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Dibyendu Maiti<sup>1,2</sup>

## Abstract

Workers in India are becoming increasingly precarious in spite of its significant economic growth during the past two decades. The extent of informalization and casualization, used as proxies for precariousness, can be deduced from government sources and shows that the size of the informal sector not only constitutes almost 90% of the working population but also is growing. While the informal sector is not an accurate measure of precarious work, two specific characteristics of Indian precarious work are highlighted. The first deals with nonregistered establishments, unmaintained accounts, and hiring no more than 10 workers, officially defined as the “informal sector.” Individuals engaged in this sector experience precarious employment. The second group involves workers engaged in the formal sector on short-term contracts. Combined, the size of both types of precarious work has increased sharply in the postreform period beginning in the early 1990s. The supposed rigidity of labor laws is often used to explain the rise in precarious employment. However, the article finds that although the numbers of industrial disputes and wage shares have declined, the use of contract work has increased in the formal sector, and thus the labor market has been conducive to industrial expansion in spite of the absence of substantial labor law reform.

## Keywords

Precarious work, neoliberal reform, labor market, India, informal sector

India is a large democratic country. It has experienced rapid economic growth in recent years and yet remains the largest host of poverty in the world. In addition, a large proportion of the working population cannot find employment in the formal

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sector and is forced to labor in the so-called informal sector. High economic growth rates and a burgeoning population have encouraged scholars to explore whether such growth is “propoor,” contributing to poverty reduction and improved conditions for workers. Regarding the latter, on gaining independence, the conditions of the working population were predominantly poor because of various exploitative colonial practices. During the first 40 years of interdependence, the country pursued policies of self-reliance, with a particular focus on import substitution and large-scale industrialization. The expectation was that such industrialization would accelerate the employment growth so that poverty could be substantially reduced. But this strategy of protecting the national economy from the outside world was vigorously condemned by many scholars and is identified as the root cause of its poor performance (see Bhagwati & Srinivasan, 1975; Bhalotra, 1998; Mookherjee, 1997). Gradually, beginning in about 1985, India began liberalizing industrial policies. Following low foreign reserves in the early 1990s, the liberalizing trend has expanded, which includes reductions of trade barriers, disinvestment in the public sector, a dereservation of small-scale industries, delicensing for industrial activities, private-sector expansion, a reduction of the restrictions on foreign capital, financial autonomy of the banks, and more (see Bhagwati, 1998; Rodrik & Subramanian, 2004). The principal philosophy behind such reform policies has been to promote competitiveness, thus enhancing economic activity and resulting in an acceleration of employment growth and poverty reduction. This article seeks to examine the impact of these economic reforms on employment and workers’ benefits.

In recent years, the issue of poverty has included discussion of “inclusive growth” and “propoor growth” (see Chenery, Ahluwalia, Bell, Duloy, & Jolly, 1974). Needless to say, propoor growth has been linked to the expansion of informal activities in a developing country such as India. The bulk of the production of goods and services take place in the informal sector where conditions for workers are precarious, poor, and unstable. The issue of concern in this context has been how such workers can face up to the challenges of globalization as liberal policies reform the economy.

The impacts of reform are seen in Table 1, where the expansion of the economy has been especially rapid in the reform period. Production has changed, with the GDP from agriculture having declined substantially as the industrial and service sectors have expanded. Although reforms and growth have seen important and associated social changes, the movement of populations to urban areas has been relatively slow, at least according to official figures, even as the economic contribution of agriculture has declined. Although the data are limited, the reform period also appears to have seen increased inequality (see Table 1).

Recently, the Indian national government has shown some interest in understanding the conditions of the population working in the informal sector. The National Commission for the Enterprises in the Unorganized Sector (NCEUS) was established in 2005 as an advisory body and a watchdog to bring about improvements in the productivity of small enterprises, particularly in rural areas, for the generation of large-scale employment opportunities on a sustainable basis. Such improvements were

**Table 1.** India: Background Economic Data, 1980–2010 (selected years)

	1980	1985	1990	1995	2000	2005	2010
<b>GDP constant 2000 US\$ (billions)</b>							
Total GDP	157.6	202.6	270.5	346.6	460.2	644.5	963.4
<b>GDP at current US\$ prices (billions)</b>							
Total GDP	183.8	229.9	317.5	356.3	460.2	834.0	1,727.1
In agriculture	59.8	64.8	84.0	85.8	98.4	144.1	304.1
In industry	41.4	54.3	77.2	90.1	110.4	215.5	421.2
In services	66.4	88.9	125.8	147.9	212.6	406.1	877.1
<b>Population</b>							
Total population (in millions)	687.3	765.2	849.5	932.2	1,015.9	1,094.6	1,170.9
Urban (%)	23.1	24.3	25.5	26.6	27.7	28.7	30.1
Rural (%)	76.9	75.7	74.5	73.4	72.3	71.3	69.9
<b>Economically active population</b>							
Total (in millions)	442.9	480	542.1	611.9	688.1	768.6	850
In agriculture (%)	66.9	NA	61.6	NA	59.8	55.8	51.1
In industry (%)	10.6	NA	09.8	NA	16.1	19.0	22.4
In services (%)	22.5	NA	28.6	NA	24.1	25.2	26.5
<b>Employment status (in millions)</b>							
Unemployed	15.3	24.9	34.6	36.7	41.3	39.3	NA
Employers	22.8	NA	8.8	NA	NA	5.2	NA
Own account/self- employed	NA	NA	NA	NA	NA	233.7	NA
Unpaid family worker	9.2	NA	8.0	NA	NA	74.4	NA
Wage worker/employee	42.5	NA	62.3	NA	NA	586.6	NA
<b>GINI index</b>							
		1983	1988	1994	2005	2010	
		0.31	0.32	0.30	0.33	NA	

Source: Key Indicators of the Labour Markets, International Labour Organization, and World Development Indicators, World Bank (2012).

considered likely to enhance the competitiveness of the sector in a global environment and link the sector with access to institutions in areas such as credit, raw materials, infrastructure, technology upgrading, and marketing (see NCEUS, 2007).

## Precarious Work: Concepts and Characteristics

“Precarious work” essentially refers to nonstandard employment relationships with high degrees of uncertainty, insecurity, and instability in economic activities. Therefore, workers hired on contract and on an informal basis are precarious workers. Precarious work results from employment practices that are designed by employers to reduce costs, limit or reduce the permanent workforce, maximize flexibility, and shift

risks and uncertainty to workers. This involves the use of systems that include putting-out arrangements, in-house contracted labor, irregular and casual employment, competitive work teams, and migrant workers (Kalleberg & Hewison, IN PRESS).

However, Indian scholars and policy makers have never produced a report on “precarious work” based on the above-mentioned criteria. Various official and academic sources see the labor market as clearly segmented, and that is officially defined as the formal–informal sector, the organized–unorganized sector, and registered–unregistered sector. Operational and organizational criteria have been the basis of these distinctions. In terms of official definitions, the types of definitions do not vary much. The variation is found in sectoral information. The formal–informal classification is largely used to report nonagricultural activities,<sup>1</sup> whereas the organized–unorganized and registered–unregistered classifications are confined to manufacturing activities.

The organized sector comprises enterprises for which the statistics are available regularly from budget documents or reports; annual reports are available in the case of the public sector and through the Annual Survey of Industries (ASI) in the case of registered manufacturing firms. The unorganized sector refers to those enterprises whose activities or collection of data is not regulated under any legal provision and/or that do not maintain any regular accounts. The nonavailability of regular information has been the main criterion for treating the sector as unorganized (National Sample Survey Organization [NSSO], 1999–2000, p. 2). The unregistered sector is defined as units not registered under the Factories Act of 1948 and not regulated under any act. According to the Factories Act of 1948, any manufacturing unit hiring fewer than 10 workers is not required to register, and those units would fall in the unregistered sector. In terms of statistical coverage, the unorganized sector report is prepared by NSSO, based on a nationwide sample survey, conducted every 5 years since 1978–1979. Information on unregistered manufacturing is estimated based on the Economic Census, which is conducted each decade.

On defining the informal sector, in January 1993, a Conference of Labor Statisticians adopted a resolution concerning statistics on employment in the informal sector (International Labour Organization [ILO], 2002). This was to assist national statistical offices in developing definitions, classifications, and methods of data collection for the sector.

The criteria for defining the informal sector are organizational status, ownership, account types, product destination, number of workers, and registration status (see Table 2). This does not mean that activities that are not included in the formal sector all come under this definition. The activities generally excluded—seen as outside the formal–informal dichotomy—include unpaid household production, unpaid household work, small-scale agriculture, and paid domestic service.

In defining the informal sector, the ILO’s definition has been influential. According to the ILO, the informal sector takes unincorporated household enterprises and further subdivides them into three parts: the informal sector, units treated as formal, based on the number of employees or registration, and simple households (National Statistical Commission, 2012). The subset of household enterprises are treated as enterprises

**Table 2.** Criteria of Informal Sector Enterprises

Criterion	Purpose
1. <i>Legal organization</i> : Enterprise not constituted as a legal entity separate from its owner(s)	Identification of unincorporated enterprises
2. <i>Ownership</i> : Enterprise owned and controlled by member(s) of household(s)	Identification of unincorporated household enterprises
3. <i>Type of accounts</i> : No complete set of accounts including balance sheets	Exclusion of “quasi-corporations” from unincorporated household enterprises
4. <i>Product destination</i> : At least some market output	Identification of unincorporated household enterprises with at least some market production; exclusion of unincorporated household enterprises producing goods exclusively for own final use
5. <i>Kind of economic activity</i>	Exclusion of households employing paid domestic workers; possible exclusion of enterprises engaged in agricultural and related activities
6. 1. Number of persons engaged/ employees/employees employed on a continuous basis	Identification of informal sector enterprises as a subset of unincorporated household enterprises with at least some market production
6.2. Nonregistration of the enterprise and/or	
6.3. Nonregistration of the employees of the enterprise	

Source: Modified from Delhi Group (2010).

belonging to the informal sector that have economic objectives, behavior, and a form of organization that set them apart from other unincorporated enterprises. In particular, the informal sector is defined according to the types of production the enterprise undertakes, while still maintaining the production boundary of the System of National Accounts and not extending it to include own-use household services (National Statistical Commission, 2012). Therefore, NCEUS’s recommended definitions are as follows (a) the informal sector: “The unorganized sector consists of all unincorporated private enterprises owned by individuals or households engaged in the sale and production of goods and services operated on a proprietary or partnership basis and with less than ten workers”; (b) the informal worker or employment: “Unorganized workers consist of those working in the organized sector or households, excluding regular workers with social security benefits provided by the employers and the workers in the formal sector without any employment and social security benefits provided by the

employers”; and (c) the informal economy: “The informal sector and its workers plus the informal workers in the formal constitute the informal economy” (National Statistical Commission, 2012, p. 10).

In practice, all unincorporated property and partnerships have been defined as part of the informal sector enterprises. In addition, enterprises run by cooperative societies, trusts, and private and public limited companies (non-ASI) are also covered under the unorganized sector. The informal sector can therefore be effectively considered to be a subset of the unorganized sector (NSSO, 1999–2000, p. 2). Building on this definition, NSSO has started nationwide surveys to determine the principle feature of the informal sector (excluding agriculture) and extend it to the service sector.

As the informal and unorganized sectors are primarily defined on organizational and operational criteria, precarious work is not necessarily confined to these sectors. This is because work in the formal sector can be on contract and flexible, which means that the informal sector is not an exhaustive measure of precarious employment in the country. Also, it leaves out most of the agricultural sector, where, in India, employment is essentially informal in nature. The NSSO now provides information on employment and unemployment every 5 years, covering regular, casual, and self-employment for all of the sectors in the economy. The problem is that self-employment and regular employment are not separated, meaning that household establishments are considered together with large-scale factories in categories under self-employment. Therefore, the share of casual workers captured in the report is only a partial account.

In this article, all those engaged in informal and unorganized activities in all economic sectors along with contract workers in the organized and formal sector are considered in assessing the nature and extent of precarious work in the country.

## **Growth and Employment**

The conditions of working populations in the country were predominantly poor in the preindependence period because of various colonial exploitative practices. In the 1950s and 1960s a kind of “trickle-down” strategy was the dominant development thinking of planners who expected that developing a state-supported and large-scale industrial sector would provide benefits to those at the bottom, gradually eradicating poverty. By and large, this did not occur, and these strategies promoted industries that failed to stimulate broader development. By the mid-1960s the government realized that special attention should be given to employment generation and welfare provision for lower income people. Between 1970 and 1985, several programs were adopted, in sequence, and placed emphasis on employment generation and the expansion of small-scale operations and agriculture. The adoption of an import-substitution strategy and reservations for small-scale industries were significant policies for industrial development.<sup>2</sup> These policies, however, became entangled in a lack of competitiveness, a large bureaucracy, and associated “red tape-ism,” resulting in poor sectoral governance and a lack of transparency. These have been identified as major constraining factors in industrial development and compelled a move to the

**Table 3.** Annual Growth Rates, Sectoral Growth Rates, and Sectoral Value Added, Selected Years, 1970–2010

	1970	1975	1980	1985	1990	1995	2000	2005	2010
Annual growth (%)									
GDP	5.2	9.1	6.7	5.2	5.5	7.6	4.0	9.3	9.7
Agriculture	7.1	12.9	12.9	0.3	4.0	−0.7	−0.2	5.1	5.0
Industry	1.0	6.7	4.8	4.3	7.1	11.6	6.4	9.7	9.0
Service	5.1	6.1	3.4	7.6	5.2	10.1	5.7	11.0	9.1
Value added (% of GDP)									
Agriculture	42.3	38.0	35.7	31.2	29.3	26.5	23.4	18.8	16.2
Industry	20.8	22.6	24.7	26.1	26.9	27.8	26.2	28.1	28.4
Service	36.9	39.5	39.6	42.7	43.8	45.7	50.5	53.0	55.4

Source: World Bank (2012).

liberalizing policies in the early 1990s to deal with these bureaucratic and competitive issues (Aghion, Burgess, Redding, & Zilibotti, 2008; Besley & Burgess, 2004; Hasan, Mitra, & Ural, 2007).

Over the past several decades, GDP has increased substantially. On average, annual growth has been about 5% since 1970, accelerating and approaching double digits in the 2000s (see Table 3). The data on sectoral production suggest that reform policies have resulted in the expansion of industrial and especially service activities. This was a significant change as agriculture had been the predominant sector and employer prior to 1970 (Table 3). Per capital GDP has increased slowly from US\$214 in 1971 to US\$318 in 1990, before accelerating to US\$830 in 2010. Although these changes indicate some success for liberalizing reforms, it is necessary to examine the impacts on poverty and employment growth in the formal sector.

India's population has grown rapidly, from about 361 million in 1971 to almost 1,171 million in 2010. As shown in Table 1, population growth has been associated with urbanization. Even so, in 2010, almost 70% of the population remained classified as rural dwellers. The number of workers in India has expanded from 180.5 million in 1971 to 402.2 million in 2001 (the last census data available) and is estimated by the ILO (2011) to be more than 481 million. Of interest, although the expansion of the economically active population was highest in the 1991–2001 decade, the expansion is estimated to have been less than in the two decades prior to 1991 (see Table 4). Equally interesting, only in 2011 will the estimated work participation rate exceed that of 1961 (43%). It is noteworthy that part of the reason for this latter outcome is the poor performance of the organized sector. As can be seen in Table 4, the employment expansion rate for this sector has declined since 1971 and has lagged well behind the expansion of the total workforce. The decline in public-sector employment since 1991 is expected as the sector has been subject to retrenchment policies, in line with neoliberal reform strategies since the early 1990s. What is more significant is that although



**Table 4.** Workers in India, 1971–2011

Year	Workers (millions)	Work participation rate (%)	Organized sector employment (millions)			
			Public sector	Private sector	Total	Growth
1971	180.5	32.9	11.69	6.96	18.65	
1981	222.5	32.6	16.28	7.53	23.81	2.77
1991	285.9	33.8	19.06	7.68	26.74	1.23
2001	402.2	39.1	18.77	8.43	27.2	0.17
2011 <sup>a</sup>	481.1	55.6	17.67 <sup>b</sup>	9.84	27.51	0.16

Source: Census of India and Economic Survey (various issues); International Labour Organization (ILO, 2011).

a. 2011 worker and work participation rates are ILO estimates.

b. Data for the organized sector in this row are for 2007.

employment expansion in the private organized sector has been possible, growth in the organized sector has barely increased between 1991 and 2007. Studies denote India's rapid growth without much expansion on organized sector employment as "jobless growth" (Ghose, 1994; Nagaraj, 2004).

Inequality data, measured by Gini coefficients, are not readily available for India (see Table 1). Available data suggest that although inequality was showing a declining trend between 1983 and 1994, this has been reversed in the reform era and increased sharply between 1994 and 2005. Neoliberal reform has seen the easy availability of capital and technological change biased toward skilled labor and business and has encouraged firms to move to more capital-intensive methods of production, leading to jobless growth in Indian manufacturing (Breman, 1985; Nagaraj, 2004).

A brighter picture emerges when poverty rates are considered. According to the head-count poverty rate based on the (remarkably low) national poverty line, both rural and urban rates have declined by about half between 1974 and 2004 (see Table 5). Some scholars have linked this decline to the growth of the informal sector (Marjit & Kar, 2011). However, if the poverty line is increased to US\$1.25, the poverty rate remains considerably higher than the national rate. Of course, if the line is further increased to US\$2.00 a day, three quarters of the entire population falls below it (see Table 5). Therefore, the informal sector may have helped in achieving poverty reductions, but incomes have not made sufficient progress to enable many people to rise much beyond that very low national poverty line. As a result, although the informal sector may have played a role in reducing the broadest poverty measure, Sanyal (2007) and Chatterjee (2008) have argued that the expansion of the informal sector has been the inevitable result of economic transformation, which they consider a form of primitive accumulation, where the informal sector has been exploited for the growth of capital in the formal sector, and as a result the informal sector remains a residual sector without any signs of growth.

**Table 5.** Poverty, 1974–2005

Series name	1974	1978	1983	1988	1994	2005
Poverty head count ratio at national poverty line (% of population)	54.9	51.3	44.5	38.9	36.0	27.5
Poverty head count ratio at rural poverty line (% of rural population)	56.4	53.1	45.7	39.1	37.3	28.3
Poverty head count ratio at urban poverty line (% of urban population)	49.0	45.2	40.8	38.2	32.4	25.7
Poverty head count ratio at US\$1.25 a day (PPP; % of population)	— <sup>a</sup>	65.8	55.5	53.6	49.4	41.6
Poverty head count ratio at US\$2 a day (PPP; % of population)	—	88.9	84.8	83.8	81.7	75.6

Source: World Bank, World Development Indicators.

PPP = purchasing power parity.

a. Not applicable.

## The Informal Sector

A substantial drop of the primary sector's employment share, as shown in Table 1, coupled with a low absorption rate in the secondary and tertiary sector must have created a lot of distress in the labor market. This has been manifested through the expansion of the informal sector in the country. When we look at the distribution of workers by locale and gender, both rural and female workers appear to be more vulnerable as they are more dependent on agriculture. That the rural economy remains predominant in terms of employment means that the larger population in rural areas is engaged in the primary sector whereas the urban population is mostly concentrated in the secondary and tertiary sectors. The proportions are gradually changing (see Table 6). However, it is noticeable that the share of the male working population engaged in the secondary and tertiary sectors has not improved greatly. It marginally increased for the secondary and tertiary sectors between 1987 and 2008. More striking, there has been a substantial improvement in female employment share in the tertiary sector over the same period (on principal status).

Workers who do not find jobs in the formal sector come to the informal sector, and essentially this sector involves precarious forms of work. Agriculture is predominantly a part of the informal sector. As shown in Table 7, the number of workers engaged in informal sector was 361.7 million, or 91.2% of the total working population, in 1999–2000, increasing to 422.6 million (92.2% of the working population) in 2004–2005. In industry, employment increased from 64.9 million in 1999–2000 to 85.7 million in 2004–2005, largely driven by the growth of informal employment. Formal employment declined from 9.4 million (14.4%) to 9.1 million (10.6%) during the same period, whereas informal employment increased from 55.5 million (85.9%) to 76.6 million (89.4%). In the service sector the employment of workers increased from 94.2 million

**Table 6.** Employment Situation by Sector, 1987–1988 to 2007–2008 (%)

	Male						Female					
	Primary sector		Secondary sector		Tertiary sector		Primary sector		Secondary sector		Tertiary sector	
	PS	All	PS	All	PS	All	PS	All	PS	All	PS	All
<b>Rural</b>												
1987–1988	73.9	74.5	12.3	12.1	13.8	13.4	82.5	84.7	11.2	10.0	6.3	5.3
1993–1994	73.9	74.1	11.3	11.2	14.8	14.7	84.7	86.2	9.1	8.3	6.2	5.5
1999–2000	71.4	71.4	12.7	12.6	16.1	16.0	84.1	85.4	9.3	8.9	6.6	5.7
2004–2005	66.2	66.5	16.3	16.0	18.3	18.0	82.0	84.1	10.2	9.4	7.8	6.5
2007–2008	66.2	66.5	16.4	16.2	17.5	17.3	81.6	83.5	10.3	9.7	8.2	6.8
<b>Urban</b>												
1987–1988	8.5	9.1	34.3	34.0	57.2	56.9	21.8	29.4	32.4	31.7	45.8	38.9
1993–1994	8.7	9.0	33.1	32.9	58.2	85.1	19.3	24.7	22.9	29.1	50.8	46.2
1999–2000	6.5	6.6	32.9	32.8	60.6	60.6	14.6	17.7	29.3	29.3	56.1	52.9
2004–2005	6.0	6.1	34.6	34.4	59.4	59.4	14.7	18.1	30.3	32.4	54.9	52.2
2007–2008	5.8	5.8	34.5	34.3	59.8	59.7	12.9	15.3	30.5	32.3	56.6	52.4

Source: National Sample Survey Organization (various issues).

All = principal and usual status; PS = principal status.

**Table 7.** Distribution of Workers by Types of Employment (in millions and %)

Economic activity	1999–2000						2004–2005					
	Informal		Formal		Total		Informal		Formal		Total	
	Millions	%	Millions	%	Millions	%	Millions	%	Millions	%	Millions	%
Agriculture	234.79	98.79	2.89	1.21	237.67	100.0	256.07	98.89	2.86	1.11	258.93	100.0
Industry	55.52	85.86	9.37	14.44	64.89	100.0	76.64	89.39	9.09	10.61	85.73	100.0
Service	71.43	75.83	22.77	24.17	94.20	100.0	89.91	79.70	22.90	20.30	112.81	100.0
Total	361.74	91.17	35.02	8.83	396.76	100.0	422.61	92.38	34.85	7.62	457.46	100.0

Source: National Sample Survey Organization, 55th round and 61st round, Employment and Unemployment Situation in India.

in 1999–2000 to 112.81 million in 2004–2005, of which formal employment marginally increased from 22.8 million to 22.9 million but informal employment sharply increased from 71.4 million to 89.9 million. In terms of the percentage share, formal employment in the sector declined from 24.2% to 20.7%, whereas the informal employment increased from 75.8% to 79.7%.

Because of poor absorption rates in the formal industrial and service sectors, the informal sector grew by about 50 million workers between 1999–2000 and 2004–2005, whereas formal sector employment declined in both absolute and percentage terms over

**Table 8.** Distribution of Workers by Economic Activity (%)

Economic activity	1999–2000			2004–2005		
	Informal	Formal	Total	Informal	Formal	Total
Agriculture	64.90	8.24	59.90	60.59	8.21	56.60
Industry	15.35	26.75	16.36	18.13	26.09	18.74
Service	19.75	65.00	23.74	21.27	65.71	24.66
Total	100.00	100.00	100.00	100.00	100.00	100.00

Source: National Sample Survey Organization, 55th round and 61st round, Employment and Unemployment Situation in India.

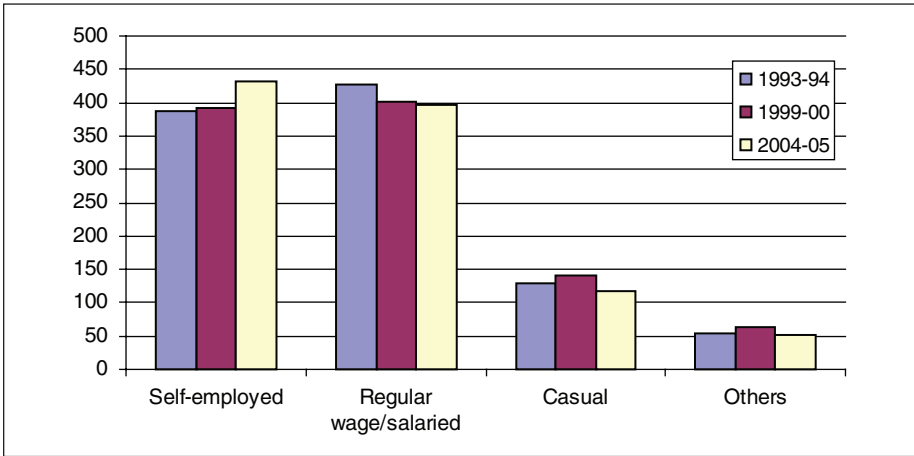
the same period. Meanwhile, informal sector employment went up from 361.74 million to 422.61 million over this 5-year period. When the formal and informal workers are compared separately by economic activity, one sees the extent of informality in relative terms and its change within economic activities from 1999–2000 to 2004–2005. The agricultural sector had 64.9% of informal workers in 1999–2000, then the percentage declined to 60.59% by 2004–2005 (see Table 8). On the other hand, the employment share in the industry and service sectors increased from 15.4% to 18.1% and 19.8% to 21.3%, respectively, during the same period. So there is evidence of informalization during the reform period, and although the relative share of precarious work in agriculture is higher, the share is seen to have increased in both the industrial and service sectors in terms of percentages during this period.

Another way of looking at precarious employment is to examine the distribution of the working population by types of employment, such as self-employment, regular or salaried, and casual. In urban areas, the number of regular-waged and salaried persons dropped from 428 per thousand of the urban population in 1993–1994 to 396 in 2004–2005. Moreover, the share of casual workers initially increased after economic reform and then decreased from 129 per thousand of the urban population in 1993–1994 to 118 in 2004–2005 (see Figure 1). The proportion of self-employed also increased over the same period. Identifying the exact percentage of precarious workers in these figures is difficult, as a sizable portion of self-employed persons are engaged in the informal sector.

It is also useful to know the informal sector contribution to national production. There has been much controversy on such estimations.<sup>3</sup> The Central Statistical Organization (CSO) estimates are known to be more robust, and the estimates show that 57.4% of net domestic product comes from the unorganized segment of the country. Other estimates amount to almost 50% of national income.

## Precarious Work in Industry: Salient Features

Although the contribution of industry to national income is increasing, it is useful to know the extent of precarious work in the sector. As discussed above, the industrial sector is divided into organized and unorganized industries by using employment and



**Figure 1.** Per-thousand distribution of working population by type of employment in urban areas

Source: National Sample Survey Organization, 55th and 61st rounds, Employment and Unemployment Situation in India.

organizational criteria, and precarious forms of employment can be observed in both sectors. The unorganized sector is discussed first, followed by the organized sector.

### *Precariousness in Informal and Unorganized Industry*

Information on the unorganized industrial sector largely comes from the NSSO. According to the NSSO, the estimated number of enterprises in the unorganized sector has barely increased between 2000–2001 and 2005–2006, remaining just more than 17 million. The heterogeneity of such enterprises has been categorized into three types of establishment—own account manufacturing enterprises (OAME), which do not employ any hired workers, nondirectory manufacturing enterprises (NDME), which employ 1 to 5 workers, and directory manufacturing enterprises (DME), which employ 6 to 10 workers. OAME account for 86% of total establishments both in 2000–2001 and 2005–2006, which points to unorganized industry being dominated by household establishments. Moreover, 70% of such enterprises are located in the rural areas (see Table 9).

In examining these enterprises, nonregistration must be a principal indicator of precarious employment. The major registering authorities of those establishment who have registration are municipalities, *khadi*, and village industry commissions, various industry boards and commissions, state and district industrial centers, the handicraft and handloom development board, and factory acts. More than 90% of the enterprises are unregistered, and this figure marginally increased between 2000–2001 and 2005–2006. The extent of the other informal features is presented in Table 9.

**Table 9.** Share of Informal Enterprises by Types of Establishments, Location, and Nonregistration, 2000–2001 and 2005–2006

	2000–2001	2005–2006
Estimated number of enterprises (in millions)	17.02	17.07
Share of nonregistered enterprises (%)	90	90.3
Nonmaintenance of accounts (%)	98.4	94.6
Share of rural enterprises (%)	70	71
Share of enterprises by type (%)		
OAME	86	86
NDME	10	10
DME	4	4
Enterprise type		
Proprietary	98.4	97.8
Partnership between members	1.5	2.0
Nature of operation		
Perennial	92.7	93.9
Seasonal	6.2	4.2
Casual	1.1	1.9
No. of months operated		
0–3	4.6	3.8
4–6	6.0	6.3
7–9	7.7	8.6
9–12	81.8	81.3
Enterprises by location		
Within household premises	70.0	72.9
With fixed location	25.3	24
Without fixed location	4.7	3

Source: National Sample Survey Organization, 56th and 62nd rounds.

DME = directory manufacturing enterprises; NDME = nondirectory manufacturing enterprises;

OAME = own account manufacturing enterprises.

As more than 80% of informal enterprises have been observed to be own account enterprises, the types of problems they face from increased foreign competition in the postreform period and the strategies adopted to deal with those problems need to be understood. According to the National Sample Survey on Unorganized Manufacturing in India, the major problems are a shortage of capital and competition from larger units (see Table 10). Almost 50% of enterprises reported this experience in 2000–2001. Other problems are the lack of infrastructure, localized problems, and labor problems. Although the severity of the shortage of capital and competition from larger units lessened between 2000–2001 and 2005–2006, these shortages are still found to be

**Table 10.** Percentage Distribution of Enterprises by Types of Problems Faced During 2000–2001 and 2005–2006

Major problems	2000–2001	2005–2006
Non availability of electricity connection	10.8	11
Power cut	15.5	14.4
Shortage of capital	49.2	42.0
Nonavailability of raw materials	15.1	13.8
Marketing of products	18.9	17.5
Other problems		
Lack of infrastructure	6.9	3.7
Local problems	17.8	3.0
Competition from larger units	29.3	15.6
Labor problem	2.5	0.6
Fuel not available	3.4	0.8

Source: National Sample Survey Organization, 56th and 62nd rounds, Unorganized Manufacturing in India.

**Table 11.** Enterprises and Contracts, 2000–2001 and 2005–2006

Year	Enterprises not working on contracts (%)	Enterprises working on contract (%)		
		Solely for master enterprises	Mainly on contracts	Mainly/solely for customers
2000–2001	69.3	24.4	2.7	3.3
2005–2006	68.3	26.9	2.6	2.2

Source: National Sample Survey Organization, 56th and 62nd rounds, Unorganized Manufacturing in India.

overarching problems in the unorganized or informal manufacturing sector. It should be noted that labor-related problems have not been identified as serious constraints for activities within the sector; trade union activities are not seen in the sector.

Because a large proportion of establishments face a shortage of capital in more competitive environments, they are forced to rely on “putting out” and “subcontracting” arrangements to increase their competitive advantage (see the narration of such cases in Maiti, 2008). Under this arrangement, quite often the enterprise receives work orders from the relatively large enterprise (known as master enterprises) periodically along with the provision of raw materials. The presence of “subcontracting” arrangements and its growth during the early 2000s have been quite visible, as shown in Table 11. It is observed that more than a quarter of the enterprises are involved in subcontracting to larger enterprises. The trend appears to have increased

**Table 12.** Annual Gross Value Added (GVA) per Enterprise, GVA per Worker, and Wages per Hired Workers (in US\$) in Unorganized Manufacturing During 2005–2006

Types of enterprise	GVA per enterprise	GVA per worker	Emoluments per hired Worker
Own account enterprise	427	263	—
Nondirectory enterprise	2,651	812	481
Directory enterprise	12,411	1,223	647
All	1,140	534	585

Source: Author's calculations based on information from National Sample Survey Organization (52nd round) on Unorganized Manufacturing in India.

US\$1 = 45 Indian rupees.

during 2000–2005. This arrangement shifts all the risks to the subcontracting (and weakest) firms. Such expanding relationships between firms mean that precariousness in the labor market is increasing.

The features of the unorganized sector in India, drawing on the reports of the NCEUS (2007, pp. 2–4; Delhi Group, 2010), are worth highlighting for the light they shed on the precariousness of work. First, informal establishments typically operate on a small scale and at a low level of organization, with little or no division between labor and capital. Second, these establishments are largely household enterprises, meaning that labor relations are based mostly on kinship and personal or kinship relationships and casual employment, rather than on contractual arrangements. Third, as already noted, most enterprises do not keep complete sets of accounts. Fourth, the owners of these enterprises seek financing at their own risk and are usually personally liable for their debts or obligations. Finally, for most of these enterprises, expenditures on production are often indistinguishable from household expenditures.

With a high degree of informality and precariousness in the Indian labor market, one would be interested in understanding the level of earnings of the informal sector. Gross value added (GVA) captures the productivity of the enterprise, whereas GVA per worker defines labor productivity. Both measures increase with the production size. As mentioned in the previous section, establishment size, even with the informal sector, varies widely. The establishments that use no hired workers are defined as OAME. Establishments with 1–5 hired workers are known as NDME, and those with 6–10 workers are DME. The value added per workers is shown to be the highest for DME, followed by NDME and OAME during 2005–2006 (see Table 12). It is worth-noting that annual GVA per worker in the own account enterprises was US\$263, suggesting their value addition is less than US\$1 per day. This is even lower than the hired workers in the informal sector. Emoluments per hired workers are observed to be US\$481 and US\$647, respectively, for workers in directory and nondirectory enterprises. In other words, workers earn even higher than the average household producer.



**Table 13.** Rural Wage Rates, 2004–2005

	Male	Female
Wage rate of rural agricultural laborers (Rs. per day)	47.9	33.1
Wage employment days for agricultural laborers (days per year)	227	184.0
% of casual laborers not receiving national minimum wage (Rs. 66)	78.0	95.6
Wage rate of rural non-agricultural laborers (Rs. per day)	67.5	44.0

Source: National Commission for the Enterprises in the Unorganized Sector (2007).

The above figures provide the big picture on earnings in the informal sector and do not capture the extent of vulnerability or precariousness that is seen when rural–urban and gender differences are considered. To better understand this, the wages and employability of workers in rural areas (predominately dependent on informal activities) are considered. The wage rate of agricultural laborers (including the industrial and service sectors together) was Rs. 47.9 (roughly US\$1) for men and Rs. 33.1 for women (see Table 13). The number of wage employment days of male and female laborers was 227 and 184, respectively. These figures reveal that rural workers not only receive lower wages but also face the uncertainty of nonregular employment. The wage rate of rural nonagricultural laborers has been higher than that for agricultural laborers.

Looking at the increasing trend of informality and precariousness, the Indian government initiated a limited employment guarantee and social security for the informal sector with two important acts: the National Rural Employment Guarantee Act of 2005 and the National Minimum Social Security Act for Informal Workers in 2007. In the former, the employment guarantee basically provides the working poor with access to additional income via employment. The guarantee marked a significant milestone from the perspective of the right to development. This act created, albeit in modest terms, legal entitlements for adult citizens in rural areas to seek work up to 100 days per household per year. The act is meant for the working poor in villages to take care of the problem of underemployment and thus to enhance their income and keep them from falling into poverty. The work guarantee is for unskilled manual work in the local area and is organized and implemented by elected local governments in coordination with the rural development department.

The Social Security Act for Informal Workers (2007) attempts to provide social security for workers not previously covered by existing legislation. Existing social security arrangements are for those employed in the formal sector of the economy—about 8% of the total workforce. Although there are some state schemes for workers in the informal sector, the coverage has not been more than 6% of the total. Realizing the need for social security in the informal sector, the government passed the 2007 act. It

**Table 14.** Manufacturing Output, 1980–2005

Year	Manufacturing total (in Rs. billion at 1999 base price)	Manufacturing % in GDP	Unregistered manufacturing outputs (per factory)
1980	8,874.0	13.8	44.5
1985	11,752.0	14.4	48.5
1990	16,197.9	14.9	54.9
1995	22,645.8	16.2	57.5
2000	28,457.1	15.3	74.7
2005	39,384.2	15.1	89.7

Source: *Handbook of Statistics on Indian Economy* (Reserve Bank of India, various years) and *Annual Survey of Industries* (Central Statistical Organization, 2000–2001, 2005–2006).

is an insurance-cum-state assistance model and covers health and maternity, life and disability, and an old age pension for those belonging to poor households and a provident fund for others. Contributions are calculated on ratios of 1:1:1 for workers, employers, and government. Since there are no visible or identifiable employers for an overwhelming proportion of informal sector workers, their contribution is also paid by the government. For workers belonging to poorer households, their contribution is paid by the government. In spite of the questions regarding institutional or organizational capacity to implement these acts effectively at the grassroots level, the acts have been welcomed by the poor and workers (Kannan, 2007).

### *Precariousness in Formal and Organized Industry*

So far the discussion has been centered on the understanding of the precariousness of the unorganized or informal sector. The article now turns to the workers in the formal or organized sector and their increasing precariousness. As already noted, any establishment and unit using more than 10 hired works comes under the Factory Acts (1948) and is defined as formal or part of the organized sector. According to this act, it is mandatory for these firms to obey the existing labor laws and other relevant industrial laws (see the appendix).

The outputs produced in the manufacturing sector, defined as the organized sector, at 1999–2000 prices, went up from Rs. 8,874 billion in 1980 to Rs. 39,384 billion in 2005. Within this, the contribution of unregistered output (i.e., unorganized) increased from 13.8% to 15.1% and from Rs 4.45 billion to Rs. 8.97 billion per factory (see Table 14). On the other hand, total employment in the industrial sector did not improve much between 1980 (6.07 million) and 2005 (7.14 million). The average number of workers per factory declined from 63 in 1980 to 51 in 2005 (see Table 15). Employment figures are available for the manufacturing sector for regular and contract workers. These data reveal that contract labor in the sector is increasing in both absolute numbers and percentage terms. Another interesting finding is that while real annual wages increased from Rs. 34,226 in

**Table 15.** Employment, Wage, and Workers' Share in the Factory Sector, 1980–2006

Year	Number of workers (millions)	Workers per factory	Share of contract workers (%)	Real wage (at 1999–2000 prices)	Wage share (% of GVA)	Wage share (% of NVA)
1980	6.07	63	—	34,226	28.0	33.6
1985	5.82	58	—	41,400	26.3	31.4
1990	6.31	57	—	46,380	21.4	25.6
1995	7.63	57	—	50,110	17.2	20.1
2000	6.14	47	16	43,480	15.5	19.3
2005	7.14	51	26	41,680	10.3	12.1
2007	—	—	—	—	9.0	10.1

Source: Annual Survey of Industries (Central Statistical Organization, 2000–2001, 2005–2006).  
GVA = gross value added; NVA = net value added.

1980 to Rs. 50,110 in 1995, they then saw a decline to Rs. 41,680 in 2005. The wage share of the organized sector, measured as percentage of GVA, has been drastically reduced from 28% in 1980 to just 9% in 2005. Measured as a percentage of net value added, the share has also declined from 33.6% in 1980 to 10.1% in 2005. This is a clear indication of a continuous decline of the distributive share of workers in the organized sector. The gradual contractualization of the labor force and a reduction of social security for workers appear to be the main reasons behind this fall, even when it may be assumed that labor productivity is progressing with the adoption of modern technologies. The effective use of the Contract Labor Act (1970), particularly with the decline of worker's bargaining power, has contributed much to this process.

## Issues of Labor Market Rigidity and Precarious Work

India is a founding member of the ILO. However, it has endorsed only four of the ILO's eight core conventions. India has endorsed Conventions 29 and 105 on the elimination of forced and compulsory labor and Conventions 100 and 111 on the elimination of discrimination in respect of employment and occupation. It has not endorsed the four conventions on freedom of association and collective bargaining or the elimination of child labor. This position on core labor areas raises issues regarding the governance of labor relations.

There is considerable debate among observers of the Indian economy regarding the impact of labor market regulation in a federal setting on the economy.<sup>4</sup> Although the government has adopted certain reform measures in virtually all economic sectors, a notable exception is labor law, where few substantial changes have been made. Most of those calling for "labor market" reform believe that India's labor laws have made labor markets in the formal (or organized) manufacturing sector rigid. In particular, they have argued that there are serious constraints on the ability of firms to hire and fire workers (see Aghion et al., 2008; Besley & Burgess, 2004; Hansan, Mitra, & Ural, 2007).

Labor legislation suggests that entrepreneurs are regulated by the labor and trade union laws to protect workers from exploitation (see Anant, Hasan, Mohapatra, Nagaraj, & Sasikumar, 2006; Pages, Roy, & Ahsaan, 2008). This Industrial Dispute Act specifies the distribution of powers in India's federal setting between state and central government, courts and tribunals, and unions and workers and the procedures to be followed in resolving industrial disputes. The central (federal) government plays a key role in formulating and implementing labor legislation, but the act also gives some authority to state governments to amend labor-related issues. In addition, the enforcement of many labor regulations, even those enacted by the central government, lies within the purview of state governments. For example, according to the central government, the Industrial Dispute Act (1947) makes it compulsory for employers with more than 100 workers to seek the prior approval of the government before workers can be dismissed (Besley & Burgess, 2004).<sup>5</sup> As can be seen, in such cases, the Industrial Dispute Act does not prohibit layoffs and retrenchments, but governments have often been unwilling to grant permission to firms to lay off workers (see Datta Chaudhuri & Bhattacharjee, 1994). The argument among labor market reformers is that an unintended result has been to create a strong disincentive to hire (additional) workers and substitute labor with capital, thereby leading to weak employment growth. Similar arguments have been made for other elements of labor regulations, including specific provisions of the Industrial Employment Act and the Trade Union Act that make it difficult to reallocate workers from one plant to another or to change job descriptions.

In making such claims, it is suggested that such views overlook the fact that India's labor laws and regulations are either simply ignored (Nagaraj, 2004) or circumvented through the increased usage of temporary or contract labor (Datta, 2003; Ramaswamy, 2003). Bhattacharjea (2009) has shown that the narrow focus on legislation as creating labor market rigidity completely ignores the functioning of labor market institutions and employer-employee relations. Despite the same national legislative framework, labor market rigidity varies because of various social, political, and historical factors. Such critical analysis is still missing on Indian context.

Even if India has not made substantial changes to labor laws, the rigidity of the labor market has been found to be declining over the years. Economic liberalization has had an impact on the labor market rigidity. Table 16 reveals how labor disputation is declining, from 771 in 2000 to 350 in 2009. At the same time, the number of workers engaged in disputes has also sharply declined over this period. As indicated in Table 15, the wage share has come down to less than 10%, showing a decline even if labor laws are claimed to be rigid. In this case, labor law rigidity cannot be considered a principal factor behind the growing precariousness of work.

## Conclusion

This article has attempted to demonstrate the size and characteristics of precarious work during the period of economic liberalization in India. Official statistics do not provide ready information on precarious work. This means that the data from various

**Table 16.** Industrial Disputes, 2000–2009

Year	Total no. of disputes
2000	771
2001	674
2002	579
2003	552
2004	477
2005	456
2006	430
2007	389
2008	426
2009	350

Source: Indian Labour Yearbook (Ministry of Labor and Employment, various years).

government departments must be “mined” for the information they provide on work. Workers can be in the formal and organized sector or the informal and unorganized sector either as workers or as the owners of very small establishments. These workers are considered to be the major constituents in the group of precarious workers in India. India’s labor market duality is defined by various terms—formal–informal, organized–unorganized, and registered–unregistered. These distinctions are made based on organizational and operational criteria of the production unit, but not on production and labor relations. Therefore, precarious work exists in both sectors. Moreover, the working conditions of owners in the informal sector are neither differentiable from conditions of hired workers nor distinctly different, so they should also be considered to be engaged in precarious work.

Overall, it has been observed that the size of precarious work (combining formal and informal sector) has grown during the period of economic liberalization. The economic reforms initiated in the early 1990s are assumed to have played a pivotal role in accelerating the trend of industrial and service sectors using more capital-intensive technologies. Therefore, the absorption rate of workers in the formal sector has been low, and this has meant an expansion of the informal sector. Meanwhile, trade union activities and labor laws are not regarded as responsible for the expansion of precarious work.

With the decline of trade union activism and the expansion of the informal sector, the issue of improvement of the conditions of informal and casual workers has been an important task for policy makers. Although labor market flexibility has been demanded, the Indian government has adopted two important policies to provide additional employment and social security for the workers in the rural and informal sectors. This is a process of formalization of the informal sector in the Indian economy.

## Appendix

### Sources and Information on Precarious Work in India

Reports	Affiliated body	Definition	Information on precarious work	Method of data Collection	Frequency	Publication dates
Annual Survey of Industries (ASI)	Central Statistical Organization	Any industry hiring more than 10 workers (with power) and more than 20 workers (without power)	Contract workers in factor sector or organized manufacturing; workers by regular and contracts, wage, and other benefits of all workers	Sample survey of units (fewer than 100 workers) and census survey of the rest	Annual	Since 1998
National Accounts Statistics	Central Statistical Organization	Any outputs and value addition in the country	Unregistered manufacturing in the economy; output and value addition of unregistered output	Estimated based on Economic Census	Annual	Since 1980
Unorganized Manufacturing	National Sample Survey Organization	Non-ASI (i.e., any industry hiring fewer than 10 (with power) and fewer than 20 (without power))	Unorganized manufacturing in India a. All establishments are divided into three types—own account (no hired workers), nondirectory (five or fewer hired workers), directory (hiring 6–10 workers) b. Output, value addition, assets, emoluments of all units c. Contractual arrangement, seasonality	Stratified random sample	Every 5 years	1978–1979, 1984–1985, 1989–1990, 1994–1995, 2000–2001, 2005–2006
Non-Agricultural Informal Sector	National Sample Survey Organization	Non-ASI minus enterprises run by cooperative societies, trusts, and private and public limited companies	Informal sector excluding agriculture	Stratified random sample	Every 5 years	1999–2000, 2004–2005
Employment-Unemployment	National Sample Survey Organization	Any establishment	Share of casual workers and self-employed by economic activities, education, region, sex, and size	Stratified random sample	Every 5 years	1977–1978, 1983, 1987–1988, 1993–1994, 1999–2000, 2004–2005
Economic Census	Central Statistical Organization, Government of India	Non-ASI	Small-scale industrial and service sector	Stratified random sample	Occasional	1980, 1990, 1998, 2004
Unorganized Services	National Sample Survey Organization	Nonagricultural and nonmanufacturing units	Unorganized services (excluding trade & finance), consumer expenditure	Stratified random sample	One time	2001

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## Notes

1. Although the informal sector in India gained attention in the early 1970s following the International Labour Organization (ILO) 1972 Kenya Mission Report, there was no official report on the sector until the early 1990s.
2. All enterprises with investment in plant and machinery up to Rs. 1 billion in the manufacturing sector and up to Rs. 0.5 billion in the services sector come under “small-scale industries” (currently known as micro, small, and medium enterprises [MSMEs]). The registered sector within this limit is enumerated completely; the method of sample surveys is being adopted for obtaining the estimates for the unregistered sector within this sector. As per estimates compiled for 2010–2011, the employment was 73.21 million persons in the MSME sector (see Ministry of Micro, Small and Medium Enterprises, 2012).
3. Although the Central Statistical Organization has used the labor-imputed method over industry classification to extract the contribution of informal sector based on the information drawn from censuses, the National Sample Surveys, and the Directorate General of Employment and Training, the task force (National Commission for the Enterprises in the Unorganized Sector, 2006) and Kolli and Hazra (2005) apply slightly different methodologies using employment criteria to extract the contribution.
4. The Indian economy consists of 28 independent states and six union territories. While the central government has the principal responsibility for drafting policy changes and laws relating to those, federal relations between central and state governments have also given substantial autonomy to the states.
5. Besley and Burgess (2004) argue that regional and state governments enjoy autonomy in amending labor legislation provided by the central government. Since independence, many states have amended legislation, and these authors divide the states into three categories based on the direction of their amendments. The states that amended in favor of the employer are categorized as “proemployer.” The states that amended in favor of workers are “proworker.” And those that have not amended are termed “neutral states.”

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## Bio

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