Working Paper No 3

Definitional and Statistical Issues Relating to Workers in Informal Employment

Sheila Bhalla

National Commission for Enterprises
in the Unorganised Sector
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NATIONAL COMMISSION FOR ENTERPRISES IN THE UNORGANISED SECTOR

The National Commission for Enterprises was constituted on the 20th September, 2004 under the Chairmanship of Dr Arjun Sengupta with the following terms of reference:

i. Review of the status of unorganized/informal sector in India including the nature of enterprises, their size, spread and scope, and magnitude of employment;

ii. Identify constraints faced by small enterprises with regard to freedom of carrying out the enterprise, access to raw materials, finance, skills, entrepreneurship development, infrastructure, technology and markets and suggest measures to provide institutional support and linkages to facilitate easy access to them;

iii. Suggest the legal and policy environment that should govern the informal/unorganized sector for growth, employment, exports and promotion;

iv. Examine the range of existing programmes that relate to employment generation in the informal/unorganized sector and suggest improvement for their redesign;

v. Identify innovative legal and financing instruments to promote the growth of the informal sector;

vi. Review the existing arrangements for estimating employment and unemployment in the informal sector, and examine why the rate of growth in employment has stagnated in the 1990s;

vii. Suggest elements of an employment strategy focussing on the informal sector;

viii. Review Indian labour laws, consistent with labour rights, and with the requirements of expanding growth of industry and services, particularly in the informal sector, and improving productivity and competitiveness; and

ix. Review the social security system available for labour in the informal sector, and make recommendations for expanding their coverage.

The current composition of the Commission is as follows:

i)	Professor Arjun Sengupta	Chairman
ii)	Professor K P Kannan	Member
iii)	Professor R S Srivastava	Member
iv)	Shri V K Malhotra	Member Secretary
v)	Shri B N Yugandhar	Part time member
vi)	Professor T S Papola	Part time member

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January, 2009

Earlier Reports of National Commission for Enterprises in the Unorganised Sector

1. Social Security for Unorganised Workers, May 2006
2. National Policy on Urban Street Vendors, May 2006
3. Comprehensive Legislation for Minimum Conditions of Work and Social Security for Unorganised Workers, July 2007
4. Conditions of Work and Promotion of Livelihood in the Unorganised Sector, August 2007
5. Financing of Enterprises in the Unorganised Sector, November 2007
6. Creation of a National Fund for the Unorganised Sector (NAFUS), November 2007
7. Report on Definitional and Statisticla Issues relating to Informal Economy, November 2008

Previous Working Paper of the National Commission for Enterprises in the Unorganised Sector

1. Measures of Labour Force Participation and Utilization
2. Report of the Sub Committee of the Task Force set up to Review the Methods for Estimating the Contribution of the Unorganised sector to GDP

Preface

In the early stages of their work, members of the National Commission for Enterprises in the Unorganised Sector (NCEUS) and its Advisory Board recognised the need for a critical review of definitional and statistical issues relating to unorganised enterprises and workers in informal employment. Accordingly a paper was commissioned with the following five terms of reference.

1. Critically examine the existing definitions on unorganised and informal sectors for purposes of estimation of employment and income;
2. In the light of the above, suggest a criterion or a set of criteria for defining the unorganised and informal sectors and discuss their merits and demerits;
3. Suggest improvements/revisions/alternatives for formulating a common definition for the unorganised and/or informal sector cutting across the nature of economic activity, (manufacturing or services);
4. Examine the existing methodologies for estimating employment and income in the unorganised and informal sector and suggest suitable modifications in line with (3) above;
5. Should agriculture sector and agricultural workers be treated separately or included in the unorganised/informal sector along with non-agriculture sector/workers? If they have to be separately treated, suggest ways of estimating income and employment and related aspects.

Most of the issues implicit in the first two terms of reference had been debated at length in a number of fora, including a series of official national and international conferences, whose aim was to arrive at internationally acceptable statistical definitions of *informal enterprises* and *informal employment*.

To this end, a review of a set of documents produced by the International Labour Office (ILO) and a series of International Conferences of Labour Statisticians between 1993 and 2003 was undertaken to derive a conceptual framework and a set of definitions appropriate to Indian circumstances and consistent with internationally accepted practice.

The recommendations of India's National Statistical Commission (2001) suggested possible solutions to some of the more intractable issues underlying terms of reference numbered 3, 4 and 5.

Together, these official national and international documents provided a basis for assessing the coverage, coherence and content of the Indian data base on income and employment in unorganised/informal enterprises and informal workers in agriculture and the non-farm sector. A wide ranging set of non-official studies was also consulted.

The end product is a comprehensive, detailed set of recommendations for the upgradation of the Indian data collection system to cover both organised/formal and unorganised/informal enterprises and employment on a comparable basis.

It may be noted that since this paper was prepared during 2005 and 2006, the National Sample Survey Organisation, (on its own initiative), has put into practice some of the recommendations made here, for example, two of the three recommendations relating to the coverage and content of the NSS 55th and 61st Round Surveys. It was decided to leave the text of these, and other, parts of this Paper as submitted to the NCEUS in 2006.

Sheila Bhalla

31st July, 2008

Abstract

This paper, based on official Indian and international documents, assesses existing definitions, criteria and methodologies for estimating employment and income generated in the informal economy in India.

It begins with a brief note on the theoretical antecedents of the formal-informal sector dichotomy, and goes on to provide an account of the introduction and first use of the terms 'organised' and 'unorganised', and 'formal' and 'informal' in a series of ILO sponsored case studies of urbanisation and employment in selected towns in Africa, Asia and South America.

It then summarises the sequence of events in the decade long official international search for a set of consistent and coherent definitions of informal enterprises and informal employment, providing a detailed description of the now internationally accepted conceptual frameworks developed by the 15th and 17th International Conferences of Labour Statisticians, the criteria they adopted, and some gaps which still remain.

This is followed by a description and critical review of the Indian data base on unorganised/informal enterprises and informal workers. The first section deals with the data base on *non-farm sector* informal enterprises and with informal employment in both the non-farm sector and in agriculture and allied activities. The second deals with a new data source for estimating income in informal rural *agricultural* enterprises, which also provides a wide range of related information on rural farmer households.

The concluding part provides a vision of the ultimate objective – a complete and coherent data base for organised and unorganised enterprises and formal and informal employment – together with a summary of issues and recommendations relating to existing and prospective official Indian surveys.

Acknowledgements

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Dr. Sukti Dasgupta, Senior Employment and Labour Market Specialist, International Labour Organisation (SRO-New Delhi), provided important documentation. Dr. R. Nagaraj, then at the Indira Gandhi Institute for Development Studies, Mumbai, kindly shared with me his, then unpublished, paper for the National Statistical Commission. I am similarly indebted to Dr. Jeemol Unni, Gujarat Institute of Development Studies, Dr. G. Raveendran, former Additional Director General, CSO, and Dr. N.S. Sastry, former Director General, NSSO, for documentation and suggestions.

Dr. G.S. Bhalla, Professor Emeritus, Jawaharlal Nehru University, who read through parts of this paper, provided invaluable backup and encouragement.

Mr. S.V. Ramana Murthy, Director, National Commission for Enterprises in the Unorganised Sector steered this paper through the final stages of revision for publication.

To these, and all others who contributed to the preparation and finalisation of this paper, my profound thanks.

Responsibility for errors of fact and/or judgement which remain is mine alone.

Abbreviations

ASI	:	Annual Survey of Industries
BIN	:	Business Identification Number
CIF	:	Chief Inspector of Factories
CIN	:	Corporate Identity Number
COB	:	Carry On Business (licence)
CSO	:	Central Statistical Organisation
DE	:	Directory Establishment
DGE&T	:	Directorate General of Employment and Training
EC	:	Economic Census
EMIP	:	Employment Market Information Programme
FuS	:	Follow-up Survey
GDP	:	Gross Domestic Product
GOI	:	Government of India
GVA	:	Gross Value Added
ICLS	:	International Conference of Labour Statisticians
ILC	:	International Labour Conference
ILO	:	International Labour Office
NCEUS	:	National Commission for Enterprises in the Unorganised Sector
NDE	:	Non-Directory Establishment
NGO	:	Non-Government Organisation
NIC	:	National Industrial Classification
NSS	:	National Sample Survey
NSSO	:	National Sample Survey Organisation
OAE	:	Own Account Enterprise
PAN	:	Permanent Account Number
SNA	:	System of National Accounts
SNMI	:	Survey of Non-Manufacturing Industries
SSI	:	Small Scale Industry
UNDP	:	United Nations Development Programme
UPSS	:	Usual Principal and Subsidiary Status

Definitional and Statistical Issues Relating to Workers in Informal Employment

Introduction

1.1 **The Terms of Reference for the Policy Paper on Definitional and Statistical Issues were** set out in the Commission's letter No NCEUS/JS/2005 dated 23.3.05. There are five of them, listed below.

1. Critically examine the existing definitions on unorganised and informal sectors for purposes of estimation of employment and income;
2. In the light of the above, suggest a criterion or a set of criteria for defining the unorganised and informal sectors and discuss their merits and demerits;
3. Suggest improvements/revisions/ alternatives for formulating a common definition for the unorganised and/or informal sector cutting across the nature of economic activity (manufacturing and services);
4. Examine the existing methodologies for estimating employment and income in the unorganised and informal sector and suggest suitable modifications in line with (3) above;
5. Should agriculture sector and agricultural workers be treated separately or included in the unorganised/informal sector along with non-agriculture sector/workers? If they have to be separately treated, suggest ways of estimating income and employment and related aspects.

The Organisation of This Paper

1.2 This paper is organised in five main parts.

1.3 Following this introduction, part two begins with a brief note on the theoretical antecedents of the formal-informal sector dichotomy. It goes on to provide an account of the introduction and first use of the terms 'organised' and 'unorganised', and 'formal' and 'informal' in a series of ILO sponsored case studies of urbanisation and employment in selected towns in Africa, Asia and South America.

1.4 Parts three and four constitute the core of this official document- based assessment of existing definitions, criteria and methodologies for estimating employment and income generated in the informal economy in India, as required by the five terms of reference set out in the Commission's letter No NCE US/JS/2005 dated 23.3.05.

1.5 The first section of part three summarises the sequence of events in the decade long official international search for a set of consistent and coherent definitions of informal enterprises and informal employment. The second section provides a detailed description of the now internationally accepted conceptual frameworks developed by the 15th and 17th International Conferences of Labour Statisticians, the criteria they adopted, and some gaps which still remain.

1.6 Part four consists of a description and critical review of the Indian data base on unorganised/informal enterprises and informal workers. The first main section deals with the data base on *non-farm sector* informal enterprises and with informal employment in both the non-farm sector and in agriculture and allied activities. The second section deals with a new data source for estimating income in informal rural *agricultural* enterprises, which also provides a wide range of related information on rural farmer households.

1.7 Part five is titled Towards a Complete and Coherent Data Base for Organised and Unorganised Enterprises and Formal and Informal Employment: Some Recommendations. It provides a vision of the ultimate objective, and a summary of issues and recommendations relating to existing and prospective official Indian surveys.

The Approach of this Paper: 'National Circumstances' and Grass Roots Realities

1.8 The recommendations of successive International Conferences of Labour Statisticians repeatedly refer to the need to take 'national circumstances' into account in deciding exactly what criteria and procedures to adopt in defining and measuring informal enterprises and informal employment. What has come out at the end of their deliberations, in terms of conceptual categories and data gathering practice, however, has been singularly unsuited to the 'circumstances' of most developing countries.

1.9 From the point of view of many developing countries, the failure to systematise and finalise a recommended set of concepts and definitions appropriate to informal enterprises and informal workers in agriculture and allied activities constitutes the most serious short coming of the ILO sponsored international efforts to arrive at appropriate definitions of informal enterprises and informal employment. To rephrase Sethuraman (1976), whose work related to the urban informal sector only, the characteristics of the *rural* informal sector do not seem to have been "deduced from any analysis of the actual situation."[1]

1.10 The urban, and non-farm, orientation of most ILO sponsored studies, and of the 15th and 17th International Conferences of Labour Statisticians, (which dealt with the questions of how to define and measure the informal sector and informal employment), is reflected in the data gathering efforts of developing countries. Despite the predominance of informal employment in rural areas generally and in agriculture in particular, most of them, if they collect unorganised enterprise/informal employment data at all, collect it either only for urban areas or only for informal *non-farm* enterprises/employment, or both.

1.11 For this reason, the approach to definitional and statistical issues adopted in this paper focuses not only on India's own particular requirements but also, more generally, on conceptual and statistical issues of interest to other developing countries with large agricultural and unorganised rural non-farm sectors. The view taken here is that a "policy paper" in the Indian context, needs to go beyond the concerns of statisticians and experts on the international *System of National Accounts*, to consider more broadly what is appropriate for India and similar developing countries, and why.

1.12 Three considerations come to mind.

1.13 Of these, the first relates to the reconstruction and testing of economic theory. What information does one need to analyse contemporary development processes, with special reference to the evolution of informal enterprises and informal employment in recent years? What is the role of informal enterprises and informal employment in capital accumulation, income and employment generation? What is the impact of the 'informalisation' process on workers and enterprises? Can we make it possible to find out what is happening to erstwhile formal workers, who have been 'flexibilised' into informal sector jobs?

[1] Sethuraman's original statement was that the "characteristics of the informal sector must be deduced from the actual situation." See page 80, Sethuraman, S.V. (1976) "The Urban Informal Sector: Concept, Measurement and Policy" *International Labour Review* Vol 114, No 1. July-August.

1.14 A second, but basic issue, has to do with capturing the ground realities, the character of rural and urban informal agricultural and non-farm enterprises, and the constraints within which they operate. To what degree are the operators of informal sector units independent decision makers? Do they decide what to produce, and when? Do they provide their own raw materials? Do they own the output of their labour? In the case of rural non-farm units, to what extent is their performance linked to the performance of agricultural or other non-farm industrial, business or service sector enterprises? How great is the incidence of multiple activities and multiple income sources among informal farm and non-farm self employed workers, their family and hired workers?

1.15 The third consideration is the obvious one, the one which has in fact driven data gathering on the informal sector so far – the need to fill in data gaps in the national accounts, and to provide data for other official policy decisions and programmes, such as the proposed legislation on social security for workers in informal employment.

1.16 In recent discussions, the development of conceptual categories and official international definitions have tended to ignore considerations of the first and second kinds described above - theoretical concerns about the long term dynamics of recent developments in the informal economy, on the one hand, and the grass roots realities of the situation of informal workers and informal enterprises in India and similar developing countries, on the other.

1.17 Although, for the time being, doubts may be expressed[2] about whether the transformation from a predominately informal economy to a predominately formal one is now a feasible proposition, it is clear that a situation of jobless growth in the organised sector and negligible growth in the farm sector is not a sustainable one for India, or for other developing, (or developed), countries similarly placed.

1.18 The fact is, that *dual labour markets* are still very much with us, and in India, (and elsewhere), the persistently high share of the informal segment gives cause for concern. This is a concern that is not going to go away, and more complementary data on what is happening within the informal economy is going to be needed to deal with the problems posed by it.

The Forerunners: From 'Dual Economies' and 'Dual Labour Markets' to 'Informal' and 'Formal' Employment and Enterprises

The Theoretical Antecedents of the Formal-Informal Sector Dichotomy

2.1 The distinction between 'modern' and 'traditional', or 'capitalist' and 'subsistence', (or precapitalist), sectors is an old one. It predates, by more than 20 years, the efforts by national accounts statisticians and the ILO to evolve internationally acceptable definitions of the informal sector and informal employment. The focus of the early writers on the *dual economy* was on how low productivity employment and surplus labour, available at subsistence wages could provide a window of opportunity for capital accumulation in a dynamic development context. Thus behind the original notion of a dual economy with an over crowded informal sector lay a theory about how sustainable development processes may take place.

2.2 In these models, the bridge between the traditional and the modern sectors, (or the 'subsistence' and the 'capitalist' ones), is capital accumulation, that is, investment in infrastructure and private, (or public), productive assets, of a kind that not only raises labour productivity but also, more importantly, creates additional demand for labour in the modern, or capitalist, sector.

[2] In recent years, two official committees have, in effect, come to the same conclusion, namely that in future, (as at present), most of the additional jobs in India will have to be generated in the unorganised, (or informal) sector of the economy. See: (i) Government of India, Planning Commission (2001) *Report of the Task Force on Employment Opportunities*, pages 37, 73 and 74, and (ii) Government of India, Planning Commission (2002) Report of the *Special Group on Targeting Ten Million Employment Opportunities* page 26

2.3 The name which most people associate with this account of how such sustainable development proceeds is W. Arthur Lewis, (1954).[3] Ranis and Fei (1961)[4] elaborated the Lewis model, bringing in the role of agriculture in the transition process, and the interactions between the subsistence or 'agricultural' sector and the capitalist or 'industrial' sector. Harris and Todaro (1970)[5] focussed on the logic of migration of surplus labour from rural, mainly agricultural, activities to urban, largely industrial, activities even in the presence of widespread urban unemployment and poor living conditions in the cities.

2.4 In all of these models, development is seen as a process by which the 'modern' sector becomes progressively more important in terms of its contribution to employment generation as well as in terms of its contribution to GDP. Agriculture, as well as the rural non-farm sector, also are transformed, or 'modernised' through the application of improved techniques[6] until the modern, capitalist sector absorbs most of the surplus labour, and the informal or traditional sector shrinks to the point where the modern capitalist, or 'formal', sector dominates the economic structure. *The 'formalisation' of employment in these models constituted an integral part of the development process*. In this literature, however, the terms 'formal' and 'informal' were not used.

The Introduction of the Terms 'Formal' and 'Informal'

2.5 **Keith Hart (1973)** [7] seems to have been one of the first to use the terms 'formal' and 'informal' with respect to employment. He also used the terms 'organised' and 'unorganised' sectors to refer to the kinds of enterprises in which formal and informal job holders were employed.

2.6 Hart characterised wage employment in the *organised* or *registered* sector as formal employment. Workers who are enumerated "by surveys of establishments", are included in the formal sector. The remainder who are not covered by such surveys belong to the informal sector.[8] Thus informal employment is viewed as a numerically large and heterogeneous residual category. Self-employment in small enterprises, especially in trade, repairs and services is treated as the typical form of informal and commonly precarious unorganised sector employment, and as a means of livelihood for a part of "the reserve army of underemployed and unemployed."[9] Multiple economic activities of individual workers and multiple income sources of their households, characterise the typical worker in the informal sector. Illegal services and 'transfers', from drug pushing to protection rackets and petty theft are counted among "informal income opportunities."[10]

2.7 In short, from the individual worker's point of view, informal jobs act as a 'buffer' against unemployment, while in the aggregate, the informal urban sector serves to take up "some of the slack created by inadequate rates of growth in the modern sector."[11] Hart's anthropological field work study in Accra, Ghana, in the late sixties, provides a solid, *urban* grass roots context to what 'informal employment' and the 'informal sector' are all about. Although his definitions require fine-tuning, they remain within the development framework established by Lewis and his successors.

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[3] Lewis, W. Arthur (1954) "Economic Development with Unlimited Supplies of Labour" *The Manchester School* May,22 139-92

[4] Ranis , Gustav and John C. H. Fei (1961) "A Theory of Economic Development", *The American Economic Review* Vol.1,1, No 4, September pp 533-564

[5] Harris, John R, and Michael P. Todaro. 1970, "Migration, Unemployment and Development: A Two Sector Analysis" *American Economic Review* March, pp 126-142

[6] See Ajit K. Dasgupta (1974) *Economic Theory and Developing Countries* Mac Millan, London, especially chapter 2 headed "Dualism and Surplus Labour."

[7] Hart, Keith (1973) "Informal Income Opportunities and Urban Employment in Ghana." *Journal of Modern African Studies*, March, London, excerpt reprinted in Jolly, Richard *et al, Third World Employment Problems and Strategy*, Penguin Education

[8] This is the approach of those who derive sector -wise unorganised sector employment estimates for India, by subtracting the *organised* sector estimates published by the Ministry of Labour's Directorate General of Employment and Training (DGE&T), from the NSS Usual Principal and Subsidiary Status (UPSS), employment estimates.

[9] *Ibid* page 66

[10] *Ibid* page 67

[11] *Ibid* page 70

2.8 Sethuraman's (1976)[12] work marks a new stage in the run up to the international search for a set of complete and coherent definitions of informal sector enterprises, and informal employment. He was in charge of the ILO's World Employment Programme at the time when the ILO urbanisation and employment research project initiated a series of studies on the informal sector in selected large towns in developing countries in Asia and South America.

2.9 The first effort in this direction came shortly after the publication of Hart's study. In 1972, the ILO/UNDP employment mission on Kenya[13] adopted the term "informal sector". Although their concern was with the generation of productive employment opportunities, their description of the "informal sector" focused on the characteristics of enterprises, not workers.

2.10 From then on, the term "informal sector" "was enlisted in the cause of promoting employment, development and equity."[14] A series of ILO sponsored case studies of development and employment followed, all with an urban orientation. In these ILO studies *agriculture was excluded* "not only because it is less important in urban areas but also *because the problems of informal sector enterprises in agriculture are significantly different and therefore best investigated separately."*[15]

2.11 Thus the process of transition from traditional rural, mainly agricultural activities to modern, largely urban and industrial activities got more or less lost to sight. Unfortunately the ILO never sponsored parallel studies of rural areas with the same spirit and thrust.

2.12 However, certain basic principles were laid down. One of them was that the definitions and coverage of the informal sector and informal employment studies needed to be aligned with country-specific grass roots realities. Or, as Sethuraman (1976) put it, the "characteristics of the informal sector must be deduced from the analysis of the actual situation."[16]

2.13 A second guiding principle in the ILO urban studies questionnaires was that emphasis should be "placed on the identification of factors that restrict the employment potential and earnings of participants in the informal sector."[17] Aside from problems of access to credit and high interest rates, interlinked markets for output, credit and inputs, Sethuraman (1976) mentions specifically "access to infrastructure facilities and better technology."[18]

2.14 In an appendix[19] embodying the criteria suggested as guidelines for identifying informal sector enterprises for the purposes of the ILO's World Employment Programme on urbanisation and employment, technology criteria were given for specified economic sectors. For manufacturing, the technology criterion was that the enterprise "does not use any electricity in the manufacturing process." For construction, it was that the unit "does not own power-operated machinery and equipment"; for transport: "It does not use any mechanical power."[20] (In the cases of trade and services, the use of electricity and motorisation criteria was dropped.). Although the use-of-electricity criterion appears in the Indian definition of unorganised sector manufacturing, for other economic activities, the potential importance of such a technology variable has been overlooked.

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[12] Sethuraman, S.V. (1976) "The Urban Informal Sector Concept, Measurement and Policy," *International Labour Review*, Vol 114, No 1, July-Aug. Geneva pp 69-81

[13] ILO (1972) *Employment incomes and inequality: a strategy for increasing productive employment in Kenya,* Geneva

[14] Page 73, Sethuraman, S.V. (1976) "The urban Informal Sector: Concept Measurement and Policy," *International Labour Review* Vol 114, No 1, July-Aug.

[15] The studies were published mainly in the mid 1970s. For a list, see footnote 1, page 75, in S.V. Sethuraman (1976) *op cit.* (Italics are mine.)

[16] Sethuraman (1976), *op cit* page 72

[17] *Ibid* page 79

[18] *Ibid* page 80

[19] Reproduced in Sethuraman (1976) on page 81,

[20] See page 81 Sethuraman (1976) *op cit*

Towards Definitions

3.1 The terms of reference for the Policy Paper on Definitional Issues for the National Commission on Enterprises in the Unorganised Sector all relate to issues which a series of national and international conferences have debated at length in an effort to arrive at internationally acceptable statistical definitions of *informal sector enterprises* and *informal employment*

The International Search for a Set of Consistent and Coherent Definitions[21]

3.2 The definitions and the conceptual frameworks adopted at these meetings have been endorsed by India's Central Statistical Organisation, after successful testing by the National Sample Survey Organisation (NSSO).[22] During the process of concept development and testing, concentrated in the years from 1993 to 2003, Indian experts associated with the 'Delhi Group" played a major role, acknowledged in the documents of successive *International Conferences of Labour Statisticians*, by the International Labour Office, and embodied in the definition of the informal sector in the revised international *System of National Accounts* (SNA 1993).

3.3 The sequence of events in this decade-long search for a set of consistent and coherent definitions, which had to be amenable to statistical measurement, is summarised below.

3.4 ***January 1993***: The 15th *International Conference of Labour Statisticians (15th ICLS),* defines the informal sector in terms of the characteristics of production units, i.e. enterprises. This definition was then included in the revised international *System of National Accounts* (SNA 1993)

3.5 ***2001:*** Following criticism to the effect that: (i) *employment in the informal sector* described only one (important) component of all informal employment, and that, (ii) the notion of *informal employment* included a much wider set of workers than those counted as working in *informal sector enterprises*, it was officially recognised that a separate definition of *informal employment* was needed to include, for example, people like maids and gardeners working for households, and people in informal jobs in formal sector enterprises. In the discussions which led to this conclusion Indian experts made a leading contribution.

3.6 ***2002:*** **The 90th Session, International Labour Conference (ILC)** held a discussion on *Decent Work and the Informal Economy.* They asked the ILO to assist States to collect, analyse and disseminate "consistent disaggregated statistics on the size, composition and contribution of the informal economy."[23] The decision is recorded in an official ILO document of the same year.[24]

3.7 The ILO report on *Decent Work and the Informal Economy*[25] defined *employment in the informal economy* as consisting "of two components (i) employment in the informal economy as defined by the 15th ICLS, and (ii) other forms of informal employment, i.e. informal employment outside the informal sector."[26]

3.8 This ILO report also set out the conceptual framework associated with this definition of informal employment - a framework which "lent itself to statistical measurement" since it was "built upon internationally agreed statistical definitions, which were used because of their consistency and coherence".[27] At its 5th (2001) meeting the Delhi Group had endorsed this framework and recommended it to countries for testing. Five countries, including India, subsequently tested the framework successfully.

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[21] This part draws heavily upon Hussmans, Ralf (2004) *Measuring the Informal Economy: From Employment in the Informal Sector to Informal Employment,* Working Paper No.53, Policy Integration Department, Bureau of Statistics, International Labour Office, Geneva, December.

[22] Central Statistical Organisation/India (2001), *Expert Group on Informal Sector Statistics (Delhi Group), Report of the Fifth Meeting (New Delhi 19-21 Sept 2001),* New Delhi

[23] Hussmans (2004) page 1.

[24] International Labour Office (2002) *Effect to be given to resolutions adopted by the International Labour Conference at its 90th Session 2002, (b) Resolution concerning decent work and the informal Economy* Governing Body, 285th Session, Seventh Item on the Agenda: Geneva, Nov 2002 (doc.gb.285/7/2)

[25] ILO (2002*) Decent Work and the Informal Economy*; Report of the Director-General; International Labour Conference, 90th Session; Report VI; ILO, Geneva 2002"

[26] Hussmans (2004) op.cit. page 2

[27] Hussmans (2004) op.cit. page 2

3.9 **In 2003, the conceptual framework developed by the ILO and tested by India and four other countries is submitted to the 17th ICLS (Nov-Dec 2003) for discussion.** With some minor amendments, the 17th ICLS adopted a set of guidelines, in effect endorsing the ILO conceptual framework, "as an international statistical standard."[28] It may be noted that, as Hussmans (2004) put it; "The work by the Delhi Group and its members was essential to the development and adoption of these guidelines."[29]

3.10 These guidelines, endorsed by the 17th ICLS in 2003, together with the definition of informal sector enterprises adopted by the 1993 15th ICLS, and embodied in the international *System of National Accounts*, provide the framework within which it is recommended that the National Commission on Enterprises in the Unorganised/ Informal sector should evaluate the issues listed as the terms of reference for the present Policy Paper on Definitional and Statistical Issues.

A Note on the Internationally Accepted Definitions developed by the 15th and 17th ICLS

Informal Sector and Informal Employment: The Distinction

3.11 In brief, the set of unorganised/informal sector *enterprises* constitutes the *informal sector*, while the set of people whose employment can be characterised as 'informal', because of certain characteristics of their jobs, constitutes the set of *workers in informal employment.*

3.12 Thus the identification of characteristics of the *production unit* is what leads to the operational definition of the *informal sector* in terms of a collection of enterprises. This is referred to as the "*enterprise approach*" in international documents. This is distinguished from the "*labour approach*" which defines the set of workers in informal employment. It follows from this that policy making for the informal sector targets *enterprises*, while policy making for informal workers targets *people engaged in particular kinds of jobs.*

3.13 **Informal Sector Enterprises**, (as defined by the 15th ICLS) can be described as *private unincorporated enterprises*, which satisfy three basic criteria, plus a couple of more flexible criteria, to be decided according to national circumstances.

(i) The first is, that the enterprises should be owned by individuals or households that are not constituted as separate legal entities independently of their owners, and for which no complete accounts are available that would permit a financial separation of the production activities of the enterprise from the other activities of its owner(s). This includes not only unincorporated enterprises owned and operated by one or more members of the same households, but also "unincorporated partnerships and cooperatives formed by members of different households, if they lack complete sets of accounts".[30]

(ii) The second is that at least some of the goods and services produced must be meant for sale or barter. That is, under the *15th ICLS definition*, households producing goods exclusively for their own final use are excluded. However, households employing paid domestic workers *may* be included; it is optional. However the subsequent 17th ICLS rejects this option that is, the 17th ICLS "*excludes* households employing paid domestic workers from the informal sector".[31] The Delhi Group in its 3rd (1999) meeting recommended this exclusion.[32]

However, it needs to be noted that although households employing domestic workers are *not* counted as informal sector *enterprises* according to the conceptual framework adopted by the 17th ICLS, the domestic workers themselves are counted as employees holding informal jobs. (On this, see cell 10 in the Conceptual Framework for identifying informal employment, given later.)

[28] See International Labour Office 2003: *Guidelines Concerning a statistical definition of informal employment,* endorsed by the Seventeenth International Conference of Labour Statisticians (Nov-Dec 2003), in Seventeenth International Conference of Labour Statisticians (Geneva, 24 Nov-3 Dec 2003), Report of the Conference; Doc.ICLS/17/2003) R; ILO (2003) Geneva

[29] Hussmans (2004) opcit. page 2

[30] See Hussmans (2004), *op.cit.* page 3

[31] Hussmans (2004) *op.cit.* page 4

[32] See CSO/India (1999) *Expert Group on Informal Sector Statistics (Delhi Group), Report of the Third Meeting 17-19 May,* New Delhi

(iii) Thirdly, to be counted as informal sector enterprises the production units must be "*engaged in non-agricultural activities*, including secondary non-agricultural activities of enterprises in the agricultural sector."[33]

This 15th ICLS decision was taken as a matter of data gathering convenience, not as a matter of principle. The 15th ICLS recognised that there was no conceptual difficulty in including in the informal sector, private unincorporated enterprises engaged in agriculture and related activities, provided that they met the other criteria for inclusion. The decision to exclude agricultural enterprises from the scope of *informal sector surveys* was taken "for practical data collection reasons".[34] Thus it was concluded by the international experts that the quantification of the contribution to GDP of informal sector agricultural enterprises, (or agricultural enterprises more generally), and of employment in them could be better measured separately.[35]

It may be noted that this formulation with respect to agriculture begs an important question raised by criterion number 2, namely, the treatment of workers from agricultural, (or animal husbandry, or fisheries) enterprises regardless of whether or not they produce exclusively for their own final use. The 17th ICLS deals with this question in a way which is not symmetrical with its treatment of household enterprises engaged exclusively in non-market production. They *include* households producing goods exclusively for their own final use, but e*xclude* workers with jobs in the rest of the agricultural sector because they were excluded under criterion (iii)

(iv) **Employment Size and Registration Status** are more flexible criteria

(a) Employment Size must be below a stipulated threshold to be determined by national circumstances. This was agreed. It was subsequently suggested by the Delhi Group that the size criterion should be defined as less than five paid employees.[36] This Delhi Group recommendation seems to have been noted, but not adopted.

(b) Registration Status is also treated as a flexible criterion. Enterprises which satisfy criterion (i) to (ii) and/or "are not registered under specific forms of national legislation (such as factories or commercial acts, tax or social security laws, professional groups' regulatory acts, or similar acts, laws or regulations established by national legislative bodies as distinct from local regulations….) and/or their employees (if any) are not registered."[37]

3.14 **The term informal sector enterprise** in the 15th ICLS although it excludes households producing goods exclusively for their own final use, includes all sorts other activities carried out in the enterprise owner's home, or outside it, even in enterprises without a fixed location. Thus self-employed street vendors, taxi drivers, scissors- and -knives grinders and home based workers are all considered enterprises.

3.15 This definition is also extended to cover modern hi-tech units engaged in professional or technical activities carried out by self-employed people, including doctors, lawyers, accountants, architects and engineers, provided that they qualify *either* as informal own-account enterprise, *or* as enterprises of informal employers. The key criteria here

[33] Hussmans (2004) *op.cit.* page 3

[34] See footnote number 3, page 3, Hussmans (2004)

[35] These decisions and the corresponding recommendations made by the 15th ICLS, were recorded in the ILO (2000), *Resolution concerning statistics of employment in Informal Sector* adopted by the 15th International Conference of Labour Statisticians (Jan 1993) in *Current International Recommendations on Labour Statistics, 2000 Edition*, ILO, Geneva 2000

[36] Central Statistical Organisation/India (1999), *Expert Group on Informal Sector Statistics (Delhi Group), Report of the Third Meeting, 17-19 May* New Delhi

[37] Quoted from Hussmans (2004) *opcit*, page 3

[38] See 15th ICLS, para 17, ILO (2000) *opcit*

include: size, in terms of employment, and (ii) non-registration of the enterprises or its employees.[38] There is no earnings ceiling.

3.16 **Informal Employment,** (as defined by the 17th ICLS (2003) is described in terms of people engaged in specific kinds of jobs. The account of the criteria which they adopted, given below, is best read together with the schematic representation of the conceptual framework endorsed by the 17th ICLS. (Cell numbers, given in brackets in the text below, link the verbal descriptions to the Conceptual Framework matrix reproduced on page 13 following.).

(i) Informal employment includes *own-account workers* employed in their own *informal sector enterprises, as defined by the 15th ICLS*, 1993. (Cell 3) This category *excludes* households employing paid domestic workers, and households producing goods exclusively for their own final use. Persons engaged in subsistence agriculture, hunting, fishing and animal husbandry and the like, are not counted as members of this set, because their production units are not counted as informal sector enterprises. In some developing countries, and in some regions within relatively well-developed ones, this would result in the exclusion of substantial numbers of workers, who could certainly not be classified as formal sector workers. In principle, some of them are included in cell 9. (See item (vi) below.) But an additional cell is needed in the matrix to cover contributing family workers in such households.

(ii) With respect to *employees employed in their own informal sector enterprises*, (Cell 4*)*, the same 15th ICLS exclusion principles which apply in (i) above, apply here as well.

(iii) contributing family workers, regardless of whether they work in formal or informal sector enterprises, (Cells 1 and 5);

(iv) members of informal producers' cooperatives, (Cell 8*)*. Producers' cooperatives are considered informal, if they are not formally established as legal entities and also meet the other criteria for *informal sector enterprises* adopted by the 15th ICLS (1993);

(v) employees holding informal jobs in formal or informal sector enterprises or as paid domestic workers employed by households, (cells 2,6 and 10); A variety of operational criteria are suggested in this case, which can be adopted in accordance with national circumstances and data availability. Hussmans (2004) gives a description of the possible considerations, as follows:

"Employees are considered to have informal jobs if their employment relationship is, in law or in practice, not subject to national labour legislation, income taxation, social protection or entitlement to certain employment benefits (advance notice of dismissal, severance pay, paid annual or sick leave, etc.). The reasons may be the following: non-declaration of the jobs or the employees; casual jobs or jobs of a limited short duration; jobs with hours of work or wages below a specified threshold (e.g. for social security contributions); employment by unincorporated enterprises or by persons in households; jobs where the employee's place of work is outside the premises of the employer's enterprise (e.g. outworkers without employment contract); or jobs, for which labour regulations are not applied, not enforced, or not complied with for any other reason".[39]

(vi) own account workers engaged in the production of goods exclusively for their own final use by their household, (cell 9).

3.17 The big problem here is that agricultural workers who do not belong to households engaged in the production of goods exclusively for their own final use are not covered at all in the 'conceptual framework matrix.'

3.18 What is suggested is that countries which exclude agriculture from the scope of their informal sector statistics, may like to devise definitions of informal jobs in agriculture, "other than those held by persons engaged in subsistence farming",[40] which is covered in cell 9 (except for the contributing family workers.) What is left out entirely is the

[39] See Hussmans (2004) Appendix II. para 3.(5),page 26

[40] On the, see Hussmans (2004) *opcit*. Page 8.

large set of workers in agricultural production for sale or barter, including, in the Indian case, the huge army of small, marginal and sub marginal cultivators and the rural casual workers who work mainly as casual labourers. The solution, it is suggested, is to adopt the criteria used to define informal jobs in non-farm activities.[41]

3.19 The practical question – the operational one – remains. It is: should the appropriate questions be included in the normal labour force survey, (perhaps the best solution), or, should they be incorporated in an agriculture-specific survey?

3.20 The survey questions, reproduced in Hussmans (2004) illustrate the ease with which *persons employed in the informal agricultural sector*, and *other persons in informal agricultural employment* can be identified in a normal labour force survey. It is recommended that this procedure should be adopted.

3.21 Another possibility in the Indian context is to insert them in a questionnaire similar to that of schedule 33 of the NSSO's 1959 *Situation Assessment Survey of Farmers*, on the *Income, Expenditure and Productive Assets of Farmer Households.* Something of this kind is needed anyway, to identify informal enterprises in the agricultural sector and their contribution to GDP. Household employment in these enterprises could conveniently be measured here, while other informal jobs in the farm sector, such as casual labour in agriculture could be counted as part of the regular NSS employment-unemployment surveys.

3.22 The Conceptual Framework matrix, reproduced from Hussmans (2004), is given below.[42]

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

(a) As defined by the Fifteenth International Conference of Labour Statisticians (excluding households employing paid domestic workers)

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

Note: Cells shaded in dark grey refer to jobs, which, by definition, do not exist in the type of production unit in question. Cells shaded in light grey refer to formal jobs. Un-shaded cells represent the various types of informal jobs. Thus informal employment is comprised of cells 1 to 6 and 8 to 10. *Employment in the informal sector* is represented by Cells 3 to 8. *Informal employment outside the informal sector* is represented by cells 1,2,9 and 10.

The Indian Data Base on Income and Employment in Unorganised/Informal Enterprises and Informal Workers in Agriculture and the Non-farm Sector

Introduction

4.1 Four official data sources are considered here. They are:

(i) The periodic NSSO-CSO *Unorganised Enterprises Survey* reports from 1978-79 onwards, (also described as the follow up enterprise surveys), from which estimates of income and employment in unorganised non-farm enterprises can be derived.

(ii) The NSS 55th Round report on the *Informal Sector in India 1999-2000.* Estimates of

[39] See Hussmans (2004) Appendix II. para 3.(5),page 26

[40] On the, see Hussmans (2004) *opcit.* Page 8.

[41] See para 2.3.4 page 8 in Hussmans (2004) *opcit.*

[42] See Hussmans (2004), page 27, for the original.

income and employment in informal non-farm enterprises can be derived from Schedule 2 and estimates of informal employment in both the non-farm sector and in agriculture and allied activities can be derived from the household survey, Schedule 10.

(iii) The unorganised sector employment estimates, derived as a residual by subtracting the *organised* sector estimates published by the Ministry of Labour's Directorate General of Employment and Training (DGE&T), from the NSS Usual Principal and Subsidiary Status (UPSS) employment estimates.

(iv) The five NSS 59th Round *Situation Assessment Survey of Farmers, 2003* Reports. From the point of view of the data base for estimating income of informal agricultural enterprises, Schedule 33 holds the key. This the *only* potential source for farm enterprise income estimates.

4.2 A brief overview of the coverage and content of these four official data sources, and a longer discussion of the main limitations of each of them appears below.

The NSSO-CSO Unorganised Enterprise Survey Reports

4.3 The NSSO-CSO Unorganised Enterprise Survey Reports provide periodic data on the number of enterprises, employment, gross value added (GVA), value of fixed assets and so on, for rural and urban areas separately, by state and union territory and all India, for the following sectors and sub sectors: manufacturing, trade, transport, hotels and restaurants, storage and warehousing, communications and services, by the National Industrial Classification (NIC) code in force at the time of the survey. Panel 1, sets out the sectoral and time period coverage of the NSSO-CSO Unorganised Enterprise Survey Reports.

Panel 1: Sectoral and Time Period Coverage of the NSSO-CSO Unorganised Enterprise Survey Reports

Sector/ Reference Years	Manufacturing	Trade	Transport, Hotels & Restaurants	Storage & Warehousing	Communications	Services
Late 1970s	1978-79	1979-80	1979-80	1979-80 (NDE only)		1979-80
Mid 1970s	1984-85	1985-86	1983-84	1983-84		1983-84
Late 1980s or early 1990s	1989-90	1990-91			1991-92	1991-92
Mid 1990s	1994-95	1996-97	1993-94	1992-93		
Early 2000's	2000-01					2001-02

4.4 *Own Account Enterprises* (OAEs) are those owned and operated without the help of any regularly employed, hired workers. These enterprises, run by family workers, constitute the vast majority of all unorganised sector units. (In 1994-95 for example, about 85 percent of unorganised sector manufacturing enterprises were own account units).

4.5 The *Non–Directory Establishments* (NDEs) which constitute the second largest group, are defined as enterprises which employ 5 workers or fewer (including family workers), of which at least one is a regularly employed hired worker. *Directory Establishments* (DEs) are those employing 6 or more workers of which at least one is hired.

4.6 The data generated by these periodic NSSO-CSO enterprise surveys is subject to two main limitations.

4.7 The first one is that these are *enterprise* surveys. Workers who are not attached to any enterprise get left out. These include people such as domestic servants, drivers, *chowkidars* and *malis*, who work for households rather than for enterprises. The workers covered include both part time and full time hired and family workers, who participate in the activities of the enterprise on a *fairly regular basis*. Thus some casual labourers are not captured in the enterprise survey approach. In addition, all the enterprises and workers engaged in activities which have never been covered by the unorganised

enterprise surveys are excluded. Some of them are important, especially in rural areas such as construction, and mining and quarrying.

4.8 The second major limitation of the unorganised enterprise surveys arises from the fact that, in terms of data collection, the unorganised segment of each sector of the economy is a residual sector, that is, it is that set of enterprises for which no regular accounts are available from any other source. In manufacturing, trade, transport or services, the unorganised segment includes any units "whose activities or collection of data is not regulated under any legal provision and/or those which do not maintain any regular accounts".[43]

4.9 Thus one of the main objectives of the unorganised enterprise surveys has been to generate GVA per worker estimates as part of a gap filling exercise. These estimates were required to be used as an input into the estimation of GDP for the National Accounts Statistics.

4.10 Since in India, availability of regular accounts varies from one economic sector to another, so also does the boundary between organised sector enterprises and unorganised sector enterprises in each subsector. (For details, see Appendix) There are no common criteria, such as the number employed in the enterprise, the value of its fixed assets or technology in use. The only subsector with an *apparently* unambiguous ceiling on size is the manufacturing subsector.

4.11 In principle, the unorganised manufacturing sector includes all units (i) using power and employing less than 10 workers or (ii) not using power and employing less than 20 workers. Bigger manufacturing units belong to the organised sector, which includes those registered under the Factories Act (1948), for which data is supposed to be collected regularly by the Annual Survey of Industries, (ASI).

4.12 This boundary between organised and unorganised manufacturing, however, is not as neat and clean in practice as it appears to be in principle. In practice, the criterion based on employment numbers and the use, or non-use, of electricity, is superceded by the criterion "registered under the ASI, or not". Thus the "follow up" surveys on unorganised manufacturing enterprises, in practice, cover some manufacturing units not covered by the ASI, but which should have been covered. To quote the *Report of the National Statistical Commission*: "Many *bigger* units with a sufficiently large number of workers are also included in the follow up surveys because they are not covered under the ASI as they have not been registered by the Chief Inspector of Factories, (CIF), and included in their list. Inclusion of these bigger units in the follow up surveys sometimes distorts the...estimates to a great extent."[44] They recommended that, until action is taken to cover all the bigger units in the ASI frame, steps should be taken in the follow up enterprise surveys to "net such bigger units by proper stratification so as to improve the precision" of the unorganised manufacturing estimates.

4.13 For sectors other than manufacturing, there is no organised sector survey corresponding to the *Annual Survey of Industries*. This is a major factor contributing to the data base chaos in the non-manufacturing sectors, or, as the National Statistical Commission puts it, more politely, "...the data base in this sector is highly disorganised."[45] As long as this situation persists, there is no hope of defining common upper boundaries for unorganised sector enterprises in the non-manufacturing sectors. The NSSO will have to continue collecting data from all units for which no other accounts are available, regardless of their size or technological and organisational sophistication.

4.14 To begin to bring order out of current chaos, the *National Statistical Commission* recommended that a *Survey of Non-Manufacturing Industries* (SNMI), should be introduced "on the lines of the ASI".[46] The term "non-manufacturing" used in the SNMI "would refer to all non-agricultural activities other than manufacturing and repairing." It would cover all units or enterprises "*having a certain minimum*

[43] Page 3, G.O.I. NSSO (2001 *Informal Sector in India, 1999-2000.*

[44] See page 160-161. *Report of the National Statistical Commission* Volume-II August 2001.

[45] Page 161, Para 5.2.26, *opcit.*

[46] Page 187, Para 7.14. *opcit.*

number of workers and/or those contributing significantly in terms of annual turnover".[47] (Italics mine.). The unorganised segment of the non-manufacturing sectors would then be defined as the residual category of smaller units. Data on these would be collected, as at present, by the unorganised sector enterprise surveys.

4.15 What we have here, I think, is what we have been looking for – a clear, common boundary between the organised and unorganised segments of all the non-manufacturing subsectors. Moreover, its adoption has already been recommended by the National Statistical Commission.

4.16 But the matter does not end here.

4.17 To make a "proper frame of eligible enterprises"[48] for the proposed SNMI, a list of units or "Business Register" would have to be developed. The "ultimate objective should be to bring all units with at least 10 workers and other units having significant annual turnover under the coverage of the SNMI"[49] Judging by the *Economic Census* (1998), the frame for sampling for the SNMI would be about 3 lakhs if units of 10 or more are covered.

4.18 The Statistical Commission had made a number of recommendations about how to go about developing the "Business Register", or frame, for sample purposes.[50] A crucial feature of the proposed plan was the assignment to each enterprise of a unique alphanumeric code.

4.19 The importance of introducing such an identifying code system was underlined in a study conducted for the National Statistical Commission by Nagaraj, (2001). His study relates to the deficiencies of the already-existing sample frame for the ASI, but his suggested solution has evidently been incorporated into the Commission's recommendations with respect to the proposed Survey of Non-Manufacturing Industries.

4.20 The most serious shortcomings of the *Annual Survey of Industries* can be traced to the shortcomings of the sample frame, which the CSO uses to canvass the ASI schedule.

4.21 Under the *Factories Act (1948),* all factories employing 10 or more workers with power, (20 or more without power) are supposed to register. The Chief Inspector of Factories (CIF), in each state maintains the live register of these factories that forms the frame for conducting the ASI.

4.22 There are two serious problems with this frame. First, the "live" register maintained by the CIF includes many "dead" factories, some of which have been closed for years together. Secondly, and more significantly, there is large scale evasion of registration under the Factories Act. In 1980, 53 percent of the factories employing more than 10 workers did not register. By 1990, this number had risen to 58 percent.[51] It is argued that the extent of evasion is likely to have gone up steeply during the increasingly liberalised 1990s. Most of the factories missing from the CIF register are thought to be in the 10-20 workers size group.[52]

4.23 Given the extent of non-registration and the higher-than-average growth rates of employment in the lower size classes, the exclusion of these factories has serious implications, not just for estimating employment and gross value added in the organised sector, but also for making the corresponding *unorganised* manufacturing estimates. Some of these units which properly belong to the organised segment, are liable to get included in the unorganised manufacturing enterprise surveys, distorting the estimates in both segments. In short, the apparently neat and clean dividing line does not, in practice, exist.

[47] Page 195, *ibid.*

[48] Page 195, ibid.

[49] Page 195, para 7.55 *National Statistical Commission* opcit.

[50] *Ibid.* Para 7.55

[51] Nagaraj, R. (1999) page 15, "How good are India's Industrial Statistics? An Exploratory Note" *Economic and Political Weekly*, Volume-34, No.6, February 6-12.

[52] But much larger firms are also missing. In a 2004 study of auto component firms in the National Capital Region, none in the 30 to 60 employment size group were registered under the ASI, and 67 percent of the 60-100 employment size group were also not registered. However, members of both these size groups were registered under the SSI. (Source: Table I, page 1070, Uma Rani (2004) "Technology and Skill Transfer in Auto Component Firms of the National Capital Region." *Indian Journal of Labour Economics*, Volume 47, No.4.

4.24 An important reason why evasion of registration has tended to rise in recent years, is that today most of these enterprises stand to gain nothing from registration. For them, registration entails avoidable costs in terms of time, effort and inspections, while the costs of evasion are said to be marginal. During the years when output and investment controls were in place, this was not the case. Then, to expand or diversify, they had to get a license. Even to continue in business, they had to get a "carry on business (COB)" license. Thus the regulatory system provided plenty of incentives for registration. The task now is to devise a system which provides equally strong built-in incentives, and which enables the powers-that-be to keep track of the number and activity status of organised sector business enterprises, not only in the manufacturing sub-sector, but also in the entire range of organised non-manufacturing activities.

4.25 With this objective in view, the National Statistical Commission (2001), recommended the creation of a 'Business Register', a list which would cover all enterprises with at least 10 workers, including those covered under the ASI and public sector enterprises.[53] This register is intended to provide the frame for sampling for both the ASI and the proposed Survey of Non-Manufacturing Industries, (SNMI). (It is estimated that the number of units to be listed on the proposed SNMI frame would be about 3 lakhs if units with at least 10 workers are included.)

4.26 The creation of the Business Register, would be associated with the development of "a unique coding system", identifying all enterprises included in the list.

4.27 The use of the "unique codes" by the units would be made mandatory for purposes like "paying sales tax, license fee, electricity bill, telephone bill, etc. or in getting facilities like bank loans and other incentives from government and other bodies."[54] To this list, Nagaraj (2001), adds stock markets, financial institutions, government departments, and regulatory authorities.

4.28 The introduction and mandatory use of identifying codes sounds like a big task. But as Nagaraj (2001) notes, it is an undertaking already being implemented in practice, at least in part. He writes: "The Department of Company Affairs has recently initiated a computerised, 21-digit code for registered companies, called the Corporate Identity Number (CIN)."[55] In principle, he suggests, this can be extended to make it a more general "Business Identification Number, (BIN)."

4.29 One of the objections raised to this proposed coding system is that mistakes in copying large alphanumeric numbers are bound to be made by both the businesses and the institutions and regulatory authorities required to use them. To eliminate this practical problem, it was recommended that *bar coding* of the "unique numbers" should also be mandatory. The bar code could be printed on strips of small stickers, which would be affixed on a designated place on whatever forms each business fills in for official transactions. In the government agency, bank, financial and other institution operating with computerised transaction records, information about the firm can then be viewed on a computer monitor, by flashing a scanner on the bar code. The prescribed forms in use by such authorities should "include an item where the unique code/identification number of the enterprise could be recorded."[56] Newly established enterprises "should approach the authorised central agency, (the Ministry of Statistics and Plan Implementation), for getting its unique identification number", much as new income tax payers today are required to apply for PAN numbers.

4.30 Together, the Business Identification Number (BIN), and its mandatory use in a variety of business transactions could solve a range of problems. It would enable the statistical, and other, authorities to track the activities of all organised sector

[53] The starting point for the Business Register, it is suggested, should be the Economic Census (1998). It is argued that most of the relatively bigger units would have been captured by the *Economic Census*. See Appendix 14.1 page 635, *Report of the National Statistical Commission* Volume II.

[54] Page 636, *ibid.*

[55] Nagaraj, (2001) *opcit*, page 21, published in revised version as Nagaraj (2002), "How to Improve India's Industrial Statistics" *Economic and Political Weekly*, Volume 37, No 10, March 9-15, pp 966-970.

[56] *National Statistical Commission*, Volume II, page 637.

enterprises. When a firm ceased to transact business, that fact would become obvious and its name, address and, (and BIN), could be deleted from the active Business Register. All existing relatively large firms would have compelling reasons to register. New firms would have to apply for their BIN numbers in order to transact business.

4.31 From the point of view of the unorganised enterprise surveys, the system recommended by the National Statistical Commission (2001), offers a solution to the problems of defining a common boundary between the organised and the unorganised segments of each subsector. The boundary would be 10 or more workers in the organised segment, and less than 10 workers in the unorganised segment.

4.32 In the interests of a better data base for unorganised sector enterprises, the Commission may like to consider adopting the recommendations of the National Statistical Commission relating to the proposed *Survey of Non-Manufacturing Industries,* the creation of a *Business Register,* and the development of a unique coding system for *all* organised sector enterprises.

4.33 However, as far as the unorganised sector is concerned, it needs to be understood that these recommendations, (which relate to the data base for the *organised* sector), could, if implemented, solve only the common upper boundary (stated in terms of a common ceiling on the number employed), problem, of the *unorganised* enterprise database. Other problems remain.

4.34 One problem can be illustrated by reference to data on the same subjects generated by two or more official agencies. For example, data on the number of enterprises from the *unorganised* sector surveys can be compared with Economic Census data on the number of enterprises in the *organised plus unorganised* sectors combined. The definition of enterprises is the same in the two surveys. Similarly, on employment, aside from the unorganised enterprise surveys, related data is available from three other sources; (i) the Economic Census, (ii) the Population Census, and (iii) the National Sample Surveys on Employment and Unemployment. Employment estimates from all these three sources include workers in organised sector enterprises, and the Population Census and NSS estimates also include workers who are not attached to any enterprise identified, (or identifiable), as such, in the Economic Census and the unorganised enterprise surveys. In short, all three "other" sources should generate enterprise and employment estimates higher than those based on the unorganised enterprise surveys. The fact that in rural areas, the Economic Census estimates for both the number of enterprises and the number of workers are *always* substantially lower than the Unorganised Enterprise Survey estimates, and that except for trade, the same is true for urban areas, should cause concern.

Table 1: Number of Enterprises Engaged in Unorganised Trading, Hotels and Restaurants, and Transport Activities According to Economic Census (EC) 1990 and Follow-up Enterprise Survey (FuS) Specified Years: All India

Activity	Number of Enterprises ('000)					
	Rural		Urban		Combined	
	EC	FuS	EC	FuS	EC	FuS
1. Trade	`90	(`90-91)	`90	(`90-91)	`90	(`90-91)
	4,375	7,320	4,476	4,500	8,851	11,820
2. Hotels and Restaurants	`90	(`90-91)	`90	(`90-91)	`90	(`90-91)
	592	606	486	602	1,078	1,684
3. Transport	`90	(`90-91)	`90	(`90-91)	`90	(`90-91)
	224	521	279	513	503	1,034

Notes:
1. FuS estimates exclude Own Account Enterprises and Non-directory Trading Establishments for the State of Jammu and Kashmir in 1990-91
2. The Economic Census includes enterprises in the organised sector, while the Follow-up Survey excludes them, (at least in principle).

Source: Report of the Expert Committee to Examine Wide Variations in Data Sets on the Same Subjects (February 2000)

Table 2: Number of Workers Engaged in Trading, Hotels and Restaurants, and Transport Activities as per Alternative Sources: All-India, Specified Years ('000)

Activity and Location	EC `90	Census `91	FuS (`90-91)	NSS 50th Rd. (`93-94)
	Rural			
1. Trade	6,153	7,490	10,351	10,415
2. Hotels and Restaurants	1,148	--	1,421	1,379
3. Transport	363	--	716	3,586
	Urban			
1. Trade	8,877	14,100	8,860	12,576
2. Hotels and Restaurants	1,621	--	2,134	1,793
3. Transport	973	--	863	5,455
	Combined (R+U)			
1. Trade	15,030	21,590	19,211	22,991
2. Hotels and Restaurants	2,769	--	3,555	3,172
3. Transport	1,336	--	1,579	9,041

Notes:
1. All-India excludes Jammu and Kashmir.
2. 1991 population census data relates to trade and commerce.
3. The Follow-up Survey excludes workers in the organised sector, while the Economic Census, the Population Census and the NSS 50th Round Survey include them.

Source : Report of the Expert committee to Examine Wide Variations in Data Sets on the Same Subjects (February 2000)

4.35 The problem of the large differences in the estimates for enterprises and workers from different sources is acute in rural areas generally, and the divergence is spectacular in the case of rural transport. This may be verified by the inspection of tables 1 and 2, derived from estimates given in Annexes 7.4 to 7.9 in the Report of the National Statistical Commission. In principle, the employment figures for the Population Census and the NSS 50th Round should be close to one another, while the estimates of the Follow-up Surveys, (the unorganised enterprise surveys), should be lower than both, for two reasons: first, because the Follow-up Surveys cover only workers in the *unorganised* sector, and secondly because the FuS cover only workers attached to enterprises. In principle also, the Economic Census figures should *always* be larger than the Follow-up Survey figures, since they include organised as well as unorganised enterprises and since the definition of an enterprise is the same in both cases. As the figures in tables 1 and 2 show, however, this is never the case with espect to the estimated number of enterprises and very rarely the case with respect to employment, except in urban areas.

4.36 How does this happen? And why worry?

4.37 The Statistical Commission puts the blame for the divergence between the Unorganised Enterprise Survey results and the Economic Census results squarely on the Economic Census. With respect to the estimates of enterprise numbers, they write: "the divergencies in the number of enterprises as between the two sources are mainly due to an under-listing of enterprises by the enumerators in the Economic Census."[57] Under-listing of enterprises, in turn, accounts for much of the divergence in the estimated number of workers employed. In addition there are also differences in the definitions of workers and the reference periods for determining their number. The fact that the Economic Survey visits only the enterprises, while the Follow-up Survey also visits the households would tend to accentuate the gap between the two estimates.

[57] Page 192, National Statistical Commission, Volume II

4.38 We should worry about this because, from the first Economic Census (1977), onwards, the village and block level information from the Economic Census, on the number of enterprises and workers, has been used as the sample frame for the selection of villages and urban blocks for the Follow-up Surveys. In the Unorganised Enterprise Surveys data for the selected enterprises are collected directly, while for enterprises operating without fixed premises, the information is gathered by interviewing the owner of the enterprise at his residence.

4.39 The accuracy of the Follow-up Survey, (the Unorganised Enterprise Survey), estimates is clearly better than that of the Economic Census. Nevertheless, the National Statistical Commission made a number of recommendations with a view to improving the unorganised enterprise survey estimates.

4.40 *First*, since the Economic Census data on the number of enterprises and workers are used as the sampling frame for selection of villages and blocks in the unorganised enterprise surveys, "necessary measures must be taken in the Economic Census to enhance the quality of the data".[58]

4.41 *Secondly*, in the case of manufacturing, "Until action is completed to cover all the bigger units in the ASI frame, steps should be taken in the Follow-up Enterprise Surveys to net such bigger units by proper stratification so as to improve the precision of the survey estimates."[59] For sectors other than manufacturing, similar surveys of organised non-manufacturing activities need to be undertaken, through a regular Survey of Non-Manufacturing Industries.

4.42 These first two recommendations relate to problems tending to undermine the accuracy of unorganised enterprise survey data from the "outside". That is, because of gross underestimates from the side of the Economic Census and because of the shortcomings and lacunae of the *organised* sector database. The National Statistical Commission also highlighted several problems internal to the working of the unorganised enterprise surveys, including those listed below from "thirdly" onwards.

4.43 *Thirdly*, reversals of growth trends in employment and gross value added, (and in value of fixed assets, which was not mentioned by the Statistical Commission), are conspicuous in the data for both manufacturing and trade. The Statistical Commission suggested that such anomalies needed to be examined. They noted that there is "no regular mechanism for post-survey evaluation of survey results by cross-validating the same with those available from the alternative sources."[60] They therefore, recommended that: "Post-survey evaluation should be regularly carried out to identify the deficiencies in the survey methodology for the purpose of taking remedial measures."[61]

4.44 *Fourthly*, estimates of gross value added have been under suspicion by both data users and the NSSO, for years. The perception is that GVA is often underestimated, sometimes deliberately, by the respondents. The Statistical Commission noted that the NSSO had carried out a pilot survey in 2000 to evolve a better methodology for collecting data on GVA from the manufacturing and trading sectors, but recommended that, in future there should be regular interaction between the survey agencies and the data users "to discuss the limitations of survey results…"[62]

4.45 *Fifth:* The Commission recommended that standard errors of important estimates "should invariably be published in the reports."[63] At present the survey reports do not give these statistics.

4.46 *Sixth:* There are large differences in the time period coverage of enterprises in different sectors. For example, "services" was covered in 1979-80 and then 1983-84, a gap of only four years. The next two surveys were in 1991-92 and then in 2001-02, a gap of 10 years. The Statistical Commission

[58] Pages 159-160, *Report of the National Statistical Commission* Volume II, August 2001.

[59] Page 161, *ibid*

[60] Page 160, National Statistical Commission, Volume II

[61] Page 161, *ibid*

[62] Page 161, National Statistical Commission, Volume II

[63] Page 161, *ibid*

recommended, (rather mildly), that: "The time frame for covering various non-agricultural activities…through the Follow-up Enterprise Surveys should be finalised keeping in view the periodicity of data requirements by the users *vis-à-vis* resources available for handling the survey work."[64]

4.47 *Finally,* concern was expressed by the Statistical Commission that some unorganised, (and organised), sector activities in the services sector were not being properly captured[65]. These include the information technologies, communications and entertainment sectors, and the "large number" of non-profit institutions serving households, and NGOs. The Commission recommended that suitable methodologies should be developed to estimate the contribution of these emerging areas to employment and income generation.[66]

The NSSO 55th Round Report on the Informal Sector in India, 1999-2000

Introduction

4.48 All this has now changed. The NSSOs pioneering 55th Round *Informal Sector in India* survey was conducted in 1999-2000 as part of an integrated survey of both enterprises and households. There were two schedules. "Schedule 2" collected information on the number of workers employed on a 'fairly regular basis' from each sample enterprise. "Schedule 10" collected information on the number of UPSS workers and their characteristics from each household covered by the employment-unemployment survey. No similar survey has been conducted since

4.49 Until the NSSO's 55th Round Report on the *Informal Sector in India* was published in 2001, there was no direct method to estimate either the total number of informal non-farm enterprises or the total number of workers in informal employment. The *only* way to get an idea of the size of the informal workforce was to derive informal employment estimates as a residual, by subtracting *organised* sector estimates (by economic sector), published by the Ministry of Labour's Directorate General of Employment and Training (DGE & T), from NSS Usual Principal and Subsidiary Status (UPSS) employment estimates. The "residual" thus obtained provided a rough estimate of informal employment only for rural and urban areas combined. No further disaggregations were possible. Thus we had no idea how many informal workers were employed in informal enterprises, how many worked for formal sector units, how many were employed by households, or how many worked for no readily identifiable employer, but yet could not be counted among the large number of self employed people who operate own account enterprises.

4.50 In the 55th Round Survey, in effect, two independent surveys were incorporated. One was the *informal enterprise* survey. The other was the survey of *households* selected for the employment-unemployment survey, (which also covered household consumption expenditure). In the 1999-2000 household survey, there was a completely new set of questions which identified non-agricultural workers according to what type of enterprise, (if any), they worked in. (Similar questions were subsequently incorporated in the 61st Round employment-unemployment survey.)

4.51 The first of these - *the informal enterprise* survey - has also been described as something new, although in terms of coverage and conceptual categories, it does not depart much from the categories and coverage of the old unorganised sector enterprise surveys. One result is that it suffers from much the same limitations as do the unorganised enterprise surveys. In particular there is no upper limit on the number of people[67] which may be employed in an informal unit, except, (at least in principle), in unorganised manufacturing. However, the coverage, by enterprise type, is more restricted than in the unorganised enterprise surveys, and it corresponds more closely to the

[64] Page 161, National Statistical Commission, Volume II

[65] It may be noted from Panel 1 on page 1 of this paper, that the subsector *Communications* was surveyed only once, in 1991-92, and that the limitations of what was published were so serious that not much analysis could be done.

[66] Page 194, *ibid*

[67] However, it is possible for researchers to impose an upper limit to the number of workers they want to include in the informal sectors, using the data collected by the Informal Sector Survey.

international definition of the informal sector as defined in the 1993 System of National Accounts (SNA)[68].

4.52 The household survey part, by introducing new questions about enterprise status in the questions put to non-agricultural workers, opened up a whole new range of possibilities for identifying and classifying informal workers[69] including those employed in organised and/or formal sector units, people employed by households, and independent casual labourers and own account workers not covered by any of the other categorisations.

4.53 The NSSO's two-pronged approach to this survey made it possible, for the first time, to distinguish between an enterprise based estimate of informal workers and a definition, or set of alternative definitions, of informal workers based in a combination of the legal status of the enterprise and the job status/employment status of the workers. Thus the number of workers employed in informal enterprises; (as defined in the 55th Round), can be estimated independently from two Survey sources, and the resulting estimates compared.

4.54 In the 1999-2000 informal enterprise survey, all unincorporated proprietary and partnership enterprises were considered to be informal sector enterprises. Enterprises run by cooperative societies, trusts and non-ASI private and public limited companies, (which are included in the *unorganised* enterprise surveys), were excluded from the *Informal Sector* enterprise survey. Thus, the informal sector can be "considered as a subset of the unorganised sector".[70] As in the unorganised enterprise surveys there was no restriction on the *size* of the informal sector units.

4.55 The *informal enterprise* survey collected data on the number of enterprises, employment, gross value added, value of fixed assets, and so on, for rural and urban areas, by state, union territory and all-India and by the 1998 National Industrial Classification codes for the following subsectors: manufacturing, construction; trading and repair services; hotels and restaurants; transport, storage and communications; financial intermediation; real estate, renting and business activities; education; health and social and, other community, social and personal service activities, (excluding domestic services).

4.56 It will be noticed that *construction* which is *not* covered by the unorganised sector enterprise surveys, *is* covered by the informal sector enterprise survey. Excluded from the informal sector enterprise survey, (and also excluded from the unorganised enterprise surveys) are: (i) mining and quarrying; (ii) electricity gas and water supply; (iii) public administration and defence; (iv) compulsory social security; (v) private households with employed persons such as domestic help, *malis* and drivers; and (vi) extraterritorial organisations and bodies. It may be noted that item (v) in this list covers a lot of people who properly belong to the category of informal workers.

4.57 Within each subsector, state, rural or urban area and 1998 NIC group, two categories of informal sector enterprises are distinguished. *Own account enterprises* are units operated without the help of any regularly employed, hired workers. (This category is identical to that of the same name as defined in the unorganised enterprise surveys.) *An establishment* is an enterprise which employs at least one worker on a "fairly regular basis."[71] There is

[68] The international definition of informal sector enterprises includes those private unincorporated enterprises owned by individuals or households which do not have any legal status independent of the individuals or household members who own them. They must produce at least some of their goods and services for sale or exchange, but they do not keep such accounts as would enable the separation of the income and expenditure of the enterprise from the income and expenditure of the individuals and household members who own them. Neither the enterprise nor its employees are registered under national legislation. An appropriate ceiling on employment size may be specified, according to the circumstances prevailing in particular countries.

[69] The unit-level data of the employment-unemployment survey makes it possible to classify informal workers by employment status, caste, religion, land status, age, sex, education and skill, if any; sector of employment, whether the worker is employed in the public, semi-public or other formal sector of the economy; whether self-employed, own account, unpaid family worker, regular salaried/wage employee, casual labourer and so on and household per capita consumption expenditure, among other things.

[70] Page 3 G.O.I. Ministry of Statistics and Programme Implementation, NSSO (2001) *Informal Sector in India 1999-2000, Salient Features,* NSS 55th Round (July 1999-June 2000)

[71] *"Fairly regular basis"* means the major part of the period of operation(s) of the enterprise during the last 365 days." See page 3, *Informal Sector in India, 1999-2000.*

no upper limit on size, except the "Non-ASI" requirement, which, (as we have seen), provides an exceedingly flexible boundary at best. An "establishment", in the informal enterprise survey would include the enterprises described as Non-Directory and Directory Establishments in the unorganised sector surveys. As the Informal Sector 1999-2000 document puts it: "This definition…provides a good coverage of enterprises to work out the value added by industry groups required for the National Accounts Statistics".[72]

4.58 In short, in practice, within the set of proprietary and partnership enterprises, the criterion "enterprises for which no regular accounts are available from any other source" supercedes all others, including the boundary criteria for inclusion in organised manufacturing coverage by the ASI. Thus, in practice, there is no ceiling defined in terms of employment size, in the case of the informal enterprise survey, any more than is the case with the unorganised enterprise surveys. The focus is on the estimation of value added by the enterprise, just as in the case of the unorganised enterprise surveys.

4.59 However, both Schedule 2 and Schedule 10 of the Informal Sector Survey (1999-2000), collected data on the number of workers employed in each enterprise. Thus employment estimates for informal enterprises can be made, consistent with any ceiling specified in terms of employment size.

Concepts and Estimates from the Informal Sector in India 1999-2000 Report

4.60 Conceptually, *informal workers* in the non-agricultural sector, include:

(i) Employers, own account workers, unpaid family workers and employees in non-agricultural *informal sector units;*

(ii) Informal workers in *formal sector units,* and in informal *producers cooperatives*[73]. This includes casual, temporary and part-time workers and contract workers not protected by labour laws applicable to other workers in the enterprise, and not eligible for employment and social security benefits available to other workers in the enterprise, such as Provident Fund benefits. It also includes out workers/home based workers/contract workers who work at a place other than the employer's premises to produce goods or services ordered by, or contracted for by, a specific employer or contractor.

(iii) Informal workers employed by *households* such as domestic servants, drivers and *malis;*

(iv) Independent workers not attached to any one employer, but providing services to individuals, households, and/or enterprises; and other workers not classifiable by employment status.

4.61 The 1999-2000 survey report did not cover agricultural activities. However, from Schedule 10, which covers all workers regardless of employment status and sector of employment, it is possible to generate estimates of the number of informal workers in the agricultural sector.

4.62 Informal workers employed in agriculture and allied activities are defined by Sastry (2004) to include:[74] (i) own-account workers, (ii) casual labourers, (iii) unpaid family workers, (iv) those *regular* hired workers who work part time, or are temporary or are not covered by a provident fund, plus (v) those *employers* who reported that, (a) they were themselves without work for one or more months, or (b) that they sought or were available for *additional* work on most days during the days they did have work, or (c) that they sought or were available for *alternative* work on most days they had work. In short, those employers who were themselves seasonally unemployed, disguisedly unemployed or underemployed were counted as informal workers in agriculture and allied activities. It is noteworthy that, practically all agricultural employers qualified for informal worker status.

4.63 The estimates which emerge from the Sastry (2004) exercise correspond remarkably closely to estimates derived by a completely different method – by subtracting estimates of organised sector employment in agriculture and allied activities

[72] Page 2, *Informal Sector in India, 1999-2000.*

[73] Informal producers' cooperatives are those not formally established as legal entities. In the 55th Round *Informal Sector in India* survey, however, cooperatives were not identified separately.

[74] See page 20, Sastry, N.S. (2004). "*Estimating Informal Employment and Poverty in India",* Discussion Paper Series 7, Human Resource Development Centre, UNDP, India.

generated by the Employment Market Information Programme (EMIP)[75] and published by the Directorate General of Employment and Training (DGE &T) from National Sample Survey, usual principal and subsidiary status employment data for the organised and unorganised segments combined. (The difference between the two estimates is about one half of one percent.)

Estimates of Informal Workers in the Agricultural and Non-agricultural Sectors

(i) Estimates from Schedule 10

4.64 Estimates of the number of informal workers in both the agricultural and the non-agricultural sectors by type of employment can be derived by manipulation of data presented in tables 3.1, 3.2, 3.3, and 3.11 of Sastry (2004)[76]. Rearranged according to the conceptual categories described in subsection (a) above on "concepts", the absolute number of informal workers by broad sector and by type of employment is shown below. Such estimates, by state, and rural and urban residence are the sort of information required by those charged with the administration of social security schemes for unorganised / informal workers.

Table 3: Estimates of the Number of Informal Workers in I. Agriculture and Allied Activities and II. Non-agricultural Employment: All India - Rural, Urban and Total (R+U), Males, Females and Persons by Type of Employment (1999-2000) (000)

Type of Employment	Rural India			Urban India			India (Rural + Urban)		
	Males	Females	Persons	Males	Females	Persons	Males	Females	Persons
A. Informal Employment Among Agricultural Workers [Total: (i) to (iv)]	137,757	88,087	225,844	4,860	3,278	8,138	142,617	91,365	233,981
(i) Own-account Workers	53,697	11,555	65,252	2,153	567	2,720	55,850	12,122	67,972
(ii) Informal Employers	141	0	141	5	0	5	146	0	146
(iii) Unpaid Family Workers*	26,005	38,133	64,138	738	1,131	1,869	26,743	39,263	66,006
(iv) Employees	57,914	38,399	96,313	1,964	1,580	3,545	59,878	39,979	99,858
B. Informal Employment Among Non-agricultural Workers (Total: sum of 1 to 4)	49,535	14,127	63,622	55,963	13,216	69,179	105,498	27,344	132,841
1. Informal Employment in Informal Sector among workers reporting enterprise type -Sum of (i) - (iv)	38,444	10,947	49,391	46,247	9,847	56,094	84,691	20,793	105,484
(i) Own-account Workers	20,458	3,779	24,237	23,322	3,437	26,759	43,780	7,216	50,996
(ii) Informal Employers	339	13	353	994	28	1,022	1,333	42	1,375
(iii) Unpaid Family Workers*	3,442	4,263	7,705	5,168	2,324	7,492	8,610	6,587	15,197
(iv) Employees	14,204	2,891	17,096	16,763	4,057	20,820	30,967	6,948	37,915
2. Informal Employment in Formal Sector	3,151	1,251	4,402	3,379	873	4,252	6,530	2,124	8,654
3. Employees in Private Households	113	182	295	576	983	1,559	689	1,165	1,854
4. Informal Employment Among Non-agricultural Workers Not Reporting Enterprise Type	7,827	1,748	9,575	5,761	1,513	7,274	13,588	3,261	16,849
C. All Informal Employment (Sum of A. & B.)	187,292	102,214	289,506	60,823	16,494	77,317	248,114	118,708	366,823

* "Contributing Family Workers" is the term used in the Sastry (2004) paper.
Source: Based on estimates given in tables 3.1, 3.2, 3.3 and 3.11 in Sastry (2004)

[75] The EMIP estimates for the *organised* segment of agriculture and allied activities cover public sector and quasi-government activities such as irrigation systems operated by government, tea and coffee plantations plus a few private sector establishments employing ten or more workers which furnish returns on a voluntary basis.

[76] The author himself kindly invites the use of his data in such ways. See page 35 Sastry (2004), *opcit.*

4.65 Translated into percentage share terms, as in table 4, the well known basic magnitudes emerge. In 1999-2000, informal workers accounted for about 92 percent of all workers, 91 percent of all male workers and 96 percent of female workers.

4.66 Most *informal* workers live in rural India – roughly 79 percent of them –, as compared to 76 percent of *all* workers. Thus the share of informal workers in all workers is considerably higher in rural areas than it is in urban centres – 96 percent in rural areas as compared to only 80 percent in urban India.

4.67 Agriculture continues to dominate the Indian workforce structure, accounting for about 60 percent of the all India workforce, and about 76 percent of the rural workforce. About 98 percent of the people employed in agriculture belong to its informal segment. Thus informal employment in agriculture alone accounts for 59 percent of all workers, and for 64 percent of the informal workforce. Only 33 percent of the total workforce is engaged in informal work in the non-farm sector.

4.68 However, in rural areas, this is a segment of great importance from the employment generation stand point, because, in rural areas, the non-farm segment is really the only segment in which employment is growing. As table 4 shows, the vast majority of these *rural* non-farm workers, (89 percent of them), as well as the vast majority of agricultural workers, belong to the informal sector.

Table 4: The Share of Informal Workers in the Workforce by Broad Sector 1999-2000, All-India Rural, Urban and Rural + Urban, Males, Females and Persons (Percentages)

Employment Type and Broad Sector	Rural India			Urban India			India (Rural + Urban)		
	Males	Females	Persons	Males	Females	Persons	Males	Females	Persons
1. Share of Informal Workers in All Workers	95	98	96	79	87	80	91	96	92
2. Share of Informal Agricultural Workers in:									
A. All Workers	70	85	75	6	17	8	52	74	59
B. All Informal Workers	74	86	78	8	20	11	57	77	64
C. All Informal Agricultural Workers	98	99	98	96	98	96	98	99	98
3. Share of Informal Non-agricultural Workers in:									
A. All Workers	25	14	21	73	70	72	39	22	33
B. All Informal Workers	26	14	22	92	80	89	43	23	36
C. All Informal Non-Agricultural Workers	88	93	89	78	85	79	82	89	83

Source: Based on estimates given in table 3.1, 3.2 and 3.3 and 3.11 in Sastry (2004) derived from Schedule 10 of the NSS 55th Round.

4.69 Most informal workers are male – more than two-thirds of them. The predominance of male workers in urban informal employment is much more pronounced than it is in rural informal employment, because of the greater participation of female informal workers in agriculture as compared to non-agriculture. Males constitute the vast majority of informal workers in non-agriculture in both rural and urban areas.

Table 5: Share of Males and Females in All Informal Employment, Informal Employment in Agriculture and Informal Employment in Non-agriculture: All India 1999-2000: Rural, Urban and Rural + Urban (Percentages)

Type of Broad Sector of Employment	Rural		Urban		Rural + Urban	
	Males	Females	Males	Females	Males	Females
1. All Informal Employment	65	35	79	21	68	32
2. Informal Employment in Agriculture	61	39	60	40	61	39
3. Informal Employment in Non-Agriculture	78	22	81	19	79	21

Source: As in table 4.

4.70 From the point of view of plans to implement social security schemes for unorganised/informal workers, it is likely to be important to know, for example, what proportion of informal non-agricultural workers are own account workers or informal employees. Similarly, informal workers in formal sector enterprises may need to be dealt with differently from employees in private households, and so on Table 6 gives an overview of the relative importance of these and other subsets of the large heterogeneous category – informal workers.

4.71 The key facts are clear. Within the very large set of informal agricultural workers, *employees*, better known as agricultural labourers, are the single largest group. Own account workers and unpaid family workers, that is cultivators and their contributing family members, constitute two somewhat smaller categories, but together they account for as much 57 percent of all informal agricultural workers.

4.72 Most informal *non-agricultural* workers are employed in identifiable informal sector enterprises, 79 percent of them, and the vast majority, 48 percent, are own account workers, closely followed by employees, at 36 percent. Informal employment in the formal sector, 6.5 percent, ranks well below informal non-agricultural employment among workers unable to identify what type of enterprise employs them. This fairly large subset, sometimes described collectively as "independent" workers, together with the much smaller group of people working for private households may well turn out to be the most difficult to cover under any government sponsored social security scheme. They account for about 14 percent of all informal non-agricultural workers.

Table 6: Employment Status Structure of Informal Workers in Agriculture, in Non-Agriculture Among Workers Reporting Enterprise Type, and Among All Informal Non-Agricultural Workers: All India 1999-2000, Rural, Urban and Total (R+U), Males Females and Persons. (Percentage)

	Rural India			Urban India			India (Rural + Urban)		
	Males	Females	Persons	Males	Females	Persons	Males	Females	Persons
	A. Percent of Informal Workers in Agriculture, Who Are:								
(i) Own-account Workers	38.98	13.12	28.90	44.29	17.30	33.41	39.17	13.27	29.04
(ii) Informal Employers	0.10	0.00	0.06	0.10	0.00	0.06	0.10	0.00	0.06
(iii) Unpaid Family Workers	18.88	43.29	28.41	15.18	34.49	22.95	18.75	43.00	28.20
(iv) Employees	42.04	43.59	42.66	40.42	48.21	43.54	41.99	43.78	42.66
	B. Percent of Informal Non-Agricultural Workers Reporting Enterprise Type, Who Are:								
(i) Own-account Workers	53.22	34.52	49.07	50.43	34.91	47.70	51.69	34.70	48.35
(ii) Informal Employers	0.88	0.12	0.71	2.15	0.29	1.82	1.57	0.20	1.30
(iii) Unpaid Family Workers	8.95	38.94	15.60	11.17	23.61	13.36	10.17	31.68	14.41
(iv) Employees	36.95	26.41	34.61	36.25	41.20	37.12	36.57	33.42	35.94
	C. Percent of All Informal Non-Agricultural Workers, Who Are:								
1. Informal Workers Who Reported Enterprise Type	77.61	77.49	77.63	82.64	74.51	81.08	80.28	76.05	79.41
2. Informal Workers in Formal Sector	6.36	8.85	6.92	6.04	6.61	6.15	6.19	7.77	6.51
3. Employees in Private Households	0.23	1.29	0.46	1.03	7.44	2.25	0.65	4.26	1.40
4. Informal Non-Agricultural Workers Not Reporting Enterprise Type	15.80	12.37	15.05	10.29	11.45	10.51	12.88	11.93	12.68

Source: As in Table 4.

(ii) A Comparison of Estimates of Workers in Informal Enterprises from Schedule 2.0 and Schedule 10

4.73 The twin 55th Round Surveys, one based on the enterprise questionnaire, (Schedule 2) and the other on the household questionnaire, (Schedule 10), made it possible to make two independent estimates of the number of workers employed in *informal sector units,* that is, of the workers included under item (i) above. The resulting estimates, derived from *Schedule 10* (the household survey) are about 12 percent higher than the estimates based on the *Schedule 2,* enterprise survey. The corresponding state wise estimates give the same results, except in Bihar and Orissa. (In these two states the Schedule 2 estimates are higher than the Schedule 10 estimates.) The difference appears to arise mainly because casual labourers who are not captured by the *enterprise* approach, tend to be identified with their respective enterprises through the household approach. (See table 7).

Table 7: Estimated Number of Workers from Schedule 2.0 (enterprise survey) and Schedule 10 (household survey): All India, rural Urban and Combined 1999-2000

Location	Number of Enterprises ('000)		
	Household Survey		
	Enterprise Survey	Usual Principal Status	Usual Principal and Subsidiary Status 1
Rural	39,808	44,121	46,688
Urban	39,975	45,521	47,168
Combined (R+U)	79,783	89,643	93,643

Source: NSSO, May 2001 Informal Sector in India, 1999-2000, Salient features NSS 55th Round. (July 1999-June 2000)

4.74 Disaggregations by economic subsector (given in Appendix Table 1) reveal that the divergence between the Schedule 2 estimates and the Schedule 10 estimates is caused by the results for just three subsectors: (i) construction, (ii) transport, storage and communications and (iii) other community, social and personal services, excluding domestic services. The divergence in construction is the largest. The 55th Round report gives examples, to illustrate why. They write: "The enterprises belonging to construction and transport are perhaps difficult to be captured through enterprise survey approach. For example, a mason who works at different places (self employed) is treated as an enterprise in the enterprise survey. But the labourers accompanying him will not be captured as workers in the enterprise approach if they are not hired by the mason. Similarly, the porters/loaders etc. can not be captured in the enterprise survey approach if they are not hired on a fairly regular basis by the transport enterprises."

4.75 This happens because, in the household survey, "informal workers" were identified first, by selecting those workers engaged in any non-agricultural activity, and then by asking *them* to specify what kind of *enterprise* each was employed in. Those who were working in unincorporated proprietorship and partnership enterprises[77] got counted in regardless of whether they were working on a "fairly regular basis" or not. In the enterprise survey (Schedule 2), such workers were excluded.

Where Do We Go From Here?

4.76 The Commission may like to consider the following:

4.77 First, there is no great advantage in conducting periodic repeat surveys along the lines of the NSSO's 55th Round (two-schedule) survey on the

[77] The choice of enterprise types offered household survey respondents were: proprietary, or partnership with members from the same household, or partnership with members from different households. Non-agricultural workers employed in any of the above were counted as informal sector workers. Excluded were workers in: public sector and semi –public sector enterprises, cooperative societies, public or private public limited companies and other units covered under the ASI.

Informal Sector in India, 1999-2000. The Schedule 2 *enterprise* survey is redundant, provided that the NSSO improves the Unorganised Enterprise Surveys along the lines suggested by the Statistical Commission (2001).

4.78 What *is* needed now, and will be needed in future, is periodic repeat surveys along the lines of the 55th Round's Schedule 10. (This has now been done in the 61st Round's Schedule 10.) The tracking of the potential coverage, administrative and funding requirements of social security schemes for unorganised/informal workers and the assessment of implementation successes and failures, is going to create a wave of demands for regular "informal workers" data at the Central and State levels.

4.79 What additional information is likely to be asked for, in the light of the possible provisions of the *Unorganised Workers Conditions of Work and Livelihood Promotion Bill,* may also need to be considered.

Estimates of Unorganised Sector Employment Derived as a Residual by Subtracting Organised Sector Estimates (published by DGE&T) from National Sample Survey (UPSS) Employment Estimates

4.80 Visualize a pyramid. At its base are the Employment Exchanges throughout the country but located mainly in urban areas. They record data on employment, the number of *registered* unemployed persons, and vacancies likely to occur under the Compulsory Notification of Vacancies Act of 1959 and other Acts at the local level. Their work extends only to the organised sector of the economy. In the year 2000, there were 954 of them. They collect and compile data records by hand.

4.81 The next layer is the Employment Market Information Programme (EMIP) which operates under the Directorate General of Employment and Training (DGE&T) of the Union Ministry of Labour. They put together the employment data from the Employment Exchanges which covers (i) all employments in the public sector other than defence establishments[78] and armed forces, (ii) non-agricultural establishments in the private sector, employing 25 or more persons on a compulsory basis, and establishments with 10 to 25 workers on a voluntary basis, and (iii) establishments in agriculture and allied activities in the private sector on a voluntary basis. The information is collected through two forms[79], one of which is a quarterly return focusing on employment by sex on the last day of the quarter and the number of vacancies that occurred and were filled. The other is a biennial return which is used to record data on the educational and occupational structure of employees. The EMIP is the *only* source of data on organised sector employment collected on a regular basis.

4.82 The DGE&T in the Union Ministry of Labour constitutes the pinnacle of the pyramid. It publishes the organised sector estimates in a number of periodic reports including the annual *Employment Review* the quarterly *Estimates of Employment in the Organised Sector* and *Occupational-Educational Pattern of Employees in India*, which covers the public and private sectors in alternate years. The data are given by economic sector and major subsector, by 3-digit NIC code at the all-India level, with further breakdowns of public sector employment into (i) Central Government, (ii) State Government (iii) Quasi Government – Central (iv) Quasi Government – State and (v) Local bodies. The organised private sector is disaggregated by employment size: (i) 25 and above and (ii) 10 to 24. There is no rural-urban breakdown. State level data is given separately for the private and public sectors, by one-digit NIC codes, for the Central, State and quasi-government units. These published estimates come out with a time lag. For example, the *Employment Review1999* was published at the end of 2003.

4.83 The organised sector employment estimates which emerge, at the top of the pyramid in the DGE&T publications, suffer from two major limitations. The first is that the published estimates are for rural and urban areas combined. If you need to know what is happening in rural areas in particular, this is an insurmountable problem. The second problem is that the DGE&T figures are widely suspected to be underestimates, for four reasons; (i) The

[78] However, civilian employees in defence establishments are covered.

[79] The quarterly return is known as *Employment Return-I* (ER-I) and the biennial return as *Employment Return-II*, (ER-II).

establishments employing 20 to 24 persons in the private sector in the metropolitan areas of greater Mumbai and Kolkutta are not covered at all. (ii) The data for these smaller establishments in other places are collected on a voluntary basis. (iii) Part time employees are excluded. And, finally, (iv) employees working in new establishments may be missed because new establishments may not have been included in the lists of establishments maintained at the employment exchanges.

4.84 The Report of the *National Statistical Commission* concentrated its attention on the deficiencies in the data collection process at the bottom of the pyramid.

4.85 They note, first, the urban bias which results from the fact that most of the Employment Exchanges are located in urban areas. Second, the frame of establishments at the local level is incomplete, because employers' registers at the local Employment Exchanges are not updated with sufficient regularity. Third, the employment record for those establishments which *are* registered is incomplete because of their "poor response"[80]. Poor response for organised sector employees is, in turn, attributed to the complexity and number of forms required to be submitted by the establishments under different pieces of labour legislation. "Many of them find it more convenient to default than to submit these returns"[81].

4.86 Fourthly, the compilation of data at the State level is delayed because data collection, compilation, consolidation and transmission at the Employment Exchange level continue to be done manually.

4.87 Fifthly, the generalised decline in the activities of Employment Exchanges is noted. The shortage of public sector jobs, and the consequent increasing failure of job seekers to register with Employment Exchanges combined with the expanding role of private placement agencies has limited the role of Employment Exchanges in the placement service.

4.88 Finally, the Statistical Commission expressed concern about the fact that the EMIP data does not cover all employment in the economy. The exclusion of unorganised sector employment and other informal workers and other categories of workers such as those in the defence forces means, they say, that the EMIP figures are not only "gross underestimates of the employment in the country", but also make it "very difficult to estimate the extent of underestimation"[82]. This particular criticism would seem to be misplaced; the EMIP was designed to cover only the organised sector, not all employment in the country. The real problems appear to lie in the process of data assembly and the weakness of the agencies which collect, compile, transmit and process the estimates.

4.89 One thing the Statistical Commission does make clear, however, is that the residual method for deriving sector wise estimates of unorganised sector/informal employment by subtracting DGE&T estimates from NSS Usual Principal and Subsidiary Status employment estimates rests on exceedingly shaky foundations.

4.90 The recommendations of the Statistical Commission which relate most directly to the DGE&T and the Employment Exchanges do not seem, to be likely to achieve much, even if implemented in full measure. (A brief comment on some of them is given in parentheses, in italics.) The main recommendations are:[83]

(i) Statistical units in various divisions / directorates of State Labour Departments and of the Union Ministry of Labour need to be strengthened, or established where they do not now exist.

(ii) The role of Employment Exchanges as a placement agency and source of labour market information "needs to be reestablished by integrating the labour market information available with private placement agencies along with the Employment Exchanges…". A committee should examine their role…"and how it can work in partnership with private placement agencies[84]". *(!)*

(iii) A "comprehensive programme of computerisation and networking of all Employment Exchanges in

[80] Page 251, *Report of the National Statistical Commission* Volume-II August 2001

[81] Page 251 *ibid.*.

[82] Page 251 *opcit.*

[83] The complete list of concluding recommendatory points made by the Statistical Commission on Labour statistics is given on pages 223, 255 and 256 of Volume-II of their Report.

[84] Page 255 *opcit.*

the country, development of required software and appropriate training programmes should be taken up.[85]" *(Garbage in, garbage out?)*

(iv) States, (as well as the Labour Bureau) should starting training programmes for the staff of units / establishments supplying information / returns to them.

And last, but not least;

(v) To overcome the problem of non-response from the primary units, "a tightening of the administrative machinery is the only solution.[86]" *(!)*

4.91 In my view, skepticism about the efficacy of the solutions recommended by this chapter, (Chapter 9), of the Statistical Commission's Report should be the order of the day. A satisfactory solution to the problem of generating acceptable estimates of unorganised / informal and organised / formal segment employment numbers would seem to lie with the implementation of the Statistical Commission's recommendations with respect to the proposed Survey of Non-Manufacturing Industries (SNMI) and the mandatory use of Business Identification Numbers by both manufacturing and non-manufacturing enterprises in the organised sector, (discussed in chapters 5 and 7 of the Statistical Commission's Report Volume-II), on the one hand, together with regular periodic, repeat surveys along the lines of the NSS 55th Round household survey (Schedule 10).

4.92 The National Sample Survey is the only agency which could be made responsible for getting these things done. The National Commission for Enterprises in the Unorganised Sector may consider making a recommendation to this effect.

The NSS 59th Round Situation Assessment Survey of Farmers, (2003)

Introduction

4.93 The 2003 *Situation Assessment Survey of Farmers*, conducted as part of the NSS 59th Round, produced a series of five reports.

4.94 They are:

(i) Report No 495, which covered *Consumption Expenditure of Farmer Households*;

(ii) Report No 496, titled *Some Aspects of Farming*;

(iii) The key volume from the point of view of estimates of income from informal agricultural enterprises, Report No 497, headed *Income, Expenditure and Productive Assets of Farmer Households*;

(iv) Report No 498, on *Indebtedness of Farmer Households*; and

(v) Report No 499, titled *Access to Modern Technology for Farming*.

All five reports are based on *Situation Assessment Survey* data gathered using Schedule 33.

4.95 Concurrently with the Situation Assessment Survey, three other subjects of enquiry were covered during the 59th Round. They were the *Land and Livestock Holdings*, (Schedule 18.1), the *Debt and Investment* survey, (Schedule 18.2), and the *Consumer Expenditure* survey, (Schedule 1.0). These three Schedules were canvassed in both rural and urban areas. The *Situation Assessment Survey*, on the other hand, was canvassed only in rural areas.

4.96 The 59th Round survey period was from January to December 2003, covered in two sub-rounds.

The Situation Assessment Survey: Coverage, Concepts, and Content.

4.97 The whole of rural India was covered except Leh and Kargil districts of Jammu and Kashmir, interior villages of Nagaland situated more than five kilometers away from any bus route, and some villages in the Andaman and Nicobar Islands. The Central Sample survey was conducted in 6,638 rural villages and covered 5,770 farmer households.

4.98 A household which had at least one farmer member was defined as a '*farmer household*'. A person who possessed some land *and* engaged in agricultural activities on any part of it during the preceding 365 days was counted as a '*farmer*'. Agricultural activities include cultivation of field crops and horticultural crops, growing of trees or plantations, (such as rubber, cashew, coconut, pepper, coffee or tea), animal husbandry, poultry, fishery, bee-keeping, vermiculture, sericulture and so on. According to this definition of farmer households, about 60 percent of all rural

[85] Page 256 *opcit.*

[86] Page 255 *opcit.*

households were found to be farmer households. (It may be noted, at this point, that if informal non-farm enterprise households were to be defined in the same manner, the result would be a substantial intersection set of households, which were defined as both farmer households and non-farm enterprise households, simultaneously. This suggests that, in the larger scheme of things, this is not a very good way of defining either farmer households or farm enterprises.)

4.99 *Excluded* from the definition of 'farmers', are: (i) persons engaged in agricultural and/or allied activities, but not operating a piece of land; (ii) agricultural labourers; (iii) coastal fishermen; (iv) rural artisans; (v)persons engaged in agricultural services; and (vi) persons who have left their entire land as current fallow during the reference period of the last 365 days.

4.100 Nine possible principal sources of income are distinguished: (i) cultivation, (ii) farming other than cultivation, (iii) other agricultural activities, (iv) wage/salaried employment, (v) non-agricultural enterprises, (vi) pensions, (vii) remittances, (viii) interest and dividends, and (ix) others. Of these, the single largest income source is defined as the '*principal income source*'. '*Cultivation*' is defined as crop production by tillage and related activities. '*Farming other than cultivation*' includes animal husbandry, poultry, bee-keeping and fishery. '*Other agricultural activities*' include growing of trees, horticultural crops (orchards), and plantations of rubber, cashew, pepper, coffee, tea and so on.

4.101 However, information on income was collected for four income sources only. This was done through separate blocks in the questionnaire on (i) receipts and expenses relating to cultivation, (ii) receipts and expenses relating to farming of animals, (iii) receipts and expenses relating to non-farm business, and (iv), income from wages. Data on income from land rent, including rent obtained as share of produce, and income from pensions, remittances, interest, dividends and so on were not collected.

4.102 This is unfortunate, both from the standpoint of completeness, and from the standpoint of capturing some of the ground realities which matter. In rural areas especially, the diversification of activities of individual persons and of household income sources among both farmer households and informal non-farm business households is endemic. For some, it is a survival strategy; for others it may be the route to relative prosperity for the household.

4.103 On an all-India basis, the principle income source of the average farmer household is cultivation. But average income from cultivation (Rs 969), is closely followed by income from wages (Rs 819), then income from non-farm business (Rs 236), and income from farming animals (Rs 91). However, among farmer households in a number of states, income from wages was found to exceed income from cultivation, and in four states, (Rajasthan, Orissa, Tamil Nadu and Kerala), wage income accounted for 50 percent or more of total income from these four sources.

4.104 The reason why members of farmer households get involved in multiple activities becomes clear from one stark fact, recorded in Appendix Table 6 for all-India[87]. On an all-India basis, the average farmer has to possess at least 4 ha to earn enough from cultivation to cover consumption expenditures – and about 94 percent of farmers have less than 4 ha.

4.105 Parallel results emerge from micro studies of rural non-farm business operators and their households. Multiple activities and multiple income sources are the order of the day in households in which at least one member runs an informal non-farm business, and a substantial subset of such households earns more from either agricultural labour, and/or cultivation or renting out land than they do from the household member's non-farm business.

4.106 This suggests that the farmer *household* should not be equated with the agricultural enterprise any more than should the non-farm business operator's *household* be equated with the non-farm business. The danger in the present definition of farmer household, is that it may be treated as coterminous with the agricultural enterprise. In other National Sample Survey Rounds, *households* are classified into five broad categories by main income source:

[87] Page A-192, NSS Report 497. *Income, Expenditure and Productive Assets of Farmer Households*, 2003, NSS 59th Round, *Situation Assessment of Farmers*, Ministry of Statistics and Programme Implementation, GOI, December 3005.

(i) households whose main income comes from self employment in agriculture, (ii) households which rely mainly on earnings from self-employment in non-agriculture, (iii) households which depend mainly on earnings from agricultural or (iv) other labour, and (v) a residual category labelled 'others'. The *Situation Assessment Survey's* farmer households could belong to any of these categories.

4.107 These considerations lead to two suggestions. First, that the term 'farmer household' should be banished from any future survey designed to collect information on agricultural incomes and related matters. And secondly, that the NSS should not only collect data on *all* income sources of farmers and their households, but should also collect similar data on the multiple income sources of own account and other workers employed in unorganised non-farm sector enterprises.

4.108 Two visits were made to each sample household, the first during January to August, and the second during September to December. Visit number one focussed on Kharif season activities, from particulars of land possessed during Kharif and area under irrigation, to fertilizer and pesticide use during Kharif, purchase and sale of productive assets from July to December 2002, expenses, including labour costs of casual and regular labour, and receipts from cultivation during the same period. Visit number two collected the same information for the Rabi season.

4.109 The reference period for other information was either 365 days, (for the use of energy for activities from ploughing to lighting, for example), or 30 days. The 30 day reference period applied to data collected on expenses and receipts from non-farm income sources, including the farming of animals and non-farm businesses. Most of the consumption questionnaire, (blocks 18 and 21), relate to the last 30 days, but data collected through blocks 19,20 and 22, (on consumption of clothing and footwear, education and medical goods and services, and purchase, construction, repair and maintenance of durable consumption goods), relate to the last 365 days.

4.110 Some information was collected on the first visit only. This included the land status information gathered in block 3, household characteristics such as household size, principal industry, principal occupation, household type, social group, principal income source and so on. Questions on awareness of certain aspects of farming and access to modern technology were also asked only in sub-round one.

4.111 For each household member, information was also gathered on current weekly activity status and NIC (1998) code, and earnings received in cash and kind.

4.112 In short, Schedule 33 provides an excellent starting point for the collection of the data required to estimate 'income, employment and related aspects' of unorganised/informal enterprises engaged in agricultural and allied activities. A great deal of information, useful for analysing the character of rural informal (and formal) agricultural enterprises and income generated by them was collected. However, some additional information would be needed to define unorganised/informal enterprises in the farm sector in a way conceptually comparable to the definition of unorganised/informal non-farm enterprises. On the other hand some of the information which was gathered could well be dispensed with, at least for purposes of surveys of unorganised agricultural enterprises.

Concepts and Coverage of the Situation Assessment Survey of Farmers: The Main Limitations

4.113 The definitions of *farmer* and *farmer households* tend to blur established distinctions. They do not commend themselves for use in identifying informal enterprises in agriculture and related activities, nor does the word *farmer* fit into any of the now standard conceptual categories used to identify informal workers.

4.114 In standard NSS usage, *households* are classified by main income source, and workers by the majority-of-time criterion. *Agricultural households* are those whose main income comes from self-employment in agriculture. *Enterprises* are defined as production units, and there are three possibilities. The production unit may be (i) a formal sector enterprise, (ii) an informal sector unit, or (iii) a household producing goods exclusively for their own final use. In principal, an informal sector agricultural unit could belong to either set (ii) or set (iii).

4.115 While in the case of surveys of non-farm enterprises, the procedure for identifying production units commonly involves two listing schedules – one to identify the 'visible' units, and

the other a household listing schedule to catch own account workers and other non-farm business operators whose enterprises are not so readily identifiable – in the case of surveys of agricultural enterprises, only the household listing schedule is required. It needs to include suitable questions about employment status and industrial classification of individual members of the household and about land possessed.

4.116 The first limitation of the *Situation Assessment Survey* is that the data collected does not permit the identification of informal sector agricultural units.

4.117 Instead it identifies the *farmer* as a person who possesses land and engages in one or more of a specified set of agricultural activities and the *farmer household* as the income generating unit. However, it does not take much by way of changes in wording to define the *agricultural production unit* as a unit which produces field crops, horticultural crops, poultry and the products of any other of the specified agricultural activities listed in the Report. The requirement that the agricultural production unit must possess land is probably redundant.[88]

4.118 Similarly, having kept all the land possessed fallow for a year should not disqualify a dormant agricultural production unit from enterprise status at the household listing stage. This can be done at a later stage if the unit turns up in the sample. (Dormant, or semi-dormant units such as a tree plantation looked after by a single watchman on an annual basis, are a part of what we may need to know about agricultural enterprises.)

4.119 To establish that a unit identified as an agricultural enterprise is an *informal enterprise*, some additional questions would have to be asked to establish that the criteria laid down by the 15th ICLS for identifying informal enterprises are, in fact, met. To recapitulate, to qualify as an informal enterprise, the agricultural production unit must possess certain specified characteristics. (i) It must be *either* a private, unincorporated enterprise, owned by individuals or households, not constituted as a separate legal entity independent of its owners, *or* an unincorporated partnership or cooperative formed by members of different households, if they lack complete sets of accounts. (ii) It must *either* produce goods for sale or barter, *or* produce goods exclusively for their own final use. (iii) It must satisfy an *employment size* criterion, (which should be the same as that adopted for informal non-farm enterprises), and (iv)the enterprise should not be registered under specified forms of national legislation.

4.120 Most of the rest of Schedule 33 could be canvassed as it now stands, although some Blocks could be abbreviated or dropped from the Visit 1 version of the questionnaire, for example Blocks 5, 6, and 12.

4.121 The case for doing the job of redesigning Schedule 33 to accommodate the requirements of a periodic unorganised/informal agricultural enterprise survey is strong. There is simply no other all-India survey which could provide periodic data on incomes generated by informal agricultural enterprises, or formal ones, for that matter.

Towards a Complete and Coherent Data Base for Organised and Unorganised Enterprises and Formal and Informal Employment: Some Recommendations

The Ultimate Objective

5.1 The development of a complete and coherent Indian data collection system for both organised/formal *and* unorganised/informal enterprises and employment needs to be officially endorsed as an ultimate objective. To achieve this objective, one completely new survey is required, in addition to some significant restructuring of existing surveys. The task is then to make these component parts fit together to create a complete and coherent whole. The recommended end product is described below.

5.2 Visualise three coordinated survey sets.

5.3 The first set has three constituents. Of these, two are already in existence; the initiation of the third has been strongly recommended by the National Statistical Commission, (2001). They are: (i) the Annual Survey of Industries and (ii) the proposed counterpart Survey of Non-Manufacturing Industries to cover organised non-manufacturing enterprises as recommended by the National Statistical Commission, and (iii) the NSSO follow

[88] And in rare cases, inappropriate, as in the case where an enterprise which propagated and grew orchids, mainly for export, on the extensive roof of a large warehouse.

up surveys of unorganised enterprises.

5.4 The existing periodic NSSO employment and unemployment surveys constitute the second set. With very slight amendment, Schedule 10 of the NSS 61st Round, can be used to obtain separate estimates of informal and formal workers in *all* industrial categories, including agriculture, and their characteristics.

5.5 The third constituent is required to fill up the great gap in the present Indian statistical system – the absence of any periodic survey of agricultural enterprises in India. The proposed Agricultural Enterprise Survey can be based on a revised version of an existing NSSO questionnaire – Schedule 33 of the 59th Round. Its purpose would be to gather data on organised and unorganised agricultural enterprises, the households and workers involved in them, with special reference to income generation processes.

5.6 The resulting three basic data sets would leave no subset of enterprises or workers uncovered, and none double counted. Comparability and/or compatibility of concepts and methodologies should be ensured, so that estimates of absolute numbers of enterprises, workers and GVA by sector would be additive across the three surveys.

5.7 The time has come in India, to take such a holistic, comprehensive view of the data base on organised and unorganised enterprises and of formal and informal workers, separately and combined, in both the agricultural and the non-agricultural sectors. Within the non-agricultural sector, organised *non-manufacturing* enterprises as well as manufacturing units would be covered, on a comparable basis. Within agriculture, data on organised as well as on unorganised enterprises would be obtained.

Summary of Issues and Recommendations Relating to Existing and Prospective Official Surveys

5.8 In designing new survey questionnaires and revising old ones, particular attention needs to be given to needs of non-official users, as well as to the inadequacies in conceptual frameworks, definitions and coverage of official Indian surveys identified in sections 1.1 to 4.3 of this Policy Paper. These issues, and recommendations following from them, are summarised in sections 7.2.1 to 7.2.3. below.

Theoretical Constructs and Grass Roots Realities

5.9 A key question in the development literature is: what is the role of informal enterprises and informal employment in capital accumulation, income and employment generation? The data collected through official formal and informal enterprise and employment surveys should make it possible to answer this question and to track the transitions from agriculture to non-agriculture, from self-employment to waged and salaried employment, as well as the long-term evolution of formal and informal enterprises and employment, with respect to each sector separately and in all sectors combined.

5.10 The early ILO sponsored literature underlined the need to capture the grass roots realities. They gave top priority to identifying *factors that restrict the employment potential and earnings of informal sector workers.*[89] These, and other studies thought it important to include a *technology variable* in their questionnaires,[90] either the use of electricity in production, or more generally, the use of motorised or power equipment.[91] In India, information on the *prevalence of multiple income sources* among operators of unorganised/informal enterprises and members of their households, and their employment status, has proved analytically useful. Similarly, *the extent to which those who run unorganised/informal enterprises are independent decision makers* with respect to what to produce and how much to produce, and when, can provide insights into the character of their

[89] Lack of access to infrastructure services and the inadequate education and skill levels of informal workers were identified as key constraints

[90] The NSSO's 61st Round schedule 10 now asks workers (except those engaged in growing of crops, market gardening and horticulture, who are excluded from the coverage of columns 8 to 15 in Block 5.1), "whether the enterprise uses electricity for its production."

[91] The link between motorisation of operations and superior gross value added per worker is found to be highly significant.

operations.[92] Finally, *social group* has been shown to be a decisive factor in determining what kind of enterprises people operate.[93]

Issues Raised by and Recommendations Following From the Work of the 15th and 17th International Conferences of Labour Statisticians

5.11 In relation to statistics on unorganised/informal enterprises and employment, Indian practice broadly follows the scope, definitions and conceptual frameworks endorsed by the 15th and 17th International Conferences of Labour Statisticians. Thus their shortcomings have been incorporated into Indian practice.

5.12 There are two sets of issues. The first is about how to deal with the definitional and other issues relating to statistics on *informal sector enterprises*, raised by the decisions of the 1993 15th International Conference of Labour Statisticians. The second is what needs to be done to amend the conceptual framework and scope of the statistics on *informal employment* endorsed by the 17th International Conference of Labour Statisticians in 2003. It is recommended that these two sets of issues should be dealt with separately, as is done below.

Definitions, coverage and other issues related to statistics on informal sector enterprises

5.13 The big problems arise in relation to the *definitions* and *coverage* of informal sector enterprises. Both in principle and in practice, the criteria adopted by the 15th ICLS for *inclusion* of some enterprises, and *exclusion* of others, may be considered to fall short of what is required by policy makers and economic analysis in India.

5.14 Under the 15th ICLS definition, households producing goods exclusively for their own final use are *excluded*. So also are private unincorporated enterprises engaged in agriculture and related activities, even though they may meet all the other criteria for inclusion. The result is that these two categories of enterprises are not counted at all, neither as formal enterprises nor as informal enterprises.

5.15 In view of this, it is recommended that, as a first approximation, all production units not counted as formal, (or organised) sector enterprises be covered, *one way or another*, in the *definition* of informal sector enterprises. (This does not mean that they should all be covered, for data collection purposes, by the *same* informal sector survey.)

5.16 The definition of informal sector enterprises should include all production units not counted as formal sector enterprises for several reasons.

(i) First, for *completeness* sake, all production units need to be accounted for *either* in the formal *or* in the informal sector. Classifications of this type are, in principle, required to be both *exhaustive* and *mutually exclusive*. That is, in principle, no production unit should be *left out of both the formal and the informal lists*; and, no production unit should *be included in both lists*.

(ii) Secondly, in the perspective of economic development theory, the transition from "traditional" to "modern", or from subsistence, (or precapitalist) to capitalist enterprises needs to be tracked. Subsistence hunting and gathering, fishing, animal husbandry and agricultural activities can be viewed as merely the first stage in a continuum that runs all the way from self provisioning activities to modern, exclusively market oriented capitalist businesses.

(iii) Thirdly, with respect to agricultural enterprises in general, it should be noted that the substantive decision by the 15th ICLS was to exclude all agricultural production units from the scope of informal sector surveys, "*for practical data collection reasons.*"[94] There is no objection to *defining* them as informal sector enterprises. However, measuring their contribution to GDP and to employment, and their other attributes, should be done through a separate survey.

(iv) Fourthly, it needs to be noted that the exclusion of agricultural enterprises *other than* those engaged exclusively in non market production has repercussions for the Conceptual Framework adopted by the 17th ICLS, which is used to define workers in informal employment. As a

[92] The key questions to be asked are: Do they decide what to produce, and when? Do they provide their own raw materials? Do they own the output of their labour?

[93] In one study covering villages in two states, no Scheduled Caste worker was found who operated a food processing unit, a hotel or restaurant.

[94] See footnote number 3, page 3, Hussmans (2004).

consequence of the exclusion of agricultural enterprises from the set of informal sector enterprises, informal agricultural workers, (other than those involved *only* in non- market production) are excluded from the set of informal workers in the economy. This is ridiculous. There is a consensus in India that the vast majority of these workers are in informal employment; moreover, legislation such as the Unorganised Sector Workers Social Security Bill gives official recognition to this interpretation.

5.17 It is therefore recommended that (i) households producing goods exclusively for their own final use should be included as informal sector production units, or 'enterprises' as long as they satisfy criterion number one of the definition adopted by the 15th ICLS, and that (ii) agricultural and allied enterprises should be treated as informal sector enterprises, provided that they meet other criteria for inclusion. It is further recommended that a separate survey of agricultural and allied sector enterprises be conducted, as suggested in section 5.1 The Ultimate Objective, above.

5.18 Further, it is recommended that enterprise survey questionnaires should have a question to capture the relative importance of self-provisioning activities and that of market oriented production, particularly in surveys of households engaged in agriculture, animal husbandry, hunting and gathering and fishing.

5.19 The 15th ICLS left the *employment size criterion* to be determined by national circumstances. It is recommended that in the interests of simplicity and uniformity, the cut off point for inclusion should be 10 workers or less, regardless of the paid or unpaid status of the employment. (Additional information may be asked for, such as the number of paid workers, as suggested in Hussmans (2004) *section 3.2* Survey Questions. It may be noted this information was asked for in the 1999-2000 NSS Socio Economic Survey, Schedule 2, but not in Schedule 10. It was also included in the 2000-2001 Unorganised Enterprise Survey on Manufacturing.)

5.20 *Registration status* should continue to be treated as a flexible criterion, but units should *not* be included whose membership in the informal enterprises set is counter intuitive because of their formal financial, technical or organisational links with, and some measure of control by, modern formal sector units. The sales outlets of Delhi Cloth Mills, Bombay Dyeing and Bata Shoes are examples of this kind. In some states, liquor shops, operated on a commission basis, are another. So also are a variety of modern sector units operated under a 'franchise' system or as closely supervised ancillaries of large manufacturing companies. Some measure of the independence from the formal sector unit of the informal enterprise proprietor may be what is required here. It is recommended that further discussion be undertaken on this issue to arrive at suitable criteria. It is further recommended that steps be taken to ensure that those units which are excluded from the informal sector under these criteria, are *included* in the *formal* sector.

5.21 In the case of modern hi-tech units engaged in professional or technical activities such as dentists, doctors, accountants, architects, and engineers, similar concerns may arise. The 15th ICLS suggested three basic criteria. (i) the units should qualify as informal own-account enterprises, or as enterprises of informal employers; (ii) employment size; and (iii) non-registration of the enterprises or its employees. It is suggested that an additional *earnings ceiling* criterion could be applied, or possibly a *value of productive assets owned or taken on hire criterion*. (The estimated-value -of- assets criterion is easier to ascertain, and inquiry into the use of such assets less likely to lead to understatement of GVA).

Defining Informal Employment in the Context of the Conceptual Framework of the 17th International Conference of Labour Statisticians

5.22 The Conceptual Framework adopted by the 17th ICLS makes it easy to identify the lacunae in the definition of *informal employment*.

5.23 The first problem is that *contributing family workers* from households producing goods exclusively for their final use are not covered (See cell numbered 9 in the Conceptual Framework adopted by the 17th ICLS). The same procedure is adopted by Sastry (2005). He says explicitly "there cannot be

contributing family workers in household non-market production units."[95] Two kinds of problems may be anticipated here.

5.24 First, visualise a single fishing-cum-farming household. The husband organises the fishing activities. His 14 year old son helps out. The wife grows a few crops and looks after some chickens. (They make their own boat, fishing nets, digging tools etc.) This sort of household exists in India, although villages where this kind of production unit is common may never come into the NSS sample. But if any such village does so, one can anticipate that the male fisherman will be counted as an own-account worker, (cell 9), his wife who runs the farm enterprise, may or may not be counted, but their son who is seen only as a helper is likely to get left out. I think a case can be made to take care of this eventuality, by simply introducing a new cell 10 in the cell preceding the present cell 10. It is therefore recommended that *contributing family workers* should be recognised as an additional category in households producing goods for their own final use.

5.25 Now, visualise a cooperative group of such fisherman possessing 2 or 3 homemade boats, and involving, say five or six households from the same tribal group. They apportion the catch among the participating households, whose members also engage in cultivation, or perhaps hunting and gathering. Countries other than India, also have such cooperative groups engaged almost exclusively in raising cattle. The 17th ICLS format does not allow for such groups of persons from different households, engaged in a common self-provisioning endeavour. It is therefore recommended that, in principle, the 17th ICLS Conceptual Framework for Informal Employment, and the associated survey questionnaires, be modified to define all possible *jobs by status in employment* which such forms of self provisioning enterprise are likely to include. This would involve opening up yet another new cell, to the right of what is now cell 10, under *members of (informal) producers cooperatives*, comprising workers from several households.

5.26 The second problem, is that the large set of workers who are engaged in agricultural production at least partly for sale or for barter, are left out completely because agriculture has been excluded from the scope of informal sector statistics.

5.27 In line with the suggestion recorded by Hussmans (2004),[96], it is recommended that the same criteria as used for the definition of informal jobs in other sectors should be adopted for jobs held in agriculture and allied activities by own account workers, other workers in informal sector enterprises, and members of agricultural producers cooperatives. Given repeat surveys along the lines of schedule 10 of the household survey of the 1999-2000 NSS *Informal Sector in India* survey, there should be no difficulty in modifying Blocks 5.1 and 5.2 to cover persons with industry divisions 01,02 and 05 in the 1998 National Industrial Classification at the two digit level.

5.28 In the NSSO's 61st Round, Schedule 10, some of these omissions were made good. Persons engaged in farming of animals (NIC 1998, code 012), in agricultural and animal husbandry services, except veterinary activities (code 014) in hunting, trapping and game propagation (code 015), forestry, logging and related activities (Division 02), fishing, fish farming and so on (Division 05), were all covered.

5.29 But agricultural 'proper', (Division 011)), was excluded. Division 011 covers the growing of crops, market gardening and horticulture, that is, the kind of activities that the overwhelming majority of workers in agriculture and allied activities are engaged in.

5.30 It is recommended that Schedule 10, Blocks 5.1 and 5.2 of the 61st Round, be amended to include persons with Division 011.

Issues and Recommendations Relating to the Existing Official Indian Data Base

5.31 Four official data sources constitute the key components of the existing Indian database on income and employment in unorganised/informal enterprises and informal workers. They are: (i) the NSSO – CSO *Unorganised Enterprise Survey*

[95] Page 11, Sastry, N.S. (2005) *Estimating Informal Employment and Poverty in India, Discussion Paper Series-7* UNDP India, New Delhi

[96] See page 8, section 2.3.4. in Hussmans (2004) *op cit*

reports, (ii) the NSS 55th Round report on the *Informal Sector in India 1999-2000*, and most recently, the 61st Round NSS employment and unemployment survey, (iii) the NSS employment and unemployment Survey's estimates of Usual Principal and Subsidiary Status Workers minus the DGE & T *organised* employment estimates, and (iv) the NSS 59th Round *Situation Assessment Survey of Farmers, 2003.*

Issues and Recommendations Relating to the Coverage, Content and Periodicit of Surveys of Organised and Unorganised Non-farm Enterprises.

5.32 This subsection draws heavily on the work of the National Statistical Commission (2001). The first two recommendations, (below), relate to problems tending to undermine the accuracy of unorganised enterprise survey data from the "outside", that is, because of gross underestimates from the side of the Economic Census, and because of the shortcomings and lacunae of the organised sector data base.

5.33 In the interests of a better data base for unorganised sector enterprises, the *National Commission on Enterprises in the Unorganised Sector* may consider adopting the recommendations of the National Statistical Commission (2001) relating to (i) the proposed *Survey of Non-Manufacturing Industries*, (ii) the creation of a *Business Register*, and (iii) the development of a unique coding system for all organised sector enterprises. While these recommendations relate to the data base for the *organised* sector, they could, if implemented, solve the 'common upper boundary' problem of the *unorganised* enterprise data base, stated in terms of the number employed.

5.34 Since Economic Census data on number of enterprises and workers are used as the sampling frame for the selection of villages and blocks in the unorganised enterprise surveys, measures must be taken to improve the quality of Economic Census data, particularly to reduce the problem of under listing of enterprises by the enumerators in the Economic Census, which was highlighted by the Statistical Commission.

5.35 Five problems internal to the working of the unorganised enterprise surveys were also identified by the Statistical Commission

(i) Anomalies in unorganised enterprise data, such as reversals in growth trends in employment, value added and value of fixed assets need to be looked into. The deficiencies in survey methodology, which are responsible should be identified so that remedial measures can be taken.

(ii) Concerns about the 'underestimation' of GVA need to be looked into. Additional questions about other income sources of enterprise proprietors and members of their households may be required to gain a perspective on the income generation process.

(iii) Standard errors of key estimates "should invariably be published in the reports."[97]

(iv) A common time period for coverage of enterprises in different sectors should be laid down, so that for any particular economic sector, the gap between surveys is about the same for every sector.

(v) *All* non-farm sectors should be covered. (Construction, for example was covered for the first time only in the NSSO 55th Round *Report on the Informal Sector in India, 1999-2000*. The unorganised enterprises surveys had never done it.)

Issues and Recommendations Relating to the Coverage and Content of the NSS 55th Round's Informal Sector in India 1999-2000 Report and the 61st Round NSS Employment and Unemployment Survey

5.36 Three recommendations arise from the coverage and content of surveys of informal enterprises and informal workers in the NSS 55th and 61st Rounds.

5.37 First, there is no need for a separate *Informal Sector in India* survey along the lines of the NSSO's 55th Round Survey. Of its two Schedules, (Schedule 2 and Schedule 10), the Schedule 2 *enterprise* survey is redundant. It may be dropped in favour of improvements in the sectoral coverage and periodicity of the NSSO's unorganised enterprise surveys.

[97] Page 161, *Report of the National Statistical Commission*, Vol 11, (Aug 2001).

5.38 Secondly, Schedule 10 of the 55th Round has already been revised and extended to cover activities allied to agriculture in the 61st Round version. What is needed now is the inclusion of NIC 1998 *Division 011* activities in Blocks 5.1 and 5.2 of the Schedule 10 questionnaire, to bring agricultural workers engaged in cultivation and agricultural labour into the coverage of the 'informal workers' part of the survey.

5.39 Finally, it is recommended that consideration be given to the possible provisions of the proposed *Unorganised Workers Conditions of Work and Livelihood Promotion Bill*, with a view to incorporating appropriate survey questions about conditions of work into subsequent Schedules 10.

Issues Raised by the Practice of Deriving Estimates of Unorganised Workers by Subtracting DGE&T Organised Employment Estimates from NSS Employment and Unemployment Survey Estimates of Usual Principal and Subsidiary Status Workers

5.40 Revision of Schedule 10 so as to cover *all* sectors, including agriculture, and so as to identify formal and informal workers, together with their characteristics[98] is recommended. This will make it unnecessary to resort to the 'residual method' of estimating the number of unorganised/informal workers in the economy ? a method which rests on very shaky foundations with respect to the organised sector data.

5.41 The DGE&T programme of publishing organised sector employment data based on EMIP collations of employment Exchange Records should be discontinued. In its place the CSO/NSSO could be empowered to organise, coordinate and oversee the implementation of the proposed Survey of Non-Manufacturing Industries and its coordination with Annual Surveys of Industry, including the mandatory use of Business Identification Numbers.

The NSS 59th Round Situation Assessment Survey of Farmers

5.42 The work of redesigning Schedule 33 to accommodate the requirements of a periodic organised/unorganised *Agricultural Enterprise Survey* could be undertaken by the CSO/NSSO in consultation with agencies entrusted with carrying out the ASI and the proposed SNMI surveys, to ensure, as far as considered desirable, (i) the adoption of comparable terminology, concepts and content; (ii) complete coverage such that no enterprise should be left out of *all* the surveys, (i.e. ASI, SNMI and Agricultural Enterprise Survey); and (iii) additivity of estimated numbers of enterprises, GVA and employment across the three surveys at the state and all India level, for rural and urban areas separately.

5.43 To qualify as an unorganised/informal agricultural enterprise, some additional questions would have to be asked to establish that the criteria laid down by the 15th ICLS for identifying informal enterprises are, in fact, met. To recapitulate, to qualify as an informal enterprise, the agricultural production unit must possess certain specified characteristics. (i) It must be *either* a private, unincorporated enterprise, owned by individuals or households, not constituted as a separate legal entity independent of its owners, *or* an unincorporated partnership or cooperative formed by members of different households, if they lack complete sets of accounts. (ii) It must *either* produce goods for sale or barter, *or* produce goods exclusively for their own final use. (iii) It must satisfy an *employment size* criterion, (which should be the same as that adopted for informal non-farm enterprises), and (iv) the enterprise should not be registered under specified forms of national legislation.

5.44 Most of the rest of Schedule 33 could be canvassed as it now stands, although some Blocks could be abbreviated or dropped from the Visit 1 version of the questionnaire, for example Blocks 5, 6, and 12.

[98] Among *formal* workers, it will be necessary to distinguish between those working in public and private sector enterprises, as is done now by the DGE&T.

5.45 The case for doing the job of redesigning Schedule 33 to accommodate the requirements of a periodic unorganised/informal agricultural enterprise survey is strong. There is simply no other all-India survey which could provide periodic data on incomes generated by informal agricultural enterprises, or formal ones, for that matter.

Summing Up

5.46

(i) It is recommended that (i) the definition of unorganised/informal enterprises adopted by the 1993 15th ICLS and embodied in the international *System of National Accounts* (1993), together with (ii) the guidelines for defining informal employment, endorsed by the 2003 17th ICLS, should be adopted with minor modifications as the framework within which to construct definitions, criteria and survey methodologies appropriate to the specific requirements of India circumstances and 'grass roots realities.' (Details about suggested modifications are given in section 5.2.2.)

(ii) It is difficult to make significant improvements in the Indian data base on *unorganised* non-farm enterprises in the absence of a major overhaul of the system for obtaining counterpart data on income and employment generation in *organised* enterprises. In this regard, the recommendations of the National Statistical Commission (2001), should be accepted as guidelines. (Detailed recommendations are given in section 5.2.3.)

(iii) It is recommended that a separate Agricultural Enterprise Survey should be conducted by the NSSO, using Schedule 33 of the 59th Round as the starting point, to provide periodic data on organised as well as unorganised/informal enterprises in the agricultural sector. (See sections 4.2.2.,and 4.2.3 for detailed suggestions and 5.2.3.4 for broad recommendations.)

(iv) It is recommended that minor modifications be made to Schedule 10 of the 61st Round version of the periodic employment and unemployment surveys to identify informal agricultural workers and to obtain the same data on their characteristics as is already obtained for informal workers in all other sectors. (For details see section 5.2.2.2.)

Appendix Table I: Estimated Number of Workers from Schedule 2.0 (enterprise survey) and Schedule 10 (household survey): All India, Rural Urban and Combined 1999-2000

Sector / Subsector of Employment	A. Estimated Number of Rural Workers (000)		
	Enterprise Survey	Household Survey	
		Usual Principal Status	Usual Principal and Subsidiary Status
{1}	{2}	{3}	{4}
1. Manufacturing (D)	17692	15667	17379
2. Construction (F)	**1522**	**6275**	**6352**
3. Trading and Repair Services (G)	11995	11142	11489
4. Hotels and Restaurants (H)	1661	1440	1485
5. Transport, Storage and Communication (I)	**2527**	**4194**	**4241**
6. Financial Intermediation (J)	66	111	112
7. Real Estate, Renting and Business Activities (K)	313	370	377
8. Education (M)	587	685	786
9. Health and Social Work (N)	536	396	408
10. Other Community, Social and Personal Service Activities, Except Domestic Services (O)	**2909**	**3841**	**4059**
11. All Activities	39808	44121	46688
	B. Estimated Number of Urban Workers		
	Enterprise Survey	Household Survey	
		Usual Principal Status	Usual Principal and Subsidiary Status
1. Manufacturing (D)	11969	12362	13086
2. Construction (F)	1148	4601	4635
3. Trading and Repair Services (G)	16408	16232	16755
4. Hotels and Restaurants (H)	2630	2032	2081
5. Transport, Storage and Communication (I)	2700	4396	4436
6. Financial Intermediation (J)	266	301	309
7. Real Estate, Renting and Business Activities (K)	1251	1345	1391
8. Education (M)	1152	1102	1291
9. Health and Social Work (N)	667	604	620
10. Other Community, Social and Personal Service Activities, Except Domestic Services (O)	**1820**	**2455**	**2564**
11. All Activities	39975	45521	47168
	C. Estimated Number of Total (U+R) Workers		
	Enterprise Survey	Household Survey	
		Usual Principal Status	Usual Principal and Subsidiary Status
1. Manufacturing (D)	29661	28029	30465
2. Construction (F)	2669	10876	10987
3. Trading and Repair Services (G)	28403	27466	28244
4. Hotels and Restaurants (H)	4291	3472	3566
5. Transport, Storage and Communication (I)	5226	8591	8677
6. Financial Intermediation (J)	333	412	421
7. Real Estate, Renting and Business Activities (K)	1528	1715	1767
8. Education (M)	1739	1787	2077
9. Health and Social Work (N)	1203	1000	1029
10. Other Community, Social and Personal Service Activities, Except Domestic Services (O)	**4729**	**6295**	**6623**
11. All Activities	79783	89643	93856

Source: Rearranged from Statement 5.1 page 27 **Informal Sector in India 1999-2000: Salient Features** NSSO, May 2001

Note: Bolded figures identify subsectors for which the Household Survey generates much higher estimates than the Enterprise Survey does.

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Appendix

Unorganised Sector Enterprises in India: Conceptual Categories, Criteria and Coverage

In India's National Accounts Statistics the "unorganised sector" includes units whose activity is not regulated by statute or legal provision, and/or those which do not maintain regular accounts. In the case of **manufacturing**, this covers all manufacturing units (I) using power and employing less than 10 workers or not using power and employing less than 20 workers. There is thus an unambiguous ceiling on size. Bigger manufacturing units belong to the organised sector, which includes those registered under the Factories Act of 1948, for which data is regularly collected under the *Annual Survey of Industries*.

In the case of trade, **Government and public sector trading enterprises are excluded but there is no boundary specified in terms of size. Thus even the sometimes large trading units of manufacturing concerns are covered provided that the sales units have a separate and distinct identity. The sale shops of Delhi Cloth Mills, Bombay Dyeing and Bata Shoes are mentioned specifically as coming under the purview of the unorganised trade segment.**

In the case of unorganised **service sector** units, all public sector enterprises owned by central or state governments, local bodies, public corporations and public undertakings are excluded, along with all enterprises registered under the *Banking Companies Act*. In the field of education, only unrecognised institutions are covered. The primary purpose in defining the scope of the unorganised service sector survey coverage was, in the words of the 1991-92 report, "to catch all institutions for which no regular accounts were available"[99]

The same exclusion principles apply to the **transport sector.** Rail and air transport and other enterprises owned or run by government or quasi-government institutions are treated as public sector enterprises which belong to the organised segment. Co-operatives, however, come within the purview of the unorganised segment. Aside from both mechanised and non-mechanised goods and passenger transport by land, inland waterway or sea, the survey covered a wide range of activities under the head "services incidental to transport". There is however, a change in the coverage of unorganised transport after the first, 1978-79, survey. This first survey included porters and coolies under non-mechanised transport. Later transport surveys excluded them, causing a tremendous drop in the numbers of workers recorded as employed in this sector of the industry, in rural areas especially.

The unorganised **storage and warehousing** survey departs somewhat from the usual coverage formula. In addition to storage and warehousing activities under private and co-operative ownership, without any restriction on the size of employment, they have also covered, as a special case, the community grain golas/dharma golas maintained by village panchayats. Also included are storage and warehousing facilities available on hire to farmers, dealers, traders processors and manufacturing enterprises. Storage and warehousing activities undertaken by an enterprise whose main or auxiliary activity was trade, manufacturing or transport were "considered". However, a farmer storing farm produce in his own godown, or a manufacturer doing the same thing were excluded.

The one report available on unorganised communications **follows the usual rubric. Public sector enterprises owned by governments and local bodies, and public undertakings are excluded. In principle the activities covered are those identified by the 1987 National Industrial Classification Code 750, 751 and 759. These four codes identify enterprises providing the following kinds of communications services: postal, telegraphic, wireless and signal communication services. It is difficult to visualise the areas where provision by the unorganised sector is significant. No details are given in the report.**

[99] See page 4 of Report Number 3462 NSSO 34th Round