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Urban Employment in India: Recent Trends and Patterns

Martha Alter Chen and G. Raveendran



WIEGO Working Papers

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Executive Summary

This paper explores trends in urban employment in India, with a focus on urban informal employment (defined as informal wage employment and self-employment in informal enterprises, as well as informal wage employment for formal enterprises and households). It provides an analysis of the overall and growing significance of four groups of urban informal workers at the bottom of the economic pyramid in India: home-based workers, street vendors, domestic workers and waste pickers. Together, these groups represent one third of urban employment in India today. The data presented are from three rounds of the recent large-sample of India's National Sample Survey: 1999/2000, 2004/2005, and 2009/2010 (adjusting for changes in the design and administration of the most recent of these). The data point to significant volatility, with an upswing in self-employment between 2000 and 2005, followed by a reduction in self-employment in the next five years. However, between 2004/2005 and 2009/2010, the combined share of employment for the four informal groups grew by 12 per cent to represent 41 per cent of urban informal employment, increasing by 20 percentage points among *male* urban workers but decreasing by 18 percentage points among *female* urban workers. The data also shows that within the urban informal workforce, there are important differences between women and men workers by industrial branch, employment unit, employment status, and specific groups.

The urban employment trends summarized in this paper defy the stereotypical view of India as the “office of the world.” Rather than being increasingly absorbed into modern formal wage employment, India's urban workforce is, in fact, becoming increasingly *informal*. By 2010, nearly half of the urban workforce was self-employed, while wage employment also became more informal. Recent estimates suggest today's urban workforce is comprised of a *small formal salaried workforce* (20%), of which around two-thirds work in formal offices and factories, a *larger informal wage workforce* (40%) of which around 15 per cent work in formal offices and factories, and a *large informal self-employed workforce* (40%) of which around half work at home or in open public spaces. These trends at the bottom of the economic pyramid indicate a volatility within the Indian labour market that is often masked by aggregated employment data. The authors argue that the data points to the need for an inclusionary approach to the urban informal economy, and contend that the urban informal economy in India should be treated as a part of the solution to employment and poverty issues in India.

Introduction

During the first decade of the twenty-first century, the Indian economy grew at rates in excess of 7 per cent per annum, up from average growth rates of around 5 per cent during the 1990s. However, these high rates of output growth have not been matched by employment growth. The inability of high rates of growth in India to generate sufficient employment opportunities first received serious attention in the late 1990s when aggregate employment generation fell quite significantly (Chandrasekhar and Ghosh 2007).

While employment generation has picked up since 2000, it has not recovered to the rates achieved in the early 1990s and the late 1980s. Between 2000 and 2005, overall employment grew at a rate of 2.85 per cent per annum. During this period, the labour force participation rates for adult men and women (aged 30+) increased slightly while the labour force participation rates for young men and women (aged 15-29) declined. Between 2005 and 2010, there was a marked deceleration in total employment growth, from an annual rate of around 2.85 per cent in the previous five-year period to only 0.2 per cent. During this period, the labour force participation rates for all men and women (aged 15+) declined, especially for women (from 42% to 32%). The labour force includes both those who are actively engaged in work and those who are unemployed but actively seeking work. Over the decade, the overall unemployment rate decreased slightly from 2.4 per cent in 1999-2000 to 2.1 per cent in 2009/2010. But while the unemployment rate for men decreased from 2.6 to 2 per cent, the unemployment rate for women increased from 1.8 to 2.4 per cent.¹

Particularly striking were the different patterns of employment across the decade. Between 1999/2000 and 2004/2005, there was a significant decline in all forms of wage employment. For some time, regular wage employment as a share of total employment had been declining in India.² Over this period, casual wage employment as a share of total employment also declined. This was accompanied by a very significant increase in self-employment in India (Chandrasekhar and Ghosh 2007). This was true not only in agriculture and rural areas but increasingly in non-agricultural activities and urban areas. By 2005, around 57 per cent of the total workforce and 45 per cent of the urban workforce was self-employed. But, according to 2009/2010 data, these trends appear to have reversed during the second half of the decade. Within the overall slow-down in employment growth, self-employment has decreased for both men and women in both rural and urban areas. Casual work has increased in rural areas, especially for men but also for women. Regular employment has increased marginally in urban areas for both men and women (Ibid.).

Several explanations have been posited for this reversal in employment trends. First, the substantial increase in the number of persons engaged in education, especially among those aged 15 to 24 years, means that more young men and women remain “economically inactive” because they are still in school or because they are waiting for good jobs as education has changed their aspirations. But the increase in the education rate, while very welcome, cannot by itself fully explain the dramatic slowdown in employment rate (Chowdhury 2011). Second, the decline in self-employment is linked to the decline in agricultural employment. But there has also been a marked deceleration in non-agricultural employment. Third, the global economic crisis led to a decrease in exports which led, in turn, to a decrease in export-linked employment especially in manufacturing. But export-linked employment represents only a small share of total employment. Another explanation relates to the data itself: namely, that the changes introduced in the design and administration of the 2009/2010 round of the National Sample Survey might account for some of the reported changes in employment. Although the impact of changes in

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

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

design and non-sampling errors cannot be adjusted for easily, we have adjusted for the under-estimation for population totals and used additional filtration rules in this paper and believe, therefore, that the data presented represent a realistic picture. Further analysis of the data and of the patterns of growth in India is needed to identify all of the factors that might together explain the important changes taking place in the labour market in India.

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

This paper explores trends in urban employment in India, with a focus on urban informal employment.³ The data presented are from three of the recent large-sample rounds of the National Sample Survey, which are carried out every five years in India: the 55th Round covering 1999/2000; the 61st Round covering 2004/2005; and the 66th Round covering 2009/2010. All tables in this paper are based on tabulations of the raw data by one of the authors (G. Raveendran). The paper also draws on two analyses of these rounds of the NSSO data by C.P. Chandrasekhar and Jayati Ghosh of the Centre for Economic Studies and Planning, School of Social Sciences, Jawaharlal Nehru University (Chandrasekhar and Ghosh 2007; Chandrasekhar and Ghosh 2011).

A number of innovations were introduced in the design and conduct of the 66th Round Survey. Firstly, there was a reduction in total sample size and a disproportionately larger allocation for urban areas. This was done to reduce the work load of field staff as there were two different types of schedules with equal sample size for the consumer expenditure survey along with the employment-unemployment survey. Secondly, revised industrial and occupational classification codes were used for the survey. While the Occupational Classification codes were revised from 5 to 6 digits, only the first three digits were recorded in the schedule as per the practice in previous rounds. Thirdly, a large number of contract investigators were used for the survey. The impact of these innovations in the results of the survey is not known.

In general, the NSS surveys provide under-estimates of population. In the 66th Round, the under estimation was to the tune of 13.9 per cent for men and 14.2 per cent for women as compared to 12.0 per cent and 9.0 per cent in the 61st Round. It was necessary, therefore, to adjust the survey estimates to conform to census population estimates so as to have any meaningful comparisons between the rounds. In this exercise, it has been done at the level of the four population segments – rural male, rural female, urban male and urban female – in each of the states/union territories of India. It has been difficult to harmonize the occupational codes of the 66th Round with the earlier rounds, as an exact conversion would require at least four digits of the NCO-2004 classification code. But harmonization was achieved by using additional filtration rules.

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

Urban Employment Trends

Between 2000 and 2005, employment in urban India grew at a faster rate per year (3.22%) than in rural India (1.97%) (Chandrasekhar and Ghosh 2007). As of 2004/5, over half (54%) of the urban working age (15+) population (79% of men but only 24% of women) was in the labour force, either actively working or unemployed but actively seeking work (see table 1). The unemployment rate was higher among women (7%) than among men (4%) in the urban labour force. But since 2004/2005, there was a marked slowdown in employment growth in both rural and urban India. By 2009-2010, just under half (49%) of the urban working age population (76% of men but only 19% of women) was in the labour force, either actively working or unemployed but actively seeking work. What was particularly striking was the decline in the labour force participation rate of women by 5 percentage points between 2004-2005 and 2009-2010.

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

Category	Male	Female	Total
2009-2010			
Economically Active	76	19	49
<i>Unemployed</i>	3	6	3
<i>Employed</i>	97	94	97
Economically Inactive	24	81	51
2004-2005			
Economically Active	79	24	54
<i>Unemployed</i>	4	7	4
<i>Employed</i>	96	93	96
Economically Inactive	21	76	46
1999-2000			
Economically Active	79	21	51
<i>Unemployed</i>	5	6	5
<i>Employed</i>	95	94	95
Economically Inactive	21	79	49

Between 1999/2000 and 2004/5, wage employment fell as a share of urban employment from 58 to 55 per cent. By 2004/5, wage employment for male urban workers was at an all-time low, driven by declines in both regular and casual wage work. Among female urban workers, the percentage in regular wage work increased but the percentage in casual wage work fell so sharply that the aggregate percentage in wage employment also fell (Chandrasekhar and Ghosh 2007). The net result was that, as of 2004-2005, only 55 per cent of all urban workers in India were wage employed. But, between 2004-2005 and 2009-2010, the share of wage employment in total urban employment reverted to the 1999/2000 level: to 59 per cent of total urban employment.

What else do we know about the urban workforce in India in 2009-2010? Of the urban self-employed, 85 per cent worked in informal enterprises; the others worked in formal enterprises (5%) or in agricultural activities (12%). Among the urban self-employed, 74 per cent were own account workers (who did not hire others), 21

per cent were unpaid contributing family workers, and only 5 per cent are employers (see table 2). Of the urban wage employed, one third (33%) were formally employed and two thirds (67%) were informally employed. In sum, just under 80 per cent of all urban workers (79% of men and 81% of women) were informally employed.

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

Category	AG	FE	IE	HH	Total
2009–2010					
Total Urban Employed	7	33	58	2	100
<i>Formal</i>	1	61	2	0	21
<i>Informal</i>	99	39	98	100	79
Urban Wage Workers	3	31	23	2	59
<i>Formal</i>	2	59	4	0	33
<i>Informal</i>	98	41	96	100	67
Urban self Employed	5	2	35	0	41
<i>Employers</i>	5	17	5	0	5
<i>Own Account Workers</i>	62	65	76	0	74
<i>Contributing Family Workers</i>	33	18	19	0	21
2004–2005					
Total Urban Employed	9	30	58	3	100
<i>Formal</i>	4	62	1	1	20
<i>Informal</i>	96	38	99	99	80
Urban Wage Workers	3	29	20	3	55
<i>Formal</i>	5	62	4	1	34
<i>Informal</i>	95	38	96	99	66
Urban self Employed	6	2	38	0	45
<i>Employers</i>	4	22	5	0	5
<i>Own Account Workers</i>	52	55	73	0	70
<i>Contributing Family Workers</i>	44	23	22	0	25
1999–2000					
Total Urban Employed	9	32	58	1	100
<i>Formal</i>	2	66	2	2	22
<i>Informal</i>	98	34	98	98	78
Urban Wage Workers	4	31	22	1	58
<i>Formal</i>	4	66	4	2	37
<i>Informal</i>	96	34	96	98	63
Urban self Employed	5	1	36	0	42
<i>Employers</i>	3	13	3	0	3
<i>Own Account Workers</i>	58	66	76	0	73
<i>Contributing Family Workers</i>	40	22	22	0	24

Where – in what industry groups – is the urban workforce concentrated? As of 2009-2010, the largest percentages of both men and women urban workers were in non-trade services, followed by manufacturing for women and trade for men (see table 3). Between 1999-2000 and 2009-2010, among male urban workers, there was an increase in informal employment in trade and construction and a decrease in both formal and informal employment in transport: by 2 percentage points in each case. Among female urban workers, there was an increase in informal employment in manufacturing and non-trade services and a decrease in informal employment in trade and agricultural activities: by 4 percentage points in each case. While informal employment in manufacturing increased among urban women workers, the percentage of urban women who manufactured goods in their own homes decreased by 54 percentage points. This might be explained in large part by the decline in export manufacturing, much of which is sub-contracted to women. And while informal employment in trade had decreased for urban women workers, the percentage of urban women who sold goods from the street increased by 21 percentage points. It should also be noted that the percentage of urban women engaged as domestic workers was particularly high in 2004-2005 (39%) compared to both 2009-2010 and 1999-2000 (31%). At all three points in time, a higher percentage of women urban workers than men urban workers were informally employed, especially in agriculture but also in manufacturing and non-trade services (notably domestic work).

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

Industry Group	Male		Female	
	Formal	Informal	Formal	Informal
2009-2010				
Agriculture	0.1	6	0.0	14
Manufacturing	5	17	2	25
<i>Home-Based</i>	9	23	2	10
Construction	0.6	11	0.2	5
Trade	1	23	0.4	10
<i>Street Vending</i>	0.0	51	0.0	63
Non-Trade Services	14	22	16	28
<i>Transport</i>	16	38	5	2
<i>Domestic Workers</i>	0.00	13	0.00	31
<i>Waste pickers</i>	0.00	0.6	0.00	0.5
Total Urban Employed	21	79	19	81
2004-2005				
Agriculture	0.3	6	0.5	18
Manufacturing	5	19	2	26
<i>Home-Based</i>	10	24	2	10
Construction	0.5	9	0.0	4
Trade	0.7	24	0.2	10
<i>Street Vending</i>	0.0	25	0.0	57
Non-Trade Services	14	21	13	28
<i>Transport</i>	18	39	5	3
<i>Domestic Workers</i>	0.2	5	0.2	39
<i>Waste Pickers</i>	0.0	0.5	0.0	20
Total Urban Employed	21	79	16	85

TABLE 3 continued

Industry Group	Male		Female	
	Formal	Informal	Formal	Informal
1999-2000				
Agriculture	0.2	6	0.3	18
Manufacturing	6	17	2	21
<i>Home-Based</i>	<i>1</i>	<i>18</i>	<i>23</i>	<i>64</i>
Construction	0.4	9	0.1	5
Trade	1	25	0.4	14
<i>Street Vending</i>	<i>0.0</i>	<i>24</i>	<i>0.0</i>	<i>42</i>
Non-Trade Services	15	20	15	24
<i>Transport</i>	<i>18</i>	<i>40</i>	<i>8</i>	<i>3</i>
<i>Domestic Workers</i>	<i>0.4</i>	<i>5</i>	<i>0.3</i>	<i>31</i>
<i>Waste Pickers</i>	<i>0.0</i>	<i>0.002</i>	<i>0.0</i>	<i>0.004</i>
Total Urban Employed	23	77	18	82

Urban Informal Employment

Since the vast majority (79%) of the urban workforce in India is informally employed, it is especially important to understand the trends and patterns of urban informal employment. What follows is an analysis of what the three rounds of NSS data tell us about the composition of urban informal employment by employment status and industry branch and about specific groups of urban informal workers.

By Employment Status

In 2009/2010, urban informal employment was evenly divided between self-employment and wage employment. Whereas in both 1999/2000 and 2004/2005, self-employment represented more than half (54%) and wage employment represented less than half (46%) of urban informal employment (see Table 4). In 2009/2010, among informal wage workers, around 16 per cent of both men and women were employed by formal enterprises: up from 14 per cent at both earlier points in time. Around 75 per cent of male informal wage workers, compared to around 60 per cent of female informal wage workers, were hired by informal enterprises: down slightly from 1999/2000 for both men and women, but up slightly for women from 2004/2005 when a higher percentage of women informal workers were hired by households as domestic workers. In 2009/2010, 9 per cent of female informal wage workers were hired by households as domestic workers: down from a high of 12 per cent in 2004-2005 but up from 6 per cent in 1999/2000. By comparison, the percentage of male informal wage workers hired as domestic workers was 1 per cent in both 2009/2010 and 2004/2005, up only slightly from 1999/2000.

In 2009/2010, 37 per cent of the urban informal workforce (39% of men and 29% of women) were own account workers (i.e., those who run single person operations or family businesses without hired labour) roughly the same percentage as in the two earlier periods. Another 11 per cent (9% of men and 20% of women) were unpaid contributing family workers: down from the earlier two periods. Only 3 per cent of men and less than 1% of women were employers who hired others: the same percentages as in 2004/2005 but up 1 per cent for men since 1999/2000.

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

Sector	Total Worker			Wage Worker			Employer			Own Account Worker			Unpaid Family Worker		
	T	M	F	T	M	F	T	M	F	T	M	F	T	M	F
2009-2010															
Agri.	9	8	17	4	4	8	0.3	0.2	0.3	4	4	3.5	1.9	1.1	5.2
Non-Agri.	88	91	74	44	46	34	2	2	0.4	34	36	26	9	8	15
<i>Formal</i>	16	17	15	16	16	15	0	0	0	0	0	0	0.4	0.4	0.3
<i>Informal</i>	72	75	59	28	30	19	2	2	0.4	34	36	26	9	7	14
HH/DWs	3	1	9	3	1	9	0	0	0	0	0	0	0	0	0
ALL	100	100	100	50	50	51	2	3	0.7	37	39	29	11	9	20
2004-2005															
Agri.	10	7	21	3	2	8	0.2	0.2	0.2	4	4	4	3	1	9
Non-Agri.	86	92	67	38	42	25	2	3	0.4	35	38	24	11	9	17
<i>Formal</i>	14	14	13	14	14	13	0	0	0	0	0	0	0.5	0.4	0.5
<i>Informal</i>	72	77	54	25	28	13	2	3	0.4	35	38	24	10	9	17
HH/DWs	4	1	12	4	1	12	0	0	0	0	0	0	0	0	0
ALL	100	100	100	45	45	46	3	3	0.6	38	41	28	14	10	26
1999-2000															
Agri.	11	8	22	5	3	10	0.2	0.2	0.1	4	4	4	3	1	8
Non-Agri.	87	91	73	41	43	30	1	1	0.5	35	38	25	10	9	17
<i>Formal</i>	14	14	13	14	14	12	0	0	0	0	0	0	0.3	0.3	0.4
<i>Informal</i>	73	77	60	27	30	18	1	1	0.5	35	38	25	10	8	17
HH/DWs	2	0.8	5.7	2	0.8	6	0	0	0	0	0	0	0	0	0
ALL	100	100	100	47	48	46	1	2	0.6	39	41	28	13	10	25

In 2009/2010, around 56 per cent of all urban informal wage workers (56% of men and 53% of women) were regular workers: down from 2004/2005 but up from 1999/2000 for both men and women (see table 5). Among the informal wage workers hired on regular contracts, 23 per cent of men and 20 per cent of women were hired by formal firms: the percentage for both men and women having risen steadily from 1999/2000. Among the informal wage workers hired on regular contracts, 30 per cent of men and 18 per cent of women were hired by informal enterprises: down from both earlier periods. Among regular informal wage workers, 14 per cent of women and only 2 per cent of men were hired by households as domestic workers: down significantly since 2004/2005 but up slightly since 1999/2000 for women. In 2009/2010, casual workers represented 45 of urban informal wage workers (44% of men and 48% of women): up significantly from 2004/2005 but down significantly from 1999/2000 for men and especially women. Among all casual wage

workers in 2009/2010, 7 per cent worked in agriculture; 9 per cent worked for formal firms; 27 per cent worked for informal enterprises; and 1 per cent worked as domestic workers in households.

Among casual workers, there were important differences between men and women. Among urban informal wage workers, the percentage engaged in casual work decreased from 47 for men and 56 per cent for women in 1999/2000 to 20 and 44 percent, respectively, in 2004/2005 and then rose to 44 per cent for men and 48 per cent for women in 2009/2010. As of 2009/2010, only 5 per cent of male casual workers but 15 per cent of female casual workers were engaged in urban agricultural activities. Nine per cent of both male and female casual workers were engaged by formal firms. Nearly 30 per cent of male casual workers and 20 per cent of female casual workers were engaged by informal enterprises. Less than half a per cent of male but 4 per cent of female casual workers were engaged as domestic workers by households. In sum, casual wage employment decreased significantly for both men and women between 1999/2000 and 2004/2005, then increased for both between 2004/2005 and 2009/2010 but not to the 1999/2000 level. The only category of casual wage employment that increased over the ten-year period, for both men and (more so) women, was domestic work: despite the fact that the percentage of women employed as domestic workers declined significantly during the second half of the decade.

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

Sector	Regular			Casual		
	Total	Male	Female	Total	Male	Female
2009-2010						
Agriculture	0.4	0.4	0.4	7	5	15
Non-Agri	51	54	39	37	39	28
Formal Economy	23	23	20	9	9	9
Informal Economy	28	30	18	27	29	19
HHs	4	2	14	1	0.4	4
ALL	56	56	53	45	44	48
2004-2005						
Agriculture	0.5	0.6	0.3	7	4	17
Non-Agri	52	57	34	33	36	22
Formal Economy	21	21	19	10	10	9
Informal Economy	31	36	14	23	26	14
HHs	6	2	22	2	0.4	5
ALL	59	60	56	41	40	44
1999-2000						
Agriculture	0.5	0.6	0.3	9	6	22
Non-Agri	42	51	31	39	40	34
Formal Economy	18	18	17	11	12	10
Informal Economy	30	33	15	28	29	25
HHs	4	2	12	0	0	0
ALL	52	53	44	49	47	56

By Branches of Industry

Across the first decade of the twenty-first century, urban informal employment in India has been concentrated in three industry groups: manufacturing, trade, and non-trade services: at 26, 29, and 32 per cent, respectively, in 2009/2010. The percentages of the urban informal workforce concentrated in manufacturing and non-trade services went up during the decade (from 25% and 30%, respectively, to 26% and 32%) while the percentage in trade went down (from 33% to 29%). Another 13 per cent was in construction as of 2009/2010: up slightly from the two earlier points in time (see table 6). But the percentage distribution has remained quite different for men and women. Compared to women informal workers, in both 2009/2010 and 2004/2005, more than twice as many men informal workers were in trade. The gender gap in informal trade was somewhat narrower in 1999/2000: with only 1.6 times as many men as women urban workers in informal trade. At all three points in time, 11 times as many men as women informal workers were in transport. Across the decade, women were over-represented in non-trade services, other than transport, as well as in manufacturing.

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

Industry	Total	Male	Female
2009-2010			
Manufacturing	26	24	38
Construction	13	15	7
Trade	29	32	14
Street Vendors	15	16	9
Non-Trade Services	32	30	41
Transport	9	11	1
Waste Picking	0.2	0.2	0.2
Domestic Worker	6	4	13
Total of the above	100	100	100
2004-2005			
Manufacturing	28	26	38
Construction	11	12	6
Trade	29	33	15
Street Vendors	8	8	8
Non-Trade Services	32	30	41
Transport	9.3	11.3	1.1
Waste Picking	0.1	0.1	0.2
Domestic Worker	4	2	16
Total of the above	100	100	100
1999-2000			
Manufacturing	25	24	33
Construction	11	12	7
Trade	33	36	22
Street Vendors	8	8	9
Non-Trade Services	30	28	38
Transport	9	11	1
Waste Picking	0.1	0.1	0.1
Domestic Worker	3	1	12
Total of the above	100	100	100

Specific Groups

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

Table 7 presents the share of these four groups of workers in total and informal urban non-agricultural employment. Among both total and informal urban workers, the share of all four groups combined – domestic workers, home-based workers, street vendors, and waste pickers – increased between 1999/2000 and 2009/2010. However, there was significant variation within this overall trend between and within the female and male urban workforce, both total and informal. There was an increase in domestic work but a decrease in home-based work among all urban women workers, both total urban and informal urban. There was an increase in street vending and waste picking among informal urban women workers but not among all urban women workers. There was an increase in all four categories of workers among urban men workers, particularly in home-based work and in street vending.

What is striking is the share of these four groups in urban employment. As of 2009/2010, the four groups combined represented 33 per cent of *total* urban employment: 35 per cent of male and 24 per cent of female urban employment. And the four groups combined represented 41 per cent of urban *informal* employment: 44 per cent of male and 29 per cent of female urban informal employment. Virtually all workers in each of these groups are informally employed: in 2009/2010, for instance, only 5 per cent of home-based workers were formally employed.

What is also striking is how these percentages have changed since 2004/2005. At that time, the four groups combined represented 21 per cent of *total* urban workers (15% of men and 42% of women) and 26 per cent of urban *informal* workers (19% of male and 50% of women). In sum, the combined share of these four groups had increased from 21 to 33 per cent of *total* urban employment and from 26 to 44 per cent of urban *informal* employment.

What is most striking is the reversal in the percentage of urban men and women, in both the total and informal workforce, in these four groups. In 2004/2005, nearly three times as many women as men, in both the total and informal urban workforce, were in these four groups. By 2009/2010, 1.5 times as many men as women, in both the total and informal workforce, were in these four groups. What accounts for this marked shift? How much does the decline in the prevalence of these groups in the female workforce account for the decline in the female labour force participation rate between 2004/2005 and 2009/2010? Also, why did a larger percentage of men begin working in these occupations? The data suggest that, with the decline of self-employment opportunities, a large number of men entered into these occupations, pushing women out of these occupations.

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

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

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

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

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

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

	% of Urban Employment			% of Urban Informal Employment		
	Total	Male	Female	Total	Male	Female
2009–2010						
Domestic Worker	4	3	8	5	4	10
Home-Based Worker	18	20	9	23	25	11
Street Vendor	11	12	6	14	15	8
Waste Picker	0.1	0.1	0.1	0.1	0.1	0.2
All	33	35	24	41	44	29
2004–2005						
Domestic Worker	3	1	11	4	2	13
Home-Based Worker	12	8	26	15	10	30
Street Vendor	6	6	6	8	8	7
Waste Picker	.1	0	.1	.1	.1	.2
All	21	15	42	26	19	50
1999–2000						
Domestic Worker	2	1	8	3	1	9
Home-Based Worker	11	8	22	14	10	26
Street Vendor	6	6	6	8	8	7
Waste Picker	.0	.0	.1	.1	.0	.1
ALL	19	15	35	24	19	43

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

Home-based workers – that is, those whose place of work is their own home – represent the largest group of these four groups: as home-based workers can be found across most industry groups. In 2009/2010, 18 per cent of all urban workers were home-based. This was up from both 1999/2000 and 2004/2005 when 11 and 12 per cent, respectively, of all urban workers were home-based. By 2009/2010, 23 per cent of urban informal workers were home-based workers. Again, this was up from both 1999-2000 and 2004/5, when 14 and 15 per cent, respectively, of urban informal workers were home-based. But the trends were reverse for urban men and women workers. The prevalence of home-based work among urban male workers, total and informal, increased significantly between 2004-2005 and 2009-2010: by 12 and 15 percentage points, respectively. While the prevalence of home-based work among urban female workers, total and informal, decreased significantly over the same five years: by 17 and 19 percentage points, respectively. What accounts for these marked reversals in the prevalence of home-based work among the different categories of urban workers?

There are two broad categories of home-based workers: the self-employed (including employers, own account workers, and unpaid contributing family workers) and the wage employed (many of whom are sub-contracted workers known as homeworkers). The percentage distribution of home-based workers across these employment statuses did not change significantly over the first half of the decade but did change significantly over the second half (see table 8). During the second half of the decade, within

the overall expansion of home-based work, there was a marked decline in the share of own account workers among both male and (especially) female home-based workers; a slight decline in the share of unpaid contributing family workers among male home-based workers; and a slight increase in the share of unpaid contributing family workers among female home-based workers. In 2004/5, 67 per cent of all home-based workers (75% of men and 58% of women) were own account workers; and 27 per cent of all home-based workers (20% of men and 36% of women) were unpaid contributing family workers. By 2009/2010, 62 per cent of all home-based workers (65% of men and 40% of women) were own account workers; and 21 per cent of all home-based workers (19% of men and 39% of women) were unpaid contributing family workers.

Between 2004/2006 and 2009/2010, there was a marked increase in the share of employers and wage workers, especially among women home-based workers. In 2004/2005, 4 per cent of all home-based workers (3% of men and 6% of women) were wage workers; and 2 per cent of all home-based workers (3% of men and 0.3% of women) were employers. By 2009/2010, 9 per cent of all home-based workers (8% of men and 18% of women) were wage workers; and 8 per cent of all home-based workers (8% of men and 3% of women) were employers.

In sum, between 2004/2005 and 2009/2010, the share of home-based work increased by 6 percentage points in *total* urban employment, increased by 12 percentage points for *male* urban workers, and decreased by 17 percentage points for *female* urban workers. Over this five year period, the share of own account workers decreased by 5 percentage points among all home-based workers: 10 percentage points for *male* home-based workers and 18 percentage points for *female* home-based workers. Also, the share of unpaid contributing workers decreased by 6 percentage points among *all* home-based workers, decreased by 1 percentage points among *male* home-based workers, but increased by 3 percentage points among *female* home-based workers. Meanwhile, the share of wage workers and of employers increased among all, especially female, home-based workers over this period: to represent in 2009-2010, 9 and 8 per cent, respectively, of *all* home-based workers; 8 per cent each of *male* home-based workers; and 18 and 3 per cent, respectively, of *female* home-based workers.

In many countries, including India, sub-contracted home-based workers are often misclassified as own account workers: even though they are dependent on firms or their contractors for work orders, raw materials, and sale of finished goods. There have been recent efforts in India to better measure and classify home-based work. It is likely, therefore, that some of the estimated shift in home-workers from own account to wage workers might be accounted for by a statistical reclassification of sub-contracted home-based workers from own account to wage workers. But the shifts in significance of home-based and, within home-based work, the shifts in employment statuses are more real than statistical.

In sum, it is important to better understand what is going on within these four occupational groups in India which together represent over one third of urban employment in India and, especially, within home-based work which represents nearly one fifth of total urban employment in India.

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

Group	Total	Male	Female
2009-2010			
Employers	8	8	3
Wage Workers	9	8	18
Own Account Workers	62	65	40
Unpaid Contributing Family Workers	21	19	39
2004-2005			
Employers	2	3	.3
Wage Workers	4	3	6
Own Account Workers	67	75	58
Unpaid Contributing Family Workers	27	20	36
1999-2000			
Employers	1	2	.3
Wage Workers	3	3	3
Own Account Workers	69	76	59
Unpaid Contributing Family Workers	27	20	38

Conclusion

Urban Employment Today

In 2009/2010, just under 30 per cent of the urban workforce in India was informally employed of which half was self-employed and half was wage employed. The first-ever estimates of domestic workers, home-based workers, street vendors, and waste pickers indicate that these four groups represented 33 per cent of total urban employment and 41 per cent of urban informal employment in that year. Home-based work was the largest sector: representing 18 per cent of total urban employment and 23 per cent of urban informal employment. Street vending was the second largest sector: representing 11 per cent of total urban employment and 14 per cent of urban informal employment. Domestic work represented 4 per cent of total and 5 per cent of informal urban employment. And waste picking represented around one tenth of a per cent of total urban employment and of urban informal employment.

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

Among urban informal workers in 2009/2010:

Industrial Branch – Compared to women informal workers, the percentage of men informal workers was 9 times higher in transport, 2.3 times higher in trade, and 2 times higher in construction.

Compared to men informal workers, the percentage of women informal workers was 2 times higher in waste picking and 1.6 higher in domestic work.

Employment Unit – The percentage of men informal workers in urban agriculture activities (8%) was less than half that of women (17%). Roughly the same per cent were employed in formal enterprises (men 17% and women 15%). A higher percentage of men (75%) than women (59%) were employed in informal enterprises; and a far lower percentage of men (1%) than women (9%) were hired as domestic workers by households.

Employment Status – The percentage of men informal workers who were employers (2.6%) was 3.7 times higher than that of women (0.7%). A greater percentage of men (39%) than women (29%) were own account operators. Roughly the same per cent of men and women informal workers were wage workers (50%). But the percentage of men informal workers who were unpaid contributing family workers (9%) was less than half that of women (20%).

Specific Groups – The percentage of men who were domestic workers was less than one third that of men. And the percentage of men who were waste pickers (0.1%) was half that of women (0.2%). But the percentage of men who were home-based workers and street vendors (25% and 15%, respectively) was around twice that of women (11% and 8%, respectively).

Urban Employment Trends

Urban employment trends in India, as summarized in this paper, defy predictions and stereotypes. Rather than being increasingly absorbed into modern formal wage employment, the urban workforce in India is becoming increasingly informal. Nearly half of the urban workforce is self-employed. Wage employment is becoming increasingly informal. Although India is often referred to as the “office of the world,” in contrast to China known as the “factory of the world,” the “office” share of the urban workforce in India is small. But, as of 2009/2010, only 15 per cent of the urban workforce in India was formally employed in non-trade services, including the IT sector. Only one-third of the urban workforce in India worked in a formal factory or firm. Another third worked in informal shops or workshops. The remaining third was employed in homes (as domestic workers or home-based workers) or open public spaces (as street vendors or waste pickers). In sum, recent estimates suggest that the urban workforce in India today is comprised of a *small formal salaried workforce* (20%) of which around two thirds work in formal offices and factories, a *larger informal wage workforce* (40%) of which around 15 per cent work in formal offices and factories, and a *large informal self-employed workforce* (40%) of which around half work at home or in open public spaces.

What is particularly striking is the overall and growing significance of four groups of urban informal workers at the bottom of the economic pyramid – domestic workers, home-based workers, street vendors, and waste pickers – who together represent one third of urban employment in India today. What is more striking still is the volatility of employment in these four groups between 2004/2005 and 2009/2010: the combined share of these four groups having increased by 12 percentage points in *total* urban employment, increased by 20 percentage points among *male* urban workers, and decreased by 18 percentage points among *female* urban workers. These trends at the bottom of the economic pyramid illustrate volatility or churning within the Indian labour market that is often masked by aggregate figures of employment and unemployment and, even, of informal employment.

Urban Employment Challenge

Between 2010 and 2030, it is estimated that an additional 250 million persons – many migrants from rural areas – will join the urban population in India (McKinsey Global Institute 2010). The employment prospects for this fast-expanding urban population in India are not good – unless there is a major shift in the stance

of urban planners and local governments towards urban informal livelihoods and a major commitment to investment in urban job creation, particularly in manufacturing. Without investment in labour-intensive growth, half or more of the urban workforce will remain self-employed. If urban renewal projects do not take urban livelihoods into consideration, what is the likelihood that the urban self-employed of India can work their way out of poverty?

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

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

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About Inclusive Cities: The Inclusive Cities project aims to strengthen membership-based organizations (MBOs) of the working poor in the areas of organizing, policy analysis and advocacy, in order to ensure that urban informal workers have the tools necessary to make themselves heard within urban planning processes. Inclusive Cities is a collaboration between MBOs of the working poor, international alliances of MBOs and those supporting the work of MBOs. For more information visit: www.inclusivecities.org.

About WIEGO: Women in Informal Employment: Globalizing and Organizing is a global research-policy-action network that seeks to improve the status of the working poor, especially women, in the informal economy. WIEGO builds alliances with, and draws its membership from, three constituencies: membership-based organizations of informal workers, researchers and statisticians working on the informal economy, and professionals from development agencies interested in the informal economy. WIEGO pursues its objectives by helping to build and strengthen networks of informal worker organizations; undertaking policy analysis, statistical research and data analysis on the informal economy; providing policy advice and convening policy dialogues on the informal economy; and documenting and disseminating good practice in support of the informal workforce. For more information visit: www.wiego.org.



Women in Informal Employment
Globalizing and Organizing