations and associated criteria for a worker to be eligible for such benefits, vary widely across countries. Globally, around 2 billion or 61.2 per cent of the world's employed population worked informally in the year 2016 (ILO, 2018a). This proportion was relatively higher for emerging and developing countries at 69.6 per cent. Higher levels of informality in developing and emerging economies is associated with greater prevalence of unsafe and unhealthy working conditions, lower productivity, irregular incomes, and vulnerability towards socio-economic shocks.

Acknowledging the high prevalence of informality as a major challenge in ensuring workers' rights, the International Labour Organization (ILO) adopted a recommendation (Recommendation 204 or R204) in the year 2015, which provided some key guiding principles to all member countries to adopt policies that can help them to transition from informal to formal labour markets, through a collaborative and consultative process involving all stakeholders (ILO, 2015). It called for progressively extending social security, maternity protection, decent working conditions, and minimum wage as per the cost of living in the respective country, to all workers, both under law and in practice.

While there is broad understanding of informality and its extent in India, ambiguity persists on the exact definition used for the 'informal sector' and 'informal employment'. This can have a direct bearing on how the multiple diverse sub-groups within the broader umbrella of informal workforce, are understood, so that targeted policies can be designed to provide them social protection nets. The Government of India's (GoI) Code on Social Security 2020, is a recent policy action in this direction. This latest legislation has consolidated all previous legislations on provisioning of social security to workers in India, including those in the unorganised sector. Again, as per ILO's recommendation, R204, all member countries are

expected to monitor and evaluate their progress on labour market formalisation, by regular analysis and dissemination of statistics on the size and composition of the informal economy.

In view of this background, this explainer is structured as follows. It first looks at how informality in the context of labour market, is defined globally at present, and how this definition has evolved over the years, highlighting some milestones since the early 1990s. It then looks into the definition adopted by India and the parameters used to statistically measure informality based on data availability. Finally, it presents the current level of informality in India's workforce and their characteristics, based on the latest Periodic Labour Force Survey (PLFS), 2018-19, conducted by the Ministry of Statistics and Programme Implementation (MoSPI), Government of India (GoI).

It is expected that the information and the analysis presented here, will help in developing a simplified understanding of the definition, and the process of measuring informality in the context of labour market, both globally and in India. It is also expected to create evidence in capturing the current status of the Sustainable Development Goal (SDG), specifically target 8.3, for India, which promotes creation of decent work conditions for all and formalisation of micro, small and medium enterprises in every country.

## B. GLOBAL STANDARD FOR DEFINING INFORMALITY

The words 'unorganised' and 'informal' are used interchangeably in the context of the labour market. The phrase 'informal sector' was initially used at a global level after the visit of an ILO employment mission to Kenya in 1972 (Naik, 2009). The initial attempts to conceptualise informal sector were based on what was called the 'enterprise approach'. The 15<sup>th</sup> International Conference of Labour Statisticians (ICLS), the global standard-setting body of labour statisticians convened by the ILO, adopted a global standard to define informal sector for the first time based on the characteristics of an enterprise. This approach came under criticism by the early 2000s for excluding informal labourers working outside of the

informal sector enterprises. Consequently, after multiple deliberations, a job-based approach to define ‘informal employment’ was adopted for the first time, as an international statistical standard by the 17<sup>th</sup> ICLS framework in 2003 (ILO, 2003). It is important to note that there can be informal workers working in the organised sector as well, depending on the nature of employment. It considered the households employing paid domestic workers, as a sector in itself, separate from the informal sector. Total informal workers in an economy across formal, informal, and household sectors are presented in **Illustration 1**, reproduced from ILO’s labour manual (ILO, 2013a).

More recently, the 19<sup>th</sup> ICLS (ILO, 2013<sup>b</sup>) and 20<sup>th</sup> ICLS (ILO, 2018<sup>b</sup>) nuanced the definition of a ‘worker’ (both formal and informal), by expanding the definition of work to include previously unrecognised categories. This including unpaid employment, platform-based work, and on-demand work.

A summary of the key features of informal sector and informal employment, as defined and adopted as to set international standards, (which are based on the ICLS resolutions starting from 15<sup>th</sup> ICLS in 1993, till 20<sup>th</sup> ICLS in 2018), is presented below.

### B1. 15th ICLS, 1993

- A standard definition of the informal sector was officially adopted by the 15th ICLS. According to this: “The informal sector may be broadly characterised as consisting of units engaged in the production of goods or services with the primary objective of generating employment and income to the persons concerned. These units typically operate at a low level of organization, with little or no division between labour and capital as factors of production and on a small scale. Labour relations – where they exist – are based mostly on casual employment, kinship or personal and social relations rather than contractual arrangements with formal guarantees” (ILO, 1993).

**Illustration 1: Conceptual framework for informal employment (17<sup>th</sup> ICLS guidelines)**

Production Units by type	Jobs by status in employment								
	Own-account workers		Employers		Contributing family workers	Employees		Members of producers' cooperatives	
	Informal	Formal	Informal	Formal	Informal	Informal	Formal	Informal	Formal
Formal Sector Enterprises					1	2			
Informal Sector Enterprises <sup>(a)</sup>	3		4		5	6	7	8	
Households <sup>(b)</sup>	9					10			

**Source:** “Measuring informality: a statistical manual on the informal sector and informal employment”, Geneva: ILO, 2013

**Note:** Cells shaded in dark grey refer to jobs, which, by definition, do not exist in the type of production unit in question. Cells shaded in light grey refer to formal jobs. Un-shaded cells refer to the various types of informal jobs.

- **Informal employment:** Cells 1 to 6 and 8 to 10.
- **Employment in the informal sector:** Cells 3 to 8.
- **Informal employment outside the informal sector:** Cells 1, 2, 9 and 10.
- 

(a) As defined by the 15th ICLS (excluding households employing paid domestic workers),

(b) Households producing goods exclusively for their own final use and households employing paid-domestic workers.



- Informal sector enterprises are private unincorporated or unregistered enterprises, owned by households or individuals. These are producing units that are not constituted as a separate legal entity, independently of the household member or members who own it. They do not have complete set of accounts that would provide a means of identifying flows of income and capital between the enterprise and the owner. Similarly, these enterprises are not registered under specific laws or regulations, established by national legislative bodies.
- The size of informal sector enterprises in terms of employment, should be below a certain threshold, which needs to be determined according to national legislations.
- Since the 15<sup>th</sup> ICLS employed an “enterprise approach”, and not a “labour approach” to define informal employment, those persons employed outside the informal sector, (however precarious their employment might be), were excluded from the global definition of informal sector employment. Thus, it suggested a wider definition of informal employment in the future.

## **B2. 17th ICLS, 2003**

- 17<sup>th</sup> ICLS complemented the enterprise-based approach of defining informal sector employment as adopted in the 15<sup>th</sup> ICLS, with a broader, job-based concept of informal employment across all sectors (ILO, 2003). Thus, a definition of ‘informal employment’ based on nature of job and status of work, was adopted for the first time, as an international standard.
- Jobs were distinguished according to status-in-employment categories, and according to their formal or informal nature. These employment status were: own-account workers; employers; contributing family workers; employees; and members of producers’ cooperatives. The key characteristics defining informal workers were: a) Own-account workers and employers, employed in their own informal sector enterprises, as defined by the 15<sup>th</sup> ICLS; (b) Contributing family members; (c) Employees with informal jobs in both informal and formal sectors,

and; (d) Own-account workers engaged in the production of goods, exclusively for own final use by their household.

- If a worker is working as an ‘employee’, he is considered to have an informal job if his employment relationship is not subject, in law or in practice, to national labour legislation, income taxation, social protection, and entitlement to certain benefits (paid annual leave, paid sick leave, maternity or paternity leave, etc.)
- The 17<sup>th</sup> ICLS guidelines specifically mentioned that wherever they exist, employees holding formal jobs in informal sector enterprises, should be excluded from informal employment.
- However, acknowledging the huge diversity in informal job conditions across countries, the 17<sup>th</sup> ICLS left the operational criteria of defining informal jobs to the individual countries.

## **B3. 19th ICLS, 2013**

- The 19<sup>th</sup> ICLS resolution adopted in 2013, is important to mention in this context because it expanded the definition of work or employment as a whole, to make it more broad-based, as compared to the older definition provided by the 13<sup>th</sup> ICLS in 1982. Thus, the modified definition of a job was applicable to informal workers as well.
- It refined the earlier definition of employment that was based on work for pay or profit. Such a framework of employment included unpaid employment, internships, volunteer work, and traineeships. Such a move was expected to help take into consideration the significant unpaid work that women and marginalised communities perform.
- Operational guidelines were released to enable comprehensive measurement of participation and time spent in these forms of work.

## **B4. 20th ICLS, 2018**

- The 20<sup>th</sup> ICLS resolution adopted by the ILO in 2018 agreed on another major revision and extension of the definition of employment, by approving other categories of employment that were previously

considered difficult to distinguish. These are job categories that took into account traditional employment with one single employer, and self-employment that is based on individualised work.

- This new category of workers referred broadly as “dependent workers”, do not have complete authority or control over the economic unit for which they work. They can be in employment either for profit or for pay. It thus takes into consideration the emerging gig-economy, such as work of Uber drivers, online application-based food delivery persons, etc.

**Even though the definition of employment was made more broad-based by the 19th and 20th ICLS, the conceptual framework of informal employment set by the 17th ICLS still holds as the global standard to define informality. However, individual countries have the flexibility to modify the definition depending on the specific labour market structure.**

## **B5. Delhi Group on Informal Sector Statistics: A Key Contributor in Shaping the Global Definition of Informality**

The ‘Delhi Group on Informal Sector Statistics’, also known as Delhi Group, is an international expert group on informal sector statistics. It was created in 1997 as one of the city groups of the United Nations Statistical Commission (UNSC) to address several methodological problems involving the definition of the informal sector, and also the conceptual and operational aspects of definitions provided by ILO over the years (NSC, 2012). It was the Delhi Group that recommended in 2001 that “the definition and measurement of employment in the informal sector needs to be complemented with a definition and measurement of informal employment” (Husmanns, 2004). In response to above recommendation, the ILO developed a conceptual context for a broader measurement of informal employment. Accordingly, the 17th ICLS adopted the resolution in 2003, as discussed above in **Section B2**.

In its 11<sup>th</sup> meeting, the Delhi group had discussed the need for an international manual on surveys for informal sector and measurement of informal workers. The Group acknowledged that the informal sector displays itself in

diverse ways in different countries, and therefore, informal sector statistics of different countries are not always comparable. To improve global comparability, a subset of statistics on informal sector employment should be disseminated by countries, following a uniform definition. Accordingly, the international manual for measuring informality was created as a combined effort of the Delhi Group, Women in Informal Employment: Globalizing and Organizing (WIEGO), and the ILO Department of Statistics in 2013. The manual offers technical supervision on applying international standards, giving alternate measurement methods, and includes guidelines for the dissemination of statistics on informal employment (ILO, 2013a). However, this conceptual framework revolved around non-agriculture sector workers only, and the agriculture sector was not explored in detail.

The latest meeting of the Delhi Group in 2017, highlighted the need to evoke a similar conceptual framework to measure informal enterprises and workers in the agricultural segment (including self-employed). It also highlighted the need to explore a suitable methodology to expand the scope of informality to include migrant workers, refugees, and internally displaced persons in fragile economies and non-standard forms of work in developed countries.

## **C. INFORMALITY AS MEASURED IN INDIA**

Much like other developing countries, the employment opportunities in the organised sector in India, have been limited. The industrial policy decisions post-independence were pivotal in creating a large informal workforce in the country. The reservation of a large number of products for small enterprises, resulted in a massive proliferation of unregistered firms, employing workers without formal job contracts. Jobs in the organised sector grew sluggishly, and majority of non-farm employment in the unorganised sector was in micro-enterprises, which hardly offered any kind of social protection. This resulted in a mushrooming of tiny units employing less than 10 workers, and also, the growth of own account workers (Mehrotra & Giri, 2019). During this

period India set up a complicated industrial licensing system to accommodate private sector investment. The government strictly controlled their entry into various industrial activities, location, capacity expansion, and even choice of technology. However, industrial stagnation between 1965 and the late 1970s was a clear indication that this regulatory system was hampering industrial growth and encouraged the creation of an informal sector (Mitra, Varoudakis, & Véganzonès, 1998). Also, inadequate government investment in education, resulted in the low educational attainment by the workforce, who were only employable in the informal sector (Mehrotra, 2019).

For decades, informality was understood and measured in India using a residual approach i.e all the workers and enterprises that were not in the formal sector were considered to be informal (NSSO, 2001). The size of the informal sector was calculated through a proxy method. An estimate of the size of the formal sector, using data from the Directorate General of Employment and Training (DGET) or the Annual Survey of Industries (ASI), was deducted from total employment, to arrive at estimates of informal sector employment (Rustagi, 2015).

Being a founding member of the ILO, India has followed the broader statistical framework regarding estimation of informal employment, as conceptualised since the early 1990s by the 15th and 17th ICLS. Applying these definitions, the first set of detailed official statistics of informal employment in India were published by the National Commission for Enterprises in the Un-organised Sector (NCEUS). The NCEUS was a commission constituted by Government of India (GoI) in 2004 to review the status and characteristics of India's informal labour market. It had made immense contributions in bringing the issues of the informal sector and its workers into the public discourse.

As per NCEUS' definition, which was primarily based on the 17th ICLS, the unorganised sector consisted of unregistered private enterprises engaged in the sale and production of goods and services, operated on a proprietary or partnership basis, and which had less than ten workers. It included all agricultural enterprises on private holdings except plantations (NCEUS, 2008). Again, the NCEUS defined informal workers as those working in the informal sector or households, excluding regular workers with social security benefits. It also considered workers in the formal sector without any benefits related

to employment or social security, as informal (NCEUS, 2007). In 2013, GoI dissolved NCEUS and since then there is no government body that solely works on the informal labour market and related issues. However, official statistics published occasionally by the government, continues to follow the ICLS framework. The renewed concept of work and employment, as nuanced by 19<sup>th</sup> and 20<sup>th</sup> ICLS resolutions, is yet to be adopted by India, primarily because of lack of relevant data.

### **All-India Representative Survey by NSO: Key Data Source to Estimate Informal Employment in India**

Over the years, the most extensive surveys available in India to measure labour market statistics in general, and informality in particular, have been from the National Sample Survey Office (NSSO), MoSPI. These quinquennial household surveys, conducted every five years, are known as Employment-Unemployment Surveys (EUS). They were the primary source of statistics on informal employment from 1999-00 till 2011-12. Considering the importance of availability of such data on annual basis, and to capture seasonal migration to from rural to urban areas, National Statistical Office (NSO) under MoSPI initiated the Periodic Labour Force Survey (PLFS) in the year 2017-18 on the recommendation of the National Statistical Commission (NSC). PLFS aims to capture quarterly change in employment characteristics in the urban areas, apart from capturing overall annual labour market parameters, covering both rural and urban employment. The most recent PFLS was conducted in 2018-19.

Apart from these, the NSSO has also conducted surveys of the unorganised or unincorporated enterprises since 1978-79, the latest being a survey on unincorporated non-agriculture enterprises conducted in 2015-16 (NSSO, 2017). However, these were sector-specific surveys, and did not cover the entire labour market across all industries or occupations.

# D. INFORMAL WORKERS IN INDIA AND THEIR CHARACTERISTICS

This Section takes a broader look at the extent of informality in the Indian labour market since the early 1990s till 2017-18, as estimated by government bodies and ILO. This is followed by a detailed analysis of the current status of Indian labour market, and the extent of informality, based on the latest PLFS, 2018-19.

## D1. Informal Employment in India from Early 1990s to 2017-18

### 1993-94 to 1999-00

The Indian economy was on a high growth path in the 1990s, with the initiation of market-oriented reforms, and trade liberalisation. However, this growth was not accompanied by a proportionate increase in employment in the organised or formal sector. There was in fact, a slight decline in the share of formal employment from 7.3 per cent to 7.1 per cent between 1993-94 and 1999-2000. It is important to note that, till 1993-94, it was not possible to directly measure informal employment from NSSO surveys as the relevant indicators were not included. Thus, a residual approach was used to arrive at the share of informal employment in the economy, by subtracting formal employment figures from the DGE and T (Directorate General of Employment and Training), from the total estimated employment from NSSO. To compare with 1993-94, informal employment in 1999-00 was also calculated using the residual approach, which was found to be 93 per cent.

Even within the organised sector, there was a gradual transformation in the nature of the workforce in the late 1990s. A large section of workers worked on a daily or periodic contract basis, leading to an increase in informal employment within the organised sector (Anant, Hasan, Mohapatra, Nagaraj, & Sasikumar, 2006).

### 1999-00 to 2004-05

As per NECUS estimates, the number of informal workers in India was 423 million in 2004-05 as compared to 362 million in 1999-2000, which was a 17 per cent increase. Informal workers consisted of 92 percent of total workers in India in 2004-05, as compared to 91 per cent in 1999-2000, estimated directly using NSSO survey. During this period, although employment increased by 16 per cent in the organised sector, the entire increase was informal in nature i.e. without any social protection or job security. This constituted a kind of informalisation of the formal sector, where employment increased without social security benefits (NCEUS, 2007).

### 2004-05 to 2011-12

There was hardly any decline in the share of informal workers in India's workforce between 2004-05 and 2011-12. However, two divergent trends were observed during this period. Firstly, between 2004-05 and 2011-12, there was a slight shrinkage of the unorganised sector when the share of unorganised sector workers fell from 86 to 82 per cent. At the same time, the share of informal workers in the organised sector increased considerably. Therefore, considering all workers in the unorganised sector along with the informal workers within the organised sector, the overall proportion of informal workers in the total workforce remained almost constant- at 92 per cent in 2011-12 (ILO, 2017).

As per MosPI, about 84 per cent of workers were in the 'unorganised' sector in 2011-12 (MoSPI, 2019), as opposed to ILO's estimate of 82 per cent. Such variations arise due to the minor differences in the criteria used to identify informal workers across a variety of job types and enterprises, using survey datasets.

### 2011-12 to 2017-18

Between 2011-12 and 2017-18, India's total workforce fell by 9 million (from 474 to 465 million). The job situation was difficult with the country's unemployment rate touching 6.1 per cent in 2017-18—a 45-year high (Mehrotra, 2019). During this period, the share of informal employment fell by only 0.9 percentage points, from 91.9 per cent in 2011-12 to 91 per cent in 2017-18. At the same time, the share of total employment in the unorganised sector fell from 82.7 per cent to 81.9 per cent (Estupinan,



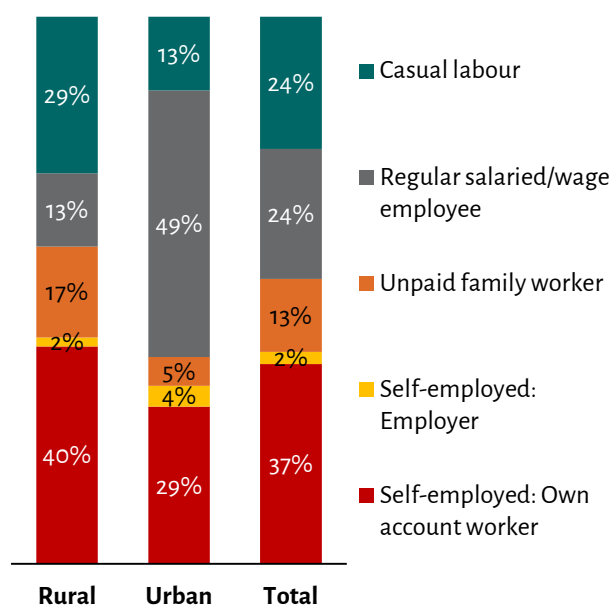
Sharma, Gupta, & Birla, 2020). Thus, the transition of India's labour market towards formalisation was sluggish during this period. In 2017-18, almost half of the regular salaried workers in the non-agriculture sector were not eligible for any social security benefits (PLFS, 2019).

## D2. Overview of Indian Workforce, 2018-19

India's workforce was mostly engaged in informal employment in 2018-19, which was similar to the situation almost a decade ago. Majority of workers still worked with uncertainty regarding long-term sustainability of their employment status, and without any social protection net.

While 24 per cent of India's workforce was made of regular salaried employees, around half (52 per cent) were self-employed, and the remaining 24 per cent were casual labourers (refer Figure 1). The share of self-employed in rural areas (58 per cent) was considerably higher than in urban areas (38 per cent), primarily due to agriculture-related activities. Moreover, the majority of the self-employed worked independently on their own (own-account workers), without employing anyone.

**Figure 1: Distribution of Total Workers across Usual Status of Work, 2018-19**



**Source:** Authors' estimates based on Periodic Labour Force Survey (PLFS), July 2018 to June 2019, National Statistical Office, MoSPI

### Type of Workplace

Since it is not possible to categorise pure farming activities into any particular type of enterprise, we explore the nature of workplace for those employed in the non-agriculture sector, and Agricultural Sector Excluding

Growing of Crops (AGEGC), which includes forestry and logging, fishing and aquaculture, animal production, support activities to agriculture, post-harvest crop activities, and hunting. While 42 per cent of the total workforce in rural areas was employed in the non-agriculture sector, the corresponding proportion for urban areas was 95 per cent. Similarly, the share of workers in the AGECC sector was 4.8 per cent in rural and 1.5 per cent in urban areas.

Of the total workers in the non-agriculture and AGECC sectors, around two-thirds (68 per cent) were employed in proprietary type enterprises, followed by 11 per cent in government or local bodies, and a similar share in public enterprises and public or private limited companies. The share of those working as part of proprietaries was higher in rural areas (at 74 per cent), as compared to that in urban areas at 61 per cent

If we focus on the size of the enterprises, then a large share (60 per cent workers) were part of micro enterprises with less than six workers. These include the self-employed own-account workers in household-based enterprises without any employees. Around 18 per cent were engaged in small enterprises with 6 to 19 workers. Only 16 per cent worked in relatively larger enterprises with 20 or more workers

**Table 1: Distribution of Workers in Non-agriculture & AGECC Sector by Type and Size of Enterprise, 2018-19**

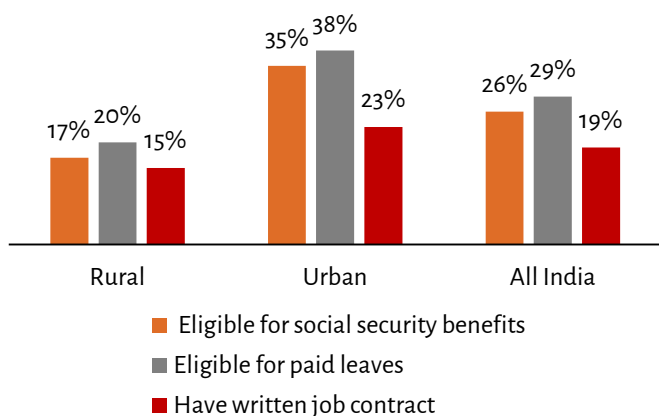
	Rural	Urban	Total
<b>Type of enterprise</b>			
Proprietary	74.2%	61.4%	68.3%
Partnership	1.3%	2.1%	1.6%
Government local bodies	11.4%	10.6%	11.1%
Public/Private limited company, public sector enterprise	5.6%	16.4%	10.6%
Others	7.4%	9.5%	8.4%
Total workers	100%	100%	100%
<b>Number of total workers in the enterprise</b>			
Less than 6	65.6%	53.2%	59.9%
6 to 9 workers	12.6%	10.9%	11.8%
10 to 19 workers	5.9%	7.9%	6.8%
20 & above	11.1%	22.4%	16.3%
Not known	4.8%	5.7%	5.2%
Total workers	100%	100%	100%

**Source:** Authors' estimates based on Periodic Labour Force Survey (PLFS), July 2018 to June 2019, National Statistical Office, MoSPI

## Access to Social Security and other Benefits at the Workplace

The survey reveals that majority of the regular salaried workers and casual labourers did not have access to any kind of social protection from the employers' side. Overall, only 19 per cent of these workers had a written job contract in 2018-19. This share was slightly higher in urban areas at 23 per cent, as compared to 15 per cent in rural areas. In terms of social security provisions from the employers, only one-fourth (26 per cent) of the regular salaried workers and casual labourers were eligible for at least one or a combination of benefits such as Provident Fund (PF) or pension, gratuity, health care benefits, and maternity benefits. While 35 per cent workers in urban India were eligible for such benefits in 2018-19, the share in rural areas was only 17 per cent. If we look at eligibility for paid leave, the scenario was just as discouraging. Around 80 per cent of rural workers and 62 per cent urban workers who were casual labourers or salaried employees, were not eligible for paid leaves.

**Figure 2: Regular-Salaried Workers and Casual Labourers by Eligibility for Social Security, Paid Leaves and Having Written Job Contracts, 2018-19**



**Source:** Authors' estimates based on Periodic Labour Force Survey (PLFS), July 2018 to June 2019, National Statistical Office, MoSPI

## Extent of Informality

The statistical framework to estimate informal employment (ILO, 2013) based on 17<sup>th</sup> ICLS, is used to estimate the share of informal employment in India. Accordingly, India's total workforce is disaggregated in two ways: (a) Sector of work, defined based on types of enterprise- formal (or organised) sector, informal (or unorganised) sector, and household sector; and (b) Type of employment, defined in terms of status of employment of

the worker and other job-related characteristics- formal and informal. The exact definitions applicable in the Indian context based on the set of indicators captured in PFLS 2018-19 are provided in Annexure **Table A1** for type of sector, and **Table A2** for type of job.

During 2018-19, the majority (80.2 per cent) was employed in the informal sector, followed by 18.6 per cent in the formal sector, and a small proportion of 1.2 per cent in the household sector. Combining all sectors, 90.1 per cent of the total workforce were in the informal nature of employment (refer **Table 2**). While overall, 9.9 per cent of total workers had formal jobs, it should be noted that a very small share of 0.6 per cent workers had formal work in the informal sector.

Around 39 per cent of India's workforce was engaged in growing crops and plant propagation only, and this entire group is considered to be part of the informal sector. Around three-fourths of the informal workers were in rural areas.

**Table 2: Distribution of Total Workers in India across Type of Employment and Sector, 2018-19**

Type of employment	Sector of work			
	Informal sector	Formal sector	Household sector	All sectors
Informal employment	79.6%	9.2%	1.2%	90.1%
Formal employment	0.6%	9.4%	0.0%	9.9%
Total employment	80.2%	18.6%	1.2%	100%

**Source:** Authors' estimates based on Periodic Labour Force Survey (PLFS), July 2018 to June 2019, NSO, MoSPI

## India's Status in Attaining Target 8.3 of SDG

One of the targets in the United Nation's Sustainable Development Goal 8 (SDG 8), is to: "Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services" (Target 8.3) (SDG, 2018). A specific indicator to track the status of this target is the "proportion of informal employment in non-agriculture employment, by sex" (indicator 8.3.1). In order to understand where India stands as per this

SDG indicator in 2018-19, the share of workers in the non-agriculture sector engaged in informal employment was calculated, separately for females and males, based on PLFS (refer **Table 3**). It was observed that 83 per cent of the workers in the non-agriculture sector were informal. Compared to informal employment among male workers (83.3 per cent), that among women workers was slightly lower at 81 per cent.

**Table 3: Proportion of Informal Employment in Total Non-Agriculture Sector Employment, by Gender**

Type of employment	Male	Female	Total
Informal	83.3%	81.4%	82.9%
Formal	16.7%	18.6%	17.1%
<b>All</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Authors' estimates based on Periodic Labour Force Survey (PLFS), July 2018 to June 2019, National Statistical Office, MoSPI

### D3. Characteristics of Informal Workers

While more than half of informal workers were self-employed (58 per cent), 26 per cent were casual labourers, and 16 per cent were regular salaried earners. However, as a group, self-employed, is quite diverse, with workers engaged in a wide range of work arrangements. By further disaggregating the self-employed, it is observed that most of them (41 per cent) worked as single own-account workers, followed by 15 per cent working as unpaid workers in family-based work. It is important to note that self-employed who are employers (having other employees working for them), constitute a very small share of total informal employment (or 2 per cent).

The majority of informal workers were dependent on the agricultural sector (47 per cent) (refer **Table 4**). The share of informal workers engaged in the service and manufacturing sectors were 27 per cent and 25 per cent respectively in 2018-19. In rural areas, agriculture and allied activities accounted for 60 per cent of informal employment. In urban areas, while the service sector engaged 54 per cent workers, the manufacturing sector accounted for 26 per cent of informal workers.

In terms of occupation, while around one-third (34 per cent) of informal workers were engaged in skilled agriculture and fishery work, around 25 per cent were part of elementary occupations that include labourers in

agriculture, mining, manufacturing, street vendors, as domestic helps, etc. At least 12 per cent worked in craft and related trades, and 9 per cent were either service workers or salespersons in shops or markets.

The occupation types vary considerably across rural and urban areas. For instance, trade in crafts, metals, machinery, and related articles engaged 20 per cent of such workers in urban areas, and 9 per cent in rural areas.

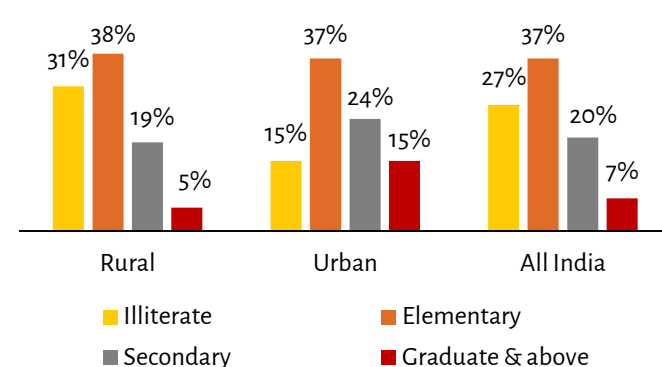
**Table 4: Socio-economic Characteristics of Informal Workers in India**

Characteristics of informal workers		Rural	Urban	All India
Industry	Agriculture, Forestry, and Fishing	60%	7%	<b>47%</b>
	Manufacturing	21%	26%	<b>25%</b>
	Services	18%	54%	<b>27%</b>
Occupation	Skilled Agricultural and Fishery Workers	44%	5%	<b>34%</b>
	Elementary Occupations	28%	18%	<b>25%</b>
	Craft, metal, machinery and related trades	9%	20%	<b>12%</b>
	Service Workers and Shop & Market Sales Workers	6%	19%	<b>9%</b>
	Others	13%	38%	<b>20%</b>

Source: Authors' estimates based on Periodic Labour Force Survey (PLFS), July 2018 to June 2019, National Statistical Office, MoSPI

In 2018-19, while around one-fourth (27 per cent) of the total number of informal workers was illiterate, 37 per cent had studied till elementary, and 20 per cent had completed schooling (refer **Figure 3**). Only 7 per cent had been graduates or had attained a higher degree. In rural areas, 31 per cent of informal workers were illiterate

**Figure 3: Share of Informal Workers across Education Level, 2018-19**



Source: Authors' estimates based on Periodic Labour Force Survey (PLFS), July 2018 to June 2019, National Statistical Office, MoSPI.

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# ANNEXURE

**Table A1: Definition of Formal vs. Informal Sector, PLFS 2018-19**

Industry and enterprise type	Number of workers	
<b>A. Non-Agriculture and AGECC sector</b> (NIC-2008 codes: 014, 016, 017 and divisions 02- 99)		
Enterprise type	Less than 10 workers	10 or more workers
Proprietary	Informal	Formal
Partnership: with members from same household	Informal	Formal
Partnership with members from different household	Informal	Formal
Government/local body	Formal	
Public Sector Enterprises	Formal	
Autonomous Bodies	Formal	
Public/Private limited company	Formal	
Co-operative societies	Informal	Formal
Trust/other non-profit institutions	Informal	Formal
Others	Informal	Formal
<b>B. Agriculture sector excluding AGECC: Growing of crops and plant propagation</b> (NIC-2008 codes 011, 012, 013, 015)	Informal	
<b>C. Household sector</b>	Informal	
<ul style="list-style-type: none"> <li>NIC-2008 code 97: Employers' households (i.e. private households employing maid servant, watchman, cook, etc.)</li> <li>NIC-2008 code 98: Undifferentiated goods and services-producing activities of private households for own use</li> </ul>		

**Table A2: Definition of Formal vs. Informal Employment, PLFS 2018-19**

Status of work	Formal sector	Informal sector	Household sector
Self-employed: own account worker	Informal employment		Informal employment
Self-employed: employer	Informal employment	Formal employment	
Unpaid family worker	Informal employment		
Regular salaried/ wage employee	Informal employment, if not eligible for at least one social security benefit among Provident Fund (PF), pension, gratuity, health care benefit or maternity benefit.		
Casual wage labour in public works	Formal employment, if eligible for at least one social security benefit		
Casual wage labour in other types of work			



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