



**Women in Informal Employment
Globalizing and Organizing**

WIEGO Working Paper N° 7

November 2011 (updated 2014)

Urban Employment in India: Recent Trends and Patterns

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WIEGO Working Papers

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This paper was commissioned by WIEGO under the Inclusive Cities Project.*

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Publication date: November 2011 (updated November 2014)

ISBN number: 978-92-95106-99-4

Published by Women in Informal Employment: Globalizing and Organizing (WIEGO)
A Charitable Company Limited by Guarantee – Company No. 6273538, Registered Charity
No. 1143510

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Manchester, M2 7EN
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Cover photograph by: M. Chen

* An earlier version of this paper will be published in Margin, the journal of the National Council of Applied Economic Research in India.

Contents

Abstract	1
Introduction	2
Urban Employment Trends	4
Urban Informal Employment	7
By Employment Status	7
By Branches of Industry	10
Specific Groups	11
Conclusion	14
Urban Employment Today	14
Urban Employment Trends	14
Urban Employment Challenge	15
References	16

List of Tables

Table 1: Urban Working Age Population (15+) (Percentage distribution)	4
Table 2: Urban Employed by Employment Type, Status, and Unit (Percentage distribution)	5
Table 3: Urban Employed (Male and Female) by Industry Group and Employment Type (Percentage distribution)	6
Table 4: Urban Informal Employment By Type of Unit, Status in Employment and Sex (Percentage distribution)	8
Table 5: Urban Informal Wage Workers by Regular-Casual Status, Type of Unit, and Sex (Percentage distribution)	9
Table 6: Urban Informal Employment (Non-Agriculture) by Sector or Industry Branch and by Sex (Percentage distribution)	10
Table 7: Specific Groups of Urban Informal Workers as Shares of Total and Informal Urban Employment (Non-Agriculture)	11
Table 8: Home-Based Workers (Non-Agriculture) by Status in Employment and Sex (Percentage distribution)	13

Abstract

This paper explores trends in urban employment in India, with a focus on urban informal employment (defined as informal wage employment and self-employment in informal enterprises, as well as informal wage employment in formal enterprises and households). It provides an analysis of the overall and growing significance of four groups of urban informal workers at the bottom of the economic pyramid in India: domestic workers, home-based workers, street vendors, and waste pickers. Together, these groups represent close to one quarter of the total urban workforce and one-third of the urban informal workforce in India today. The data presented are from three rounds of recent large nationwide sample surveys in 1999-00, 2004-05, and 2011-12 after adjusting for census population projections. The data point to significant volatility, with an upswing in self-employment between 2000 and 2005, followed by a reduction in self-employment in the next five years. However, between 2004-05 and 2011-12, the combined share of employment for the four informal groups grew by 12 per cent to represent 41 per cent of urban informal employment, increasing by 20 percentage points among male urban workers but decreasing by 18 percentage points among female urban workers. The data also show that within the urban informal workforce, there are important differences between women and men workers by industrial branch, employment unit, employment status, and specific groups.

The urban employment trends summarized in this paper show that, rather than being increasingly absorbed into modern formal wage employment, India's urban workforce is becoming increasingly informal. By 2011-12, 42 per cent of the urban workforce was self-employed, while wage employment had become more informal. These estimates indicate that urban workforce in India is comprised of a small formal salaried workforce (18.4%), of which around 96 per cent work in formal offices and factories, a larger informal wage workforce (39%) of which around 38 per cent work in formal offices and factories, and a still large informal self-employed workforce (42%) of which around 53 per cent work at home or in open public spaces. These trends at the bottom of the economic pyramid indicate a volatility within the Indian labour market that is often masked by aggregated employment data. The authors argue that the data points to the need for an inclusionary approach to the urban informal economy, and contend that the urban informal economy should be treated as a part of the solution to employment and poverty issues in India.

Introduction

During the first decade of the twenty-first century, the Indian economy grew at rates in excess of seven per cent per annum, up from average growth rates of around five per cent during the 1990s. However, these high rates of output growth have not been matched by employment growth. The inability of high rates of growth in India to generate sufficient employment opportunities first received serious attention in the late 1990s when aggregate employment generation fell quite significantly (Chandrasekhar and Ghosh 2007).

While employment generation has picked up since 2000, it has not recovered to the rates achieved in the early 1990s and the late 1980s. Between 2000 and 2005, overall employment grew at a rate of 2.8 per cent per annum. During this period, the labour force participation rates for adult men and women (aged 30+) increased slightly while the labour force participation rates for young men and women (aged 15-29) declined. Between 2005 and 2012, there was a marked deceleration in total employment growth, from an annual rate of around 2.8 per cent in the previous five-year period to only 0.48 per cent. During this period, the labour force participation rates for all men and women (aged 15+) declined, especially for women (from 42% to 31%). The labour force includes both those who are actively engaged in work and those who are unemployed but actively seeking work. Over the decade, the overall unemployment rate decreased slightly from 2.4 per cent in 1999-00 to 2.2 per cent in 2011-12. But while the unemployment rate for men decreased from 2.6 to 2.1 per cent, the unemployment rate for women increased from 1.8 to 2.4 per cent.¹

Particularly striking were the different patterns of employment across the decade. Between 1999-00 and 2004-05, there was a significant decline in all forms of wage employment. For some time, regular wage employment as a share of total employment had been declining in India.² Over this period, casual wage employment as a share of total employment also declined. This was accompanied by a very significant increase in self-employment in India (Chandrasekhar and Ghosh 2007). This was true not only in agriculture and rural areas but increasingly in non-agricultural activities and urban areas. By 2005, around 57 per cent of the total workforce and 45 per cent of the urban workforce was self-employed. But, according to 2011-12 data, these trends appear to have reversed during the second half of the decade. Within the overall slow-down in employment growth, self-employment has decreased for both men and women in both rural and urban areas. Casual work has increased in rural areas, especially for men but also for women. Regular employment has also increased marginally for both men and women.

Several explanations have been posited for this reversal in employment trends. First, the substantial increase in the number of persons engaged in education, especially among those aged 15 to 24 years, means that more young men and women remain “economically inactive” because they are still in schools and colleges while education has changed their aspirations. But the increase in the education rate, while very welcome, cannot by itself fully explain the dramatic slowdown in employment rate (Choudhury 2011, Chandrasekhar and Ghosh 2011). A second related reason is that fewer persons are willing to take low-paying jobs, preferring to study and improve their skills with the hope of getting better-paying jobs (Rangarajan 2011). But not enough better-paying jobs are being created. Third, the decline in self-employment is linked to the decline in agricultural employment. But there has also been a marked deceleration in non-agricultural employment. Fourth, the global economic crisis led to a decrease in exports which led, in turn, to a decrease in export-linked employment especially in manufacturing. But export-linked employment represents only a small share of total employment. Fifth, “there is a high probability that some low paying jobs in the unorganised sector do not have takers as the option to study, improve skills and employability is now available (Rangarajan et al 2011).

¹ In India, there are four different concepts and measures of unemployment: Usual Principal Status (UPS), Usual Principal and Subsidiary Status (UPSS), Current Weekly Status (CWS), and Current Daily Status (CDS). In this paper, we consistently follow the Usual Principal and Subsidiary Status (UPSS) concept and measure. For a discussion of these concepts and measures, see Krishnamurthy and Raveendran 2009.

² Regular workers are those who have fixed oral or written contracts and receive salaries/wages on a regular on-going basis; casual workers are those who are contracted and receive wages on a daily, weekly, or seasonal basis.

It is also argued that “the decline in the labour force participation of women, irrespective of age, might be because of a decline in overall employment opportunities” and/or that “social orthodoxy may have played a role in pushing out women rather than men from labour force” (Choudhury 2011). Yet another view is that “large numbers of women are withdrawing from the labour force to attend to domestic duties. This may be a result of improved incomes” (Rangarajan et al 2011).

The decline is, however, not limited to women belonging to the higher income-expenditure deciles and is more so among the lower deciles. The other factors which have contributed to the reduction in the labour force participation of women are: (i) diminishing self-employment opportunities for men leading to a greater number of women losing their status as unpaid family labour, (ii) loss of employment as casual labour in agriculture which pushed them back to the households and (iii) movement of men from household agriculture and manufacturing to casual labour in construction (Kannan and Raveendran, 2012).

There is also a view that the changes introduced in the design and administration of the 2009-10 and 2011-12 rounds of the survey might account for some of the reported changes in employment. Although the impact of changes in design and non-sampling errors cannot be adjusted for easily, we have adjusted for the under-estimation of population totals and used additional filtration rules in this paper and believe, therefore, that the data presented represent a realistic picture.

During the first decade of the twenty-first century, India became more urbanized. Although still predominantly rural, the share of the Indian population living in urban areas increased from around 28 per cent (290 million) in 2000 to around 30 per cent (340 million) in 2008 and is expected to increase to 40 per cent (590 million) by 2030 (McKinsey Global Institute 2010). Cities in India are not just growing but also changing rapidly. There is a marked push for cities to modernize in order to cater to the consumer tastes of India’s growing middle class and to attract foreign investments. As a part of the modernization push, there is less tolerance than before for informal settlements and livelihoods in urban areas. Today, with the move towards broad boulevards, mass transport systems, and modern shopping malls, informal settlements and livelihoods are rapidly being destroyed or eroded. At the same time, many cities are de-industrializing: with factories being moved to the urban periphery or the agricultural hinterland. It is important to understand the overall impact of these trends on urban employment in India.

This paper explores trends in urban employment in India, with a focus on urban informal employment.³ The data presented are from three of the recent large-sample survey rounds of the National Sample Survey, which are carried out every five years in India: the 55th Round covering 1999-00; the 61st Round covering 2004-05; and the 68th Round covering 2011-12. All tables in this paper are based on tabulations of the raw data by one of the authors (G. Raveendran). The paper also draws on analyses of the first two rounds of the NSSO data by C.P. Chandrasekhar and Jayati Ghosh of the Centre for Economic Studies and Planning, School of Social Sciences, Jawaharlal Nehru University (Chandrasekhar and Ghosh 2007; Chandrasekhar and Ghosh 2011).

A consistent problem both in 66th and 68th Rounds of surveys was the reduction in sample size to accommodate two different types of survey schedules for consumer expenditure survey. A revised industrial classification was also introduced in 68th Round and it led to lack of comparability of industrial distribution of workers with earlier rounds at higher levels of classification. We have, however, been able to develop a good working concordance between the two classifications at the two digit level and have identified specific categories of workers as per new classification at higher levels by looking at detailed descriptions of the codes.

³ In this paper, we use a broad definition of informal employment that includes a) informal wage employment and self-employment in informal enterprises (i.e. unincorporated and unregistered or small enterprises) and b) informal wage employment in formal enterprises and households. This broad definition was developed by the International Labour Organization, the International Expert Group on Statistics in Informal Enterprises (known as the Delhi Group as it is convened by the Government of India), and the WIEGO network and was endorsed by the 2003 International Conference of Labour Statisticians.

Urban Employment Trends

Between 1999-00 and 2004-05, employment in urban India grew at a faster rate per year (3.22%) than in rural India (1.97%) (Chandrasekhar and Ghosh 2007). As of 2004-05, over half (54%) of the urban working age (15+) population (79% of men but only 24% of women) was in the labour force, either actively working or unemployed but actively seeking work (Table 1). The unemployment rate was higher among women (7%) than among men (4%) in the urban labour force. But after 2004-05, there was a marked slowdown in employment growth in both rural and urban India. By 2011-12, just under half (49%) of the urban working age population (76% of men but only 21% of women) was in the labour force, either actively working or unemployed but actively seeking work. What was particularly striking was the decline in the labour force participation rate of women by three percentage points between 2004-05 and 2011-12.

TABLE 1: Urban Working Age Population (15+) (Percentage distribution)

Category	Male	Female	Total
2011-2012			
Economically Active	76	21	49
<i>Unemployed</i>	3	6	4
<i>Employed</i>	97	94	96
Economically Inactive	24	79	51
2004-2005			
Economically Active	79	24	54
<i>Unemployed</i>	4	7	4
<i>Employed</i>	96	93	96
Economically Inactive	21	76	46
1999-2000			
Economically Active	79	21	51
<i>Unemployed</i>	5	6	5
<i>Employed</i>	95	94	95
Economically Inactive	21	79	49

Between 1999-00 and 2004-05, wage employment fell as a share of urban employment from 58 to 55 per cent. By 2004-05, wage employment for male urban workers was at an all-time low, driven by declines in both regular and casual wage work. Among female urban workers, the percentage in regular wage work increased but the percentage in casual wage work fell so sharply that the aggregate percentage in wage employment also fell (Chandrasekhar and Ghosh 2007). The net result was that, as of 2004-05, only 55 per cent of all urban workers in India were wage employed. But, between 2004-05 and 2011-12, the share of wage employment in total urban employment reverted to the 1999-00 level: to 58 per cent of total urban employment.

What else do we know about the urban workforce in India in 2011-12? Of the urban workers, 59 per cent work in informal enterprises (IE) or households (HH); others work in formal enterprises (FE) (34%) or in agricultural activities (AG) (7%) (Table 2). Among the urban self-employed, 74 per cent are own account workers (who did not hire others), 20 per cent are unpaid contributing family workers, and only 6 per cent are employers. Of the urban wage employed, just under one third (32%) are formally employed and just over two thirds (68%) were informally employed. In sum, 80 per cent of all urban workers (80% of men and 82% of women) are informally employed.

TABLE 2: Urban Employed by Employment Type, Status, and Unit (Percentage distribution)

Category	AG	FE	IE	HH	Total
2011–2012					
Total Urban Employed	7	34	57	2	100
<i>Formal</i>	2	55	1	2	20
<i>Informal</i>	98	45	99	98	80
Urban Wage Workers	2	33	21	2	58
<i>Formal</i>	2	54	3	2	32
<i>Informal</i>	98	46	97	98	68
Urban Self Employed	5	1	36	0	42
<i>Employers</i>	5	21	5	0	6
<i>Own Account Workers</i>	61	60	76	0	74
<i>Contributing Family Workers</i>	34	19	19	0	20
2004–2005					
Total Urban Employed	9	30	58	3	100
<i>Formal</i>	4	62	1	1	20
<i>Informal</i>	96	38	99	99	80
Urban Wage Workers	3	29	20	3	55
<i>Formal</i>	5	62	4	1	34
<i>Informal</i>	95	38	96	99	66
Urban Self Employed	6	2	38	0	45
<i>Employers</i>	4	22	5	0	5
<i>Own Account Workers</i>	52	55	73	0	70
<i>Contributing Family Workers</i>	44	23	22	0	25
1999–2000					
Total Urban Employed	9	32	58	1	100
<i>Formal</i>	2	66	2	2	22
<i>Informal</i>	98	34	98	98	78
Urban Wage Workers	4	31	22	1	58
<i>Formal</i>	4	66	4	2	37
<i>Informal</i>	96	34	96	98	63
Urban Self Employed	5	1	36	0	42
<i>Employers</i>	3	13	3	0	3
<i>Own Account Workers</i>	58	66	76	0	73
<i>Contributing Family Workers</i>	40	22	22	0	24

Where – in what industry groups – is the urban workforce concentrated? As of 2011-12, the largest percentages of both men and women urban workers were in non-trade services, followed by manufacturing for women and trade for men (Table 3). Between 1999-00 and 2011-12, among male urban workers, there was a slight increase in informal employment in manufacturing and non-trade services (both domestic work and waste picking), and a slight increase in both formal and informal employment in construction; and a

slight decrease in both formal and informal employment in transport: by one to four percentage points in each case. Among female urban workers, there was an increase in informal employment in manufacturing (especially home-based) and non-trade services (notably domestic workers and waste pickers) and a decrease in informal employment in trade and construction: by 4 to 8 percentage points in each case except construction (1%). Among both women and men informal workers, the percentage engaged in waste picking more than doubled from less than one percent to 6 and 2 per cent, respectively.

While informal employment in manufacturing increased among urban women workers (to 27%), the percentage of those who manufactured goods in their own homes increased significantly (to 72%). And while the percentage of informal employment of urban women in trade decreased only by four percentage points, the percentage of informal women traders who sold goods from the street decreased to half of the earlier share. It should also be noted that the percentage of urban women engaged as domestic workers increased from 31 per cent in 1999-00 to 39 per cent in both 2004-05 and 2011-12. At all three points in time, a higher percentage of women urban workers than men urban workers in the different branches of industry were informally employed, except in construction, transport and trade.

TABLE 3: Urban Employed (Male and Female) by Industry Group and Employment Type
(Percentage distribution)

Industry Group	Male			Female			Total		
	Formal	Informal	Total	Formal	Informal	Total	Formal	Informal	Total
2011-2012									
Agriculture	0.1	5.6	5.7	0.1	10.8	10.9	0.1	6.6	6.7
Manufacturing	4.0	18.4	22.4	1.7	26.8	28.4	3.6	20.0	23.6
<i>Home-Based</i>	2.3	19.2	16.2	8.9	72.0	68.3	2.9	33.3	28.7
Construction	0.8	10.0	10.8	0.1	3.9	4.0	0.7	8.8	9.4
Trade	0.9	22.5	23.4	0.4	10.0	10.4	0.8	20.0	20.8
<i>Street Vending</i>	1.1	17.8	17.2	0.0	22.6	21.7	1.0	18.3	17.7
Non-Trade Services	13.0	23.0	36.1	15.5	30.2	45.6	13.5	24.5	38.0
<i>Transport</i>	15.4	35.6	28.3	3.4	2.0	2.5	12.7	27.4	22.1
<i>Domestic Workers</i>	0.0	10.1	6.5	0.0	39.0	25.8	0.0	17.2	11.1
<i>Waste pickers</i>	0.0	2.0	1.3	0.0	6.0	4.0	0.0	3.0	1.9
Total Urban Employed	20.0	80.0	100.0	18.1	81.9	100.0	19.7	80.3	100.0
2004-2005									
Agriculture	0.3	5.8	6.1	0.5	17.5	18.1	0.4	8.2	8.6
Manufacturing	4.9	18.6	23.4	1.9	25.5	27.4	4.2	20.0	24.3
<i>Home-Based</i>	1.4	17.5	14.2	6.7	70.3	65.9	1.9	31.5	26.3
Construction	0.5	8.8	9.2	0.0	3.8	3.9	0.4	7.7	8.1
Trade	0.7	23.9	24.6	0.2	9.8	9.9	0.6	21.0	21.5
<i>Street Vending</i>	0.0	25.4	24.7	0.0	57.4	56.4	0.0	28.5	27.8
Non-Trade Services	13.5	21.4	34.9	12.7	27.6	40.3	13.3	22.7	36.0
<i>Transport</i>	18.0	38.6	30.6	5.1	2.7	3.4	15.5	29.5	24.3
<i>Domestic Workers</i>	0.2	5.4	3.4	0.2	39.0	26.8	0.2	13.9	8.8
<i>Waste Pickers</i>	0.0	0.2	0.1	0.0	0.5	0.4	0.0	0.3	0.2
Total Urban Employed	21.2	78.8	100.0	15.5	84.5	100.0	20.0	80.0	100.0

TABLE 3 continued

Industry Group	Male			Female					
	Formal	Informal	Total	Formal	Informal	Total			
1999-2000									
Agriculture	0.2	6.3	6.5	0.3	17.9	18.2	0.2	8.5	8.8
Manufacturing	5.6	16.7	22.3	2.1	21.0	23.1	4.9	17.6	22.5
<i>Home-Based</i>	<i>1.1</i>	<i>17.5</i>	<i>13.4</i>	<i>22.5</i>	<i>63.9</i>	<i>60.1</i>	<i>2.9</i>	<i>28.2</i>	<i>22.7</i>
Construction	0.4	8.5	8.9	0.1	4.7	4.8	0.3	7.8	8.1
Trade	1.1	25.0	26.1	0.4	14.3	14.7	1.0	22.9	23.9
<i>Street Vending</i>	<i>0.0</i>	<i>23.5</i>	<i>22.4</i>	<i>0.0</i>	<i>42.0</i>	<i>40.8</i>	<i>0.0</i>	<i>25.7</i>	<i>24.6</i>
Non-Trade Services	14.8	19.7	34.5	14.5	24.2	38.7	14.7	20.6	35.3
<i>Transport</i>	<i>18.0</i>	<i>39.7</i>	<i>30.4</i>	<i>7.9</i>	<i>3.3</i>	<i>5.0</i>	<i>16.1</i>	<i>31.4</i>	<i>25.0</i>
<i>Domestic Workers</i>	<i>0.4</i>	<i>4.9</i>	<i>3.0</i>	<i>0.3</i>	<i>32.2</i>	<i>19.6</i>	<i>0.4</i>	<i>10.9</i>	<i>5.6</i>
<i>Waste Pickers</i>	<i>0.0</i>	<i>0.2</i>	<i>0.1</i>	<i>0.0</i>	<i>0.4</i>	<i>0.2</i>	<i>0.0</i>	<i>0.2</i>	<i>0.1</i>
Total Urban Employed	23.4	76.6	100.0	17.7	82.3	100.0	22.3	77.7	100.0

Urban Informal Employment

Since the vast majority (80%) of the urban workforce in India is informally employed, it is important to understand the trends and patterns of urban informal employment. What follows is an analysis of what the three rounds of NSS data tell us about the composition of urban informal employment by status in employment and industry branch and about specific groups of urban informal workers.

By Employment Status

In 2011-12, urban informal employment was almost evenly divided between self-employment (51%) and wage employment (49%). Whereas in both 1999-00 and 2004-05, self-employment represented significantly more than half and wage employment represented much less than half of urban informal employment (Table 4). In 2011-12, among informal wage workers, around 19 per cent of men and 17 per cent of women were employed by formal enterprises: up from 12 to 14 per cent at both earlier points in time. Around 72 per cent of all male informal workers, compared to around 60 per cent of all female informal workers, were hired by informal enterprises: down significantly for men from both 1999-00 and 2004-05, but up slightly for women from 2004-05 when a higher percentage of women informal workers were hired by households as domestic workers. In 2011-12, 10 per cent of female informal wage workers were hired by households as domestic workers: down from a high of 12 per cent in 2004-05 but up from 6 per cent in 1999-00. By comparison, the percentage of male informal wage workers hired as domestic workers was one per cent in both 2011-12 and 2004-05, up only slightly from 1999-00.

In 2011-12, 38 percent of the urban informal workforce (39% of men and 31% of women) was own account workers (i.e., those who run single person operations or family businesses without hired labour) down slightly for men but up slightly for women compared to the two earlier periods. Another 11 per cent (8% of men and 20% of women) were unpaid contributing family workers: down from the earlier two periods. Only 3 per cent of men and 0.5 per cent of women were employers who hired others: roughly the same percentages as in 2004-05 but up one per cent for men since 1999-00.

TABLE 4: Urban Informal Employment By Type of Unit, Status in Employment and Sex
(Percentage distribution)

Sector	Total Worker			Wage Worker			Employer			Own Account Worker			Unpaid Family Worker		
	T	M	F	T	M	F	T	M	F	T	M	F	T	M	F
2011-2012															
Agriculture	8	7	13	3	2	5	0.3	0.3	0.2	3	3	3	1.9	1.1	4.9
Non-Agri.	89	92	77	44	46	33	2.2	2.7	0.3	34	36	28	9	7	15
<i>Formal</i>	19	20	17	19	19	17	0	0	0	0	0	0	0	0	0
<i>Informal</i>	70	72	60	25	27	16	2.2	2.7	0.3	34	36	28	9	7	15
HH/DWs	3	1	10	3	1	10	0	0	0	0	0	0	0	0	0
ALL	100	100	100	49	49	48	2.5	3	0.5	38	39	31	11	8	20
2004-2005															
Agriculture	10	7	21	3	2	8	0.2	0.2	0.2	4	4	4	3	1	9
Non-Agri.	86	92	67	38	42	26	2	3	0.4	35	38	24	11	9	17
<i>Formal</i>	14	14	13	14	14	13	0	0	0	0	0	0	0.5	0.4	0.5
<i>Informal</i>	72	77	54	25	28	13	2	3	0.4	35	38	24	10	9	17
HH/DWs	4	1	12	4	1	12	0	0	0	0	0	0	0	0	0
ALL	100	100	100	45	45	46	3	3	0.6	38	41	28	14	10	26
1999-2000															
Agriculture	11	8	22	5	3	10	0.2	0.2	0.1	4	4	4	3	1	8
Non-Agri.	87	91	73	41	44	30	1	1	0.5	35	38	25	10	9	17
<i>Formal</i>	14	14	13	14	14	12	0	0	0	0	0	0	0.3	0.3	0.4
<i>Informal</i>	73	77	60	27	30	18	1	1	0.5	35	38	25	10	8	17
HH/DWs	2	0.8	5.7	2	0.8	6	0	0	0	0	0	0	0	0	0
ALL	100	100	100	47	48	46	1	2	0.6	39	41	28	13	10	25

In 2011-12, around 62 per cent of all urban informal wage workers (62% of men and 64% of women) were regular workers: the percentages for both men and women had risen steadily since 1999-00 (Table 5). Among the informal wage workers hired on regular contracts, 30 per cent of men and 27 per cent of women were hired by formal firms: having risen by around 12 percentage points for men and 10 percentage points for women from 1999-00. Among the informal wage workers hired on regular contracts, 30 per cent of men and 19 per cent of women were hired by informal enterprises: down from both the earlier periods in the case of men. Among regular informal wage workers, 18 per cent of women and only 2 per cent of men were hired by households as domestic workers: down somewhat since 2004-05 but up significantly since 1999-00 for women. In 2011-12, casual workers represented 38 per cent of urban informal wage workers (38% of men and 36% of women): having declined significantly for both men and women from 1999-00. Among all casual wage workers in 2011-12, 5 per cent worked in agriculture; 9 per cent worked for formal firms; 23 per cent worked for informal enterprises; and just under one per cent worked as domestic workers in households.

Among casual workers, there were important differences between men and women. Among urban informal wage workers, the percentage engaged in casual work decreased from 47 for men and 56 per cent for women in 1999-00 to 40 and 44 per cent respectively in 2004-05 and then to 38 and 36 per cent respectively in 2011-12. As of 2011-12, only 4 per cent of male casual workers but 10 per cent of female casual workers were engaged in urban agricultural activities. Nine per cent of male and 8 per cent of female casual workers were engaged by formal firms. Around 25 per cent of male casual workers and 15 per cent of female casual workers were engaged by informal enterprises. Less than half a per cent of male but over 3 per cent of female casual workers were engaged as domestic workers by households. In sum, casual wage employment decreased significantly for both men and women between 1999-00 and 2011-12. The only category of casual wage employment that increased over the ten-year period, for both men and (more so) women, was domestic work: but the percentages of both men and women in domestic work rose during the first half of the decade and declined during the second half of the decade.

TABLE 5: Urban Informal Wage Workers by Regular-Casual Status, Type of Unit, and Sex
(Percentage distribution)

Sector	Regular			Casual		
	Total	Male	Female	Total	Male	Female
2011-2012						
Agriculture	0.5	0.5	0.7	5.1	3.8	10.1
Non-Agriculture	56.7	59.5	45.6	31.8	34	22.7
<i>Formal Economy</i>	29.2	29.8	26.9	8.7	9	7.5
<i>Informal Economy</i>	27.5	29.7	18.8	23.1	25.1	15.1
HHs	5.1	1.9	17.6	0.8	0.2	3.3
ALL	62.3	61.9	64	37.7	38.1	36
2004-2005						
Agriculture	0.5	0.6	0.3	7	4	17
Non-Agriculture	52	57	34	33	36	22
<i>Formal Economy</i>	21	21	19	10	10	9
<i>Informal Economy</i>	31	36	14	23	26	14
HHs	6	2	22	2	0.4	5
ALL	59	60	56	41	40	44
1999-2000						
Agriculture	0.5	0.6	0.3	9	6	22
Non-Agriculture	48	51	32	39	40	34
<i>Formal Economy</i>	18	18	17	11	12	10
<i>Informal Economy</i>	30	33	15	28	29	25
HHs	4	2	12	0	0	0
ALL	52	53	44	49	47	56

By Branches of Industry

By the end of the first decade of the twenty-first century, urban informal employment in India has been concentrated in three industry groups: manufacturing, trade, and non-trade services: at 27, 27, and 33 per cent, respectively, in 2011-12. The percentages of the urban informal workforce concentrated in manufacturing and non-trade services went up during the decade (from 25% and 30%, respectively, in 1999-00) while the percentage in trade went down (from 33% in 1999-00). Another 12 per cent was in construction as of 2011-12: up slightly from the two earlier points in time (Table 6). But the percentage distribution has remained quite different for men and women. Compared to women informal workers, in both 2011-12 and 2004-05, more than twice as many men informal workers were in trade. The gender gap in informal trade was somewhat narrower in 1999-00: with only 1.6 times as many men as women urban workers in informal trade. At all three points in time, 11 times as many men as women informal workers were in transport. Across the decades, women were over-represented in non-trade services, other than transport, as well as in manufacturing.

TABLE 6: Urban Informal Employment (Non-Agriculture) by Sector or Industry Branch and by Sex
(Percentage distribution)

Industry	Total	Male	Female
2011-2012			
Manufacturing	27.2	24.7	37.7
Construction	11.9	13.5	5.4
Trade	27.1	30.2	14.1
<i>Street Vendors</i>	5.0	5.4	3.1
Non-Trade Services	33.2	31.0	42.2
<i>Transport</i>	9.1	11.0	0.8
<i>Waste Picking</i>	1.0	0.6	2.5
<i>Domestic Worker</i>	5.7	3.1	16.5
Total of the above	99.4	99.3	99.6
2004-2005			
Manufacturing	27.9	25.5	38.2
Construction	10.8	12.0	5.7
Trade	29.3	32.8	14.6
<i>Street Vendors</i>	8.3	8.3	8.4
Non-Trade Services	31.6	29.3	41.3
<i>Transport</i>	9.3	11.3	1.1
<i>Waste Picking</i>	0.1	0.1	0.2
<i>Domestic Worker</i>	4.4	1.6	16.1
Total of the above	99.6	99.5	99.8
1999-2000			
Manufacturing	25.4	23.8	32.5
Construction	11.2	12.1	7.3
Trade	33.1	35.5	22.2
<i>Street Vendors</i>	8.5	8.3	9.3
Non-Trade Services	29.7	28.0	37.5
<i>Transport</i>	9.3	11.1	1.2
<i>Waste Picking</i>	0.1	0.1	0.1
<i>Domestic Worker</i>	3.3	1.4	11.7
Total of the above	99.4	99.4	99.6

Specific Groups

For this paper, we estimated the size of specific groups of urban informal workers: domestic workers, home-based workers, street vendors, and waste pickers. These are the first such estimates for urban India. Extensive cross-tabulations were used to produce these estimates.⁴ This is because there is no single discrete classification code for any of these occupations.

Table 7 presents the share of these four groups of workers in total and informal urban non-agricultural employment. Among both total and informal urban workers, the share of all four groups combined – domestic workers, home-based workers, street vendors, and waste pickers – increased between 1999-00 and 2011-12. There was an increase in domestic work, home-based work, and waste picking among all male and female urban workers, both total and informal urban. But there was a decrease in street vending among all categories.

What is striking is the share of these four groups in urban employment, especially among women workers. As of 2011-12, the four groups combined represented 23 per cent of total urban employment: 17 per cent of male and 49 per cent of female urban employment. And the four groups combined represented 29 per cent of urban informal employment: 21 per cent of male and 62 per cent of female urban informal employment. Virtually all workers in each of these groups are informally employed: in 2011-12, for instance, only 1.5 per cent of home-based workers are formally employed.

TABLE 7: Specific Groups of Urban Informal Workers as Shares of Total and Informal Urban Employment (Non-Agriculture)

Groups	% of Urban Employment			% of Urban Informal Employment		
	Total	Male	Female	Total	Male	Female
2011–2012						
Domestic Worker	5	2	13	6	3	17
Home-Based Worker	14	10	32	17	12	40
Street Vendor	4	4	3	5	5	3
Waste Picker	1	0.5	2	1	1	3
All	23	17	49	29	21	62
2004–2005						
Domestic Worker	3	1	11	4	2	13
Home-Based Worker	12	8	26	15	10	30
Street Vendor	6	6	6	8	8	7
Waste Picker	.1	0	.1	.1	.1	.2
All	21	15	42	26	19	50

⁴ A combination of industrial, occupational, employment status, and place of work codes were used in estimating the different groups of urban workers as below:

Domestic Workers were all those with NIC (industry) Code 950 and informal wage workers with place of work codes 13 or 23 (employer's dwelling) and one of the following NCO (occupation) codes: 159, 510, 520, 521, 529, 530, 531, 539, 540, 541, 542, 549, 574, 652, 986, or 999. In the 66th Round the occupational codes were 233, 512, 513, 611, 832, 913, 914, 915, 916 and 931.

Home-Based Workers were all those non-agricultural workers with place of work codes 11 and 21 (own dwelling).

Street Vendors were all those with NCO code 431 and those informal workers in retail trade with employment status codes 11 or 21 (own account workers & unpaid family workers) + place of work codes 10, 11, 15, 19, 21, 25, or 29.

Waste Pickers were all those informal workers in informal sector with NIC codes 371, 372 and 90001.

TABLE 7 continued

Groups	% of Urban Employment			% of Urban Informal Employment		
	Total	Male	Female	Total	Male	Female
1999–2000						
Domestic Worker	2	1	8	3	1	9
Home-Based Worker	11	8	22	14	10	26
Street Vendor	6	6	6	8	8	7
Waste Picker	.0	.0	.1	.1	.0	.1
ALL	19	15	35	24	19	43

Note: All figures = percentage of total or informal urban employment

Home-based workers – that is, those whose place of work is their own home – represent the largest group of these four groups: as home-based workers can be found across most industry groups. In 2011-12, 14 per cent of all urban workers were home-based. This was up from both 1999-00 and 2004-05 when 11 and 12 per cent, respectively, of all urban workers were home-based. By 2011-12, 17 per cent of urban informal workers were home-based workers. Again, this was up from both 1999-00 and 2004-05, when 14 and 15 per cent, respectively, of urban informal workers were home-based. The increase between 2004-05 and 2011-12 was greater for women (10 percentage points) than for men (2 percentage points).

There are two broad categories of home-based workers: the self-employed (including employers, own account workers and unpaid contributing family workers) and the wage employed (many of whom are sub-contracted workers known as homeworkers). The percentage distribution of home-based workers across these employment statuses did not change significantly over the first half of the decade, except for an increase in the share of wage workers among female home-based workers, but did change over the second half (Table 8). During the second half of the decade, there was an increase in the share of employers among male home-based workers; a slight decline in the share of own account workers among male home-based workers and an increase among female home-based workers; a decline in the share of unpaid contributing family workers among both male and female home-based workers. In 2004-05, of all home-based workers, 2 per cent (3% of men and 0.3% of women) were employers, 4 per cent (3% of men and 6% of women) were wage workers; 67 per cent (75% of men and 58% of women) were own account workers; and 27 per cent (20% of men and 36% of women) were unpaid contributing family workers. By 2011-12, of all home-based workers, 3 per cent (5% of men and 0.3% of women) were employers; 4 per cent (4% of men and 4% of women) were wage workers; 69 per cent (73% of men and 65% of women) were own account workers; and 24 per cent (18% of men and 30% of women) were unpaid contributing family workers.

Between 2004-05 and 2011-12, among all home-based workers, there was an increase in the share of employers and a decrease in the share of wage workers and unpaid family workers. But there were significant variations in these trends between men and women home-based workers. Between 2004-05 and 2011-12, there was an increase in the percentage of both men and women home-based workers who were own account workers and a decrease in both who were unpaid family workers. But the percentage who were own account workers increased among women home-based workers but decreased among men home-based workers. Also among men home-based workers the percentage who were employers and wage workers increased while, among women home-based workers, the percentage who were wage workers decreased and the percentage who were employers remained the same.

In sum, between 2004-05 and 2011-12, the share of home-based work increased by 2 percentage points in total urban employment, 2 percentage points for male urban workers, and 6 percentage points for female urban workers. Over this seven year period, the share of own account workers increased by 2 percentage points among all home-based workers: down 2 percentage points for male home-based workers and up 7 percentage points for female home-based workers. However, the share of unpaid contributing workers decreased by 3 percentage points among all home-based workers, 2 percentage points among male home-based workers, and 6 percentage points among female home-based workers. Meanwhile, the share of wage workers remained roughly the same overall with a slight increase among male home-based workers and a slight decrease among female home-based workers; while the share of employers increased overall, up 2 percentage points for male home-based workers and about the same (at 0.3%) for female home-based workers.

In sum, it is important to better understand what is going on within these four occupational groups in India which together represent around one-quarter of urban employment in India and, especially, within home-based work which represents 14 per cent of total urban employment in India today.

TABLE 8: Home-Based Workers (Non-Agriculture) by Status in Employment and Sex (Percentage distribution)

Status of Employment	Total	Male	Female
2011-2012			
Employers	3	5	0.3
Wage Workers	4	3.8	4.2
Own Account Workers	69	73	65
Unpaid Contributing Family Workers	24	18	30.4
2004-2005			
Employers	2	3	0.3
Wage Workers	4	3	6
Own Account Workers	67	75	58
Unpaid Contributing Family Workers	27	20	36
1999-2000			
Employers	1	2	0.3
Wage Workers	3	3	3
Own Account Workers	69	76	59
Unpaid Contributing Family Workers	27	20	38

Conclusion

Urban Employment Today

In 2011-12, 80 per cent of the urban workforce in India was informally employed. Of the urban informal workforce, just over half were self-employed (51%) and just under half were wage employed (49%). The first-ever estimates of domestic workers, home-based workers, street vendors, and waste pickers indicate that these four groups represented 23 per cent of total urban employment and 29 per cent of urban informal employment in that year. Home-based work was the largest sector: representing 14 per cent of total urban employment and 17 per cent of urban informal employment. Domestic work was the second largest sector: representing 5 per cent of total urban employment and 6 per cent of urban informal employment. Street vending represented 4 per cent of total and 5 per cent of informal urban employment. And waste picking represented just under 1 per cent (0.8%) per cent of total urban employment and 1 per cent of urban informal employment.

Within the urban informal workforce there are important differences between women and men workers: by industrial branch, employment unit, status in employment, and specific groups.

Among urban informal workers in 2011-2012:

Industrial Branch – Compared to women informal workers, the percentage of men informal workers was 11 times higher in transport, twice higher in trade, and nearly three times higher in construction in 2011-12. Compared to men informal workers, the percentage of women informal workers was 5.3 times higher in domestic work, 4 times higher in waste picking and 1.5 times higher in manufacturing.

Employment Unit – The percentage of men informal workers in urban agriculture activities (7%) was less than that of women (13%). Roughly the same per cent of men and women were employed in formal non-agricultural enterprises (men 20% and women 17%). A higher percentage of men (72%) than women (60%) were employed in informal enterprises; but a far lower percentage of men (1%) than women (10%) were hired as domestic workers by households.

Status in Employment – The percentage of men informal workers who were employers (3%) was six times higher than that of women (0.5%). A greater percentage of men (39%) than women (31%) were own account operators. Roughly the same per cent of men and women informal workers were wage workers (49%). But the percentage of men informal workers who were unpaid contributing family workers (8%) was less than half that of women (20%).

Specific Groups – The percentage of men (3%) who were domestic workers was around one sixth that of women (17%). And the percentage of men who were waste pickers (1%) was one quarter that of women (3). And the percentage of men who were home-based workers (12%) was less than one third that of women (40%). But the percentage of men who were street vendors (5%) was 1.7 times higher than that of women (3%).

Urban Employment Trends

Urban employment trends in India, as summarized in this paper, defy predictions and stereotypes. Rather than being increasingly absorbed into modern formal wage employment, the urban workforce in India is becoming increasingly informal. Nearly half of the urban workforce is self-employed. Wage employment is becoming increasingly informal. Although India is often referred to as the “office of the world,” in contrast to China known as the “factory of the world,” the “office” share of the urban workforce in India is small.

As of 2011-12, only 13 per cent of the urban workforce in India was formally employed in non-trade services, including the IT sector. Only one-third of the urban workforce in India worked in a formal factory or firm. Nearly 60 percent worked in informal shops or workshops or in or around private homes. Indeed, 17 per cent worked in private homes (as domestic workers in their employer's home and as home-based workers in their own their own homes as home-based workers) and 22 per cent worked in open public spaces (as construction and transport workers, street vendors and waste pickers). In sum, recent estimates suggest that the urban workforce in India today is comprised of a small formal salaried workforce (18.4%) of which around 96 per cent work in formal offices and factories, a still larger informal wage workforce (39%) of which around 38 per cent work in formal offices and factories, and a large informal self-employed workforce (42%) of which around 53 per cent work at home or in open public spaces.

What is particularly striking is the overall and growing significance of four groups of urban informal workers at the bottom of the economic pyramid – domestic workers, home-based workers, street vendors, and waste pickers – who together represent close to one quarter of the total urban workforce and one third of the urban informal workforce in India today.

Urban Employment Challenge

Between 2010 and 2030, it is estimated that an additional 250 million persons – many migrants from rural areas – will join the urban population in India (McKinsey Global Institute 2010). The employment prospects for this fast-expanding urban population in India are not good – unless there is a major shift in the stance of urban planners and local governments towards urban informal livelihoods and a major commitment to investment in urban job creation, particularly in manufacturing. Without investment in labour-intensive growth, half or more of the urban workforce will remain self-employed. If urban renewal projects do not take urban livelihoods into consideration, what is the likelihood that the urban self-employed of India can work their way out of poverty?

What is needed is an inclusionary, rather than exclusionary, approach to the urban informal economy. Indian cities should find ways to ensure that urban informal livelihoods are integrated into urban plans, land allocation, and local economic development; that the urban informal workforce gain access to markets and to basic urban infrastructure services; and that organizations of informal workers are invited to participate in government procurement schemes and policy-making processes. More specifically, domestic workers need workers' rights and the right to live near their clients; home-based workers need secure housing tenure, basic infrastructure services, and mixed-use zoning regulations; street vendors need a secure site to vend in prime locations, simple and fair licensing procedures, and progressive registration fees; and waste pickers need access to waste and to contracts for solid waste management. All four groups need affordable public transport.

Arguably, the only way that India can substantially reduce urban poverty is by embracing, rather than destroying, her urban informal economy. India should accept that the urban informal economy is here to stay and is part of the solution, not the problem. After all, the urban informal economy contributes directly to the economic and social fabric of cities: it contributes to the overall level of economic activity and output; it contributes to the provision of goods and services at prices that are affordable and places that are convenient; it provides employment opportunities and serves as a laboratory for entrepreneurship; and much of it reflects and sustains local cultural traditions. What is needed is a new vision or model of the urban economy – and of cities – in which informal and formal units and workers are encouraged and supported to work side-by-side. Ela Bhatt, founder of the Self-Employed Women's Association (SEWA) – the world's largest trade union of informal workers – proposes that “economic diversity” (like bio-diversity) be adopted as a development goal and calls for “hybrid cities” in which domestic workers are recognized and protected as workers, home-based workers received basic infrastructure services to improve their homes-cum-workplaces, street vendors can operate alongside retail stores and big malls, and waste pickers are included in solid waste management. Also the statistical system of the country needs to be attuned to count and profile specific groups of informal workers more reliably.

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