
UNIT 1 INFORMAL SECTOR: AN OVERVIEW

Structure

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- 1.2 Informal Sector- Concept, Meaning and Characteristics
- 1.3 Contribution of Informal Sector to Income and Employment
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1.1 INTRODUCTION

One of the most important concepts to emerge in recent years in the field of development economics is the ‘informal sector’. Informal sector refers to the activities in which many, if not most, urban workers regularly engage as full participants in the existing economic order (Peattie, 1980; Davies, 1979). As a social stratum, ‘informal sector’ refers to the most deprived sections of the population, primarily in urban areas. Deprivation is variously defined in terms of access to and quality of employment, earnings and consumption. The employees of the informal sector usually get a low remuneration compared to their formal sector counterpart. Most of the entrepreneurs running their industries in the formal sector are out of the ambit of the formal rules and regulation. The people working in the informal sector are victim of the whim of their employers.

After reading this unit, you will be able to:

- Describe the concept, meaning and characteristics of informal sector
- Explain contributions and problems of informal sector
- Analyse programmes and policies for unorganised sector and its workers and how to strengthen the sector

1.2 INFORMAL SECTOR- CONCEPT, MEANING AND CHARACTERISTICS

1.2.1 Concept and Meaning

The term ‘informal sector’ was first used by Hart in 1970s during his field work in urban areas of Ghana. During his field work among the urban workers in Ghana, he came across to a large self-employed sector, which provided means of livelihood for new entrants to the urban labour force who fail to acquire employment in the formal sector. Later, ILO from its country mission in Kenya (1972) widened the scope of informal sector. The ILO report on Kenya (1972) defined informal sector by the characteristics of the economic unit. The more concrete definition of informal sector cropped up in the resolution concerning statistics of employment in the informal sector, adopted by the fifteenth

International Conference of Labour Statistician in 1993. It defined informal sector as follows:

The informal sector is regarded as a group of household enterprises or unincorporated enterprises owned by household that includes:

- 1) Informal own-account enterprises, which may employ contributing family workers and employees on an occasional basis; and
- 2) Enterprises of informal employers, which employ one or more employees on a continuous basis.

As per ILO, an enterprise should be classified as informal, if it employs only a handful of workers on low in curve, using simple equipment and works outside the framework of laws and regulations. According to Narul Amin, the informal sector is usually defined to include all economic enterprises and employment that are not protected or regulated by the government laws and social security system. Kanpe Ronald Hope defines informal sector as the subterranean sector alternatively reformed to as the informal, hidden, underground, shadow, secondary, black, invisible or parallel economy. Now it constitutes an important component in the economic activities and process of development in the Third World. While Nick Devas and Carde Rakodi, opined that the informal sector is a common shorthand term for small scale, un-enumerated, sometimes illegal economic activity. Kulshretha defines informal sector as the sector of economy where the labour force is self-employed with family support in income activities such as trading and street vending that do not have formal structure and designated areas and is characterised by small scale labour intensive operations. As per Meshram, the informal sectors are traditionally said to include the mass of the working poor whose productivity is much lower than in the modern informal urban sector.

The Union Ministry of Labour under the Government of India has categorised the unorganised labour deployed in informal sector, under four groups in terms of:

- a) Occupation
 - b) Nature of Employment
 - c) Specially Distressed Category
 - d) Service category.
- i) **In terms of occupation:** Small and marginal formers, landless agricultural labourers, sharecroppers, fisherman, those engaged in animal husbandry, *beedi* rolling, labelling and packing, construction workers, leather workers, weavers etc
 - ii) **In terms of nature of employment:** Agricultural labourers, bonded labourers, migrant workers, contract and casual labourers.
 - iii) **In terms of especially distressed categories:** Toddy tappers, scavengers, head loaders, animal cart pullers, porters etc..
 - iv) **In terms of service categories:** Domestic workers, fish workers and women barbers, vegetable and fruit vendors, news paper vendors, etc.

1.2.2 Characteristics of Informal Sector

It is important to discuss features and characteristics of informal sector, which are as follows:

- i) The informal sector is characterised by excessive seasonality of employment and preponderance of casual and contractual employment. It has a typical production organisations and work relationships, absence of social security measures and welfare legislations, negation of social standards and workers rights and denial of minimum wages.
- ii) The workplace is scattered and fragmented and working hours varies according to the informal agreement between the employer and workers.
- iii) There is no formal employer and employee relationship. The employer employs workers as per his/her requirement with a formal agreement of wage rate and working hour. There are no such written documents on employment.
- iv) Workers in the informal sector are usually subject to indebtedness and bondage as their paltry income is not sufficient to meet the requirement of livelihood.
- v) The workers working in the informal sector are subject to exploitation. Their wage rate is considerably lower compared to their counterparts working in the organized sector. The work status is of inferior quality and inferior terms of employment, both in remuneration and employment.
- vi) The informal workers do not receive sufficient attention from the trade union.
- vii) The informal sector usually includes economic enterprises and employment that are not protected or regulated by the government laws and social security system.

Some of the features of informal sector in terms of employment, enterprise, habitat and credit are given in Table-1.

Table 1: Features of Informal Sector

SN	Employment	Enterprise	Habitat	Credit
	People engaged in the Informal sector	Activities in the Informal Sector	Informal Sector Land and Housing Settlements	Informal Credit Markets (ICMS)
1.	Absence of official protection/ recognition	Unregulated and competitive markets	Unauthorised use of vacant private land	Unregulated and non-subsidised
2.	Non-coverage by minimum wage legislation and social security system	Small-scale operation with individual or family ownership	Illegal subdivision/ rental of land	Easy accessibility
3.	Predominance of own-account/self employment work	Relative ease of entry	Unauthorised construction of structures and buildings	Availability in very small size and for short-terms

4.	Absence of trade union organisation	Reliance on locally available resources	Reliance on low cost and locally available /scrap construction materials	Low administrative and procedural costs
5.	Low income and wages	Family ownership of enterprises	Relying on family labour and artesian techniques for constructions	Little or no collateral requirement
6.	Little job security	Absence of restrictive standards and regulations	Absence of restrictive standards and regulations	Flexible interest rates (from very high to no interest at all)
7.	No fringe benefits from institutional sources	Absence of access to institutional credits and similar supports or protect-ions	Non-availability of mortgage or any other subsidised finance	Highly flexible transactions and repayments tailored to individual needs

Source: D.S. Meshram, *ITPI Journal*, 4:3 (2007) P01-09

In urban areas, the informal sector activities are growing because of the fact that the government is unable to provide employment to the growing urban population. According to National Commission on Urbanisation (1988), the urban informal sector activities includes waste collection and recycling, shelter development in marginal and ordinarily uninhabitable lands, cart and lorry transport, low cost catering services, repair and maintenance services and street vending. According to Meshram in urban areas of Delhi informal sector units are located strategically near work centres, commercial areas, outside the boundaries of schools, college and hospitals, transport needs and near large housing clusters.

1.3 CONTRIBUTION OF INFORMAL SECTOR TO INCOME AND EMPLOYMENT

Customarily economists underscore the reason behind proliferation of informal sector particularly in developing countries because of excessive amount of regulations and licenses that make it difficult to operate with the formal economy. While political analysts viewed that vendors constitute a 'safety value' for what otherwise would be massive unemployment. The contribution of informal sector to the national income and employment in developing countries is astounding. As of the difficulties in measuring the contribution of the informal sector to the national income and because of paucity of relevant statistics, there are little available empirical evidence on the size of the informal sector in terms of income. According to statistics, during the 1990s, the informal sector's contribution to non-agricultural gross domestic product amounted to 45 percent in India, 31 percent in Indonesia, 32 percent in the Philippines and 17 percent in the Republic of Korea (ILO, 2002). Predominance of informal employment is one of the important features of the labour market scenario in India. While the sector contributes around half of the GDP of the country, more than 90 percent of the total workforce is engaged in the formal economy. As per the latest estimation of

the sub-committee of the National Commission for Enterprises in the unorganized sector (NCEUS), the contribution of unorganised sector to GDP is about 50 percent (NCEUS, 2008).

The statistics of ILO (2003) observes that as a percentage of total employment in non-agricultural sectors, the share of informal sector employment in urban areas is 51 percent in India, 65 percent in Nepal, 64 percent in Pakistan and 47 percent in Thailand. Seeking the growing trend of the informal sector in the Indian economy, the NCEUS (2007) reports rightly remarked that the country is currently in a state of “informalisation of the formal sector”, where the entire increase in employment in the organised sector over this period has been largely informal in nature.

Table 2: Employment in the Informal Sector in Selected Countries

Country	Year	Informal Sector employment as a % of total employment in non-agriculture sectors		
		National	Urban	Rural
India	2000	55.7	51.3	61.0
Nepal	1999	73.3	64.8	76.2
Pakistan	2000	65.8	63.8	68.0
Thailand	2000	71.0	47.1	77.4

Source: ILO, *Key Indicators of the Labour Market, Third Edition, 2003*

Note: Data in the table is based on national definitions and is not strictly comparable across countries.

In India various statistics provided by NSSO and NCEUS shows that the informal employment increases over time along with the estimated populations and labour force. The data represented in Table-3 shows that the estimated population, labour force and employment in the informal sector is on the rise.

Table 3: Total Number of Estimated Labour Force, Employment, Unemployment, Informal Employment and Formal Employment in India (In Millions)

Year	Labour force	Employment	Un-employment	Formally employed	Informally employed
1983	308.64	302.75	5.89	24.01	278.74
1988	333.49	324.29	9.2	25.71	298.58
1994	391.94	374.45	7.49	27.37	347.08
1999-2000	406.05	396.76*	9.74	35.02*	361.74*
2004-2005	-	457.46*	-	34.85*	422.61*

Source: (i) Various rounds of employment unemployment survey of NSSO, Expert Committee of population projection, DGE&T

ii)* National Commission for Enterprises in the unorganized sector (NCEUS, 2008)

The distribution of informal sector workers by area and sex show that:

- i) The millions of people working in the informal sector of urban areas are higher compared to rural areas;
- ii) In both urban and rural areas the percentage of female working in the informal sector is higher compared to male workers.

Table 4: Distribution of Informal Workers by Sector and Sex between 1900-2000 And 2004-2005

Sector	Sex	Informal Workers (in million)
Rural	Male	2.8
	Female	3.51
	Person	2.60
Urban	Male	3.71
	Female	5.18
	Person	4.03

Source: NSSO 55th (1999-2000) and 61st (2004-2005) Round Survey on Employment and Unemployment

In this section, you studied informal sector-concept, meaning, characteristics and contribution of informal sector to income and employment. Now answer the questions given in check your progress-1.

Check Your Progress 1

Note: a) Write your answer in about 50 words.

b) Check your answer with possible answers given at the end of the unit.

1) What do you understand by informal sector?

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2) What is the contribution of informal sector to employment?

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1.4 PROBLEMS OF INFORMAL SECTOR

Some of the problems of informal sector are:

- i) **Credit Crunch:** Due to tiny structure and its single man operation, the informal sector entrepreneurs are not capable enough to acquire adequate credit facility from the financial institutions for the expansion of their business. In the search for bank guarantee many of the entrepreneurs in the informal sector resort to informal credit with high rate of interest. During the situation of acute financial crisis, a few of them even close the business. Therefore access to institutional credit is a perennial problem for informal sector.
- ii) **Lack of education and skill training:** One of the vital lacunae with the informal sector is the absence of technical education and skill. As most of the informal sector has very few employee so to say in single man entrepreneurship there is no division of labour. Due to low skill, the wages of workers working in the informal sector is abysmally low compared to their counterpart in the formal sector. The lack of skill also affect the quantity as well as quality of productivity of informal economy.
- iii) **Woefully poor physical infrastructure:** The informal sector lack physical infrastructure because of low capital formation. The low capital formation give rise to low investment in physical infrastructure. Modern infrascture facilities are key to raise industrial productivity in this technological advanced era. In the era of globalisation, where the industries are becoming capital intensive so the predominantly labour driven enterprises in the informal sector is obsolete.
- iv) **Lacking in Social protection:** There are absolutely no social security measures for informal workers. The paltry old age pension scheme which government has introduced for the BPL families is too insufficient to provide a sustainable livelihood to the informal workers during the twilight days of their life. There are hardly any life insurance or health insurance scheme for workers working in the informal sector. Although a few states in India have passed social security measures for the informal workers, yet they have not been honestly implemented.
- v) **Ineffectual linkages with the formal sector:** There are fragile interface between the formal and informal sector. The big-brotherly attitude of the formal sector towards informal sector activities and employees has created a chasm in performance between the informal and formal sector. The formal sector is organised and structured, while informal sector is mostly unorganised and unstructured. The workers working in the formal sector are largely protected, while those working in the informal sectors are unprotected. All the government policies and programmes are directed towards the increasing efficiency of formal sector, whereas, there are no policies and programmes for strengthening informal sector. Even if it exists, they are in paper but usually not in practice.

1.5 PROGRAMMES AND POLICIES FOR INFORMAL SECTOR AND ITS WORKERS

Given the prominence of unorganised sector and the workers in this sector, the Indian economy, has multitude of programmes and policies that address the issues related to the sector and the requirements of the workers engaged in it.

1.5.1 Sector Specific and Enterprise Oriented Interventions

As small enterprises are the mainstay of the unorganised sector in India, a large chunk of policy planning for the sector has been focusing on the issue of protecting and promoting smaller production units. Policy instruments adopted by the government to promote the Small Scale Industry (SSI) include:

- i) Financial Incentives;
- ii) Fiscal incentives;
- iii) General incentives;
- iv) Special incentives in backward areas,
- v) Reservation of items for SSI.

A major set of schemes and programmes meant for strengthening the unorganized sector are those related to the promotion of small scale enterprises. Micro, Small and Medium Enterprises (MSMEs), including *khadi* and village/rural enterprises constitute an important segment of Indian economy in terms of their contribution to GDP, exports and employment. The Union Ministry of Micro, Small and Medium enterprises assist the state governments (which have the primary responsibility of promoting MSMEs) in their efforts for promoting growth and performance of smaller enterprises.

The various spheres of intervention of the Ministry, and its allied organisations, so far include:

- 1) Provision of credit from financial institutions/banks;
- 2) Support for technology up gradation
- 3) Integrated infrastructural facilities
- 4) Modern testing facilities and quality certification
- 5) Access to modern management practices
- 6) Entrepreneurship development and skill up gradation through appropriate training facilities
- 7) Support for product development, design intervention and packaging
- 8) Welfare of artisans and workers
- 9) Assistance for better access to domestic and export markets
- 10) Cluster-wide measures to promote capacity building and empowerment of the units and their collectives.

One of the major recent policy interventions of the Government to focus on the sector to strengthen it further, is the setting up of the National Commission for Enterprises in the Unorganised Sector (NCEUS) as a supervisory and advisory

body for the unorganised sector for examining the problems confronting the enterprises in the unorganized/informal sector and making recommendations to provide technical, marketing and credit support to these enterprises.

1.5.2 Social Security Measures for the Unorganised Sector Workers

During the recent past, the policy planners in India have been paying considerable attention towards designing more effective social safety nets and revamping the existing measures, stemming out of growing recognition to the burgeoning informal sector and its resultant adverse implications on labour standards and social security systems. Of late, issues like targeting, proper identification, expansion of coverage as well as designing of efficient delivery mechanisms received more attention. Along side these aspects, mounting fiscal deficit scenarios forced the Central and State Governments to seek alternative approaches to devise more cost-effective and targeted interventions and obtain enhanced participation of and contributions from other stakeholders, such as the employers and social/community actors (including the targeted beneficiaries themselves).

- i) **Food Security Initiatives:** Since mid 1990s, a major area of intervention was in terms of targeting and strengthening the food based social security systems. In 1995, a major scheme on providing mid-day meals was launched through which some amount of cooked food was ensured per day to the children of indigent families. This measure not only acted as a means of nutritional support to the families of unorganised sector labour, but also provided an incentive for school enrolment of their children. In 1997, the PDS framework prevalent in the country was massively overhauled and a revamped and targeted system (TPDS) was launched, with a progressive and discriminatory pricing mechanism, through which a higher share of overall food subsidy was earmarked to those families below poverty line. These efforts, of streamlining the benefits to the disadvantaged and needy segments of the society, were further supplemented with the introduction of two more programmes in 2000, namely Annapurna Scheme and Antyodaya Anna Scheme. While the former aimed at providing some food relief to the elderly in the impoverished families, the latter was objected to abate hunger among poorest of the poor.

The next remarkable step was the introduction of the Community Grain Bank Scheme, which though launched on an experimental basis in select tribal regions, was generally hailed as an effective and innovative approach to ensure community involvement in the implementation of social security measures.. State governments of different states and also many NGOs are running many community supported welfare programmes for the workers of the informal sector particularly in rural areas.

- ii) **Social Insurance and Pension Measures:** In the social insurance sector also, the recent past witnessed a remarkable upsurge with the introduction a number of new schemes.

A major and universal of social insurance scheme (*Janshree Bima Yojana*) was launched in 2000, through the Life Insurance Corporation of India (LIC). The implementation of the scheme, which is currently functional and expanding, is designed with the help of some local level nodal agencies,

which could be *panchayats* (local self governments), non-governmental organizations and self-help groups (SHGs) or any other institutionalized arrangements. Another scheme launched in collaboration with LIC in 2001, *Krishi Samajik Suraksha Yojana*, was aimed at providing some social insurance benefits to the farm workers. However, due to inadequate resources, the scheme was closed later in 2004. Yet another LIC aided scheme was the *Varishta Pension Bima* launched in 2003, which is being fully financed by the investments of the beneficiaries. Subsequently, in 2004, a community based Universal Health Insurance Scheme was also launched by the public sector general insurance companies of the country, which aimed at providing some reimbursement of medical expenses; life-cum-accident insurance; and compensation on jobs loss to the families below poverty line. Some of the other social security initiatives introduced by the Government of India, in recent past, include: Handloom Weavers' Comprehensive Welfare Schemes, Handicraft Artisans Comprehensive Welfare Scheme, Pension to Mastercraft persons, National Scheme for Welfare of Fishermen and Training and Extension, *Aam Admi Bima Yojana* and *Rashtriya Swasthya Bima Yojana*. In 2004, Government also launched a Comprehensive Social Security Scheme for the Unorganized Sector Workers, as a follow up to the recommendations of the Second National Commission on Labour (2002).

- iii) **Legislative Interventions and Initiatives:** There have been some commendable legislative initiatives in the recent past that have bearings on the welfare of unorganized sector workers. In 1996, two umbrella legislations towards regulating the conditions of work and provision of a measure of social security to the group of construction workers, which constitutes one of the largest segments of workers in the unorganized sector – were passed by the Parliament of India.

On the basis of these legislations [The Building and other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 and The Building and Other Construction Workers Welfare Cess Act, 1996], various states are expected to enact state level legislations. Subsequently, the Government notified the Building and Other Construction Workers (ECS) Central Rules, 1998, which stipulated several social security benefits to the construction workers including accident relief, old age pension, housing loans, payment of insurance premium, payment towards educational expenses of children, medical and maternity benefits. Following these Acts, various state governments are currently in the process of enacting their own legislations. So far, six states have enacted such legislations and functioning of the new schemes under these legislations have been attaining momentum in states like Kerala and Tamil Nadu.

The Second National Commission on Labour (NCL), constituted by the Government in 1999 dealt with the social security concerns of unorganised sector in a detailed manner. One of the six special study groups constituted by the commission was on social security and in its final report submitted in 2002, the Commission provided detailed recommendations towards strengthening the social security system in the country. Further, the Ministry also prepared an Unorganised Sector Workers Bill, 2004, which contained measures relating to both social security and conditions of work in the informal sector.

- iv) **Unorganised Sector Workers' Social Security Act, 2008:** In 2006, a Draft Bill was proposed by the NCEUS [The Unorganised Workers' Social Security (Draft) Bill, 2006] envisaged a three-pronged approach comprising of health insurance, life insurance and old age security for the benefit of about 300 million workers in the unorganized sector. A distinct feature of the NCEUS's proposal was its right based approach, as the scheme envisages a legally enforceable entitlement for the beneficiaries. Unlike many other earlier schemes, it makes all unorganized sector workers eligible for the social security, irrespective of their occupation and duration of employment (NCEUS, 2006). Yet another important aspect is that, had it implemented, the NCEUS plan would have provided a national floor level social security for all the informal workers throughout the country. Notwithstanding these merits, the bill was not passed though it prepared ground for the Unorganized Sector Workers' Social Security Act, 2008, which was by the Parliament and had subsequently received the assent of the President in December 2008. The Act seeks to provide welfare measures for workers in the unorganized sector and is considered as the first major step in 60 years to remove the plights of the poor worker in the sector. It is expected that in the first five years, over 34 crore workers in the informal sector (including agricultural workers and migrant labourers) would get the benefits of health, life and disability insurances, old-age pension and the group accident scheme.

1.6 RECOMMENDATIONS OF NCEUS TO STRENGTHEN THE UNORGANIZED SECTOR

Confirming to its mandate, the National Commission for Enterprises in the Unorganised Sector (NCEUS) has recommended several policy prescriptions to strengthen the enterprises in the unorganised sector and to promote welfare of the workers in the informal sector. The Commission, in its final report, observes that one must have very targeted policies for expanding employment, especially in the unorganized sector, which cannot be brought up simply by economic growth.

According to the Commission, for expanding employment, a well designed set of policies and programmes have to be adopted and implemented. These measures have to focus especially towards the unorganised sector, which would continue to engage a lion share of the increase in labour force.

In view of the myriad problems and prospects of the informal sector economy, the Commission recommended a strategy of 'levelling up', the informal economy by advocating a series of promotional policies to strengthen the working conditions, enterprise capacity and so on – to realise higher productivity, along with providing social security and decent conditions of work. The promotional measures suggested by the Commission include:

- i) **Creation of a 'social floor'** : consisting of provision of a national minimum social security; enforcement of a national floor level wage (called national minimum wage) and a stipulation of minimum conditions of work.
- ii) **Skill formation for the informal workers as critical capability to enhance their productivity and income:** To support skill development in the

unorganised sector, the Commission recommended launching of a National Mission for Development of Skills in the Unorganised Sector.

- iii) **Strengthening of MNREGA:** The Commission viewed the MNREGA as an important component of the full employment strategy for India. Accordingly, the Commission recommended strengthening the programme in the rural area and connecting it up with a programme of urban renewal. It was also recommended to expand the list of assets under MNREGA and invest these assets in the poor.
- iv) **Agricultural regeneration through a special programme for marginal and small farmers:** To build capacity of small-marginal farmers through a group based approach, the Commission has worked out a special programme targeting these groups. The principal activities proposed under the special programme include: promotion of marginal-small farmers’ groups; enabling greater access to institutional credit; training and capacity building; support for strengthening non-farm activities; gender focused activities; and so on. In this context, the Commission also recommended building up of a National Fund for the Unorganised Sector (NAFUS), comparable to the NABARD for agriculture, to provide finance, marketing and technological facilities.
- v) **Development of micro enterprises in the non-farm sector with a focus on development of clusters and Growth Poles:** The Commission recommended for the adoption of Growth Pole model for cluster development. This recommendation involves an up scaling of cluster development efforts through provision of common infrastructure, service centres.

In this section, you studied problems of informal sector, programmes and policies for unorganised sector workers and recommendations of NCEUS to strengthen the unorganized sector. Now answer the questions given in Check Your Progress-2.

Check Your Progress 2

Note: a) Write your answer in about 50 words.

b) Check your answer with possible answers given at the end of the unit.

1) What are the problems of informal sector?

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2) Name the important food security initiatives, in the recent past, which are beneficial to the workers in the unorganised sector.

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1.7 LET US SUM UP

In this unit, we discussed the meaning and concept of unorganised sector and also understood the importance of unorganised sector in India's economy. Subsequently, we also discussed the major programmes and policies for unorganized sector and workers in the sector – focusing on the sector specific and enterprise oriented interventions as well as the social security measures for unorganized sector workers. As part of discussion, we also understood various food security initiatives, social insurance and pension measures, besides the major legislative interventions and initiatives. Towards the end of the unit, we also discussed the major recommendations of the NCEUS to strengthen the unorganized sector.

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1.9 CHECK YOUR PROGRESS-POSSIBLE ANSWERS

Check Your Progress 1

1) What do you understand by informal sector?

Ans. The informal sector is regarded as a group of household enterprises or unincorporated enterprises owned by household that includes:

- i) Informal own-account enterprises, which may employ contributing family workers and employees on an occasional basis; and
- ii) Enterprises of informal employers, which employ one or more employees on a continuous basis

2) What is the contribution of informal sector to income and employment?

Ans. According to a statistics, during the 1990s, the informal sector's contribution to non-agricultural gross domestic product amounted to 45 percent in India. Predominance of informal employment is one of the important features of the labour market scenario in India. As per the latest estimation of the sub-committee of the National Commission for Enterprises in the unorganized sector (NCEUS), the contribution of unorganised sector to GDP is about 50 percent (NCEUS, 2008).

Check Your Progress 2

1) What are the problems of informal sector?

Ans. The problems of informal sector are:

- i) Credit Crunch
- ii) Lack of education and skill training
- iii) Lack of Social Protection
- iv) Poor physical infrastructure
- v) Poor linkages with the formal sector

2) Name the important food security initiatives, in the recent past, which are beneficial to the workers in the unorganised sector.

Ans. In 1995, a major scheme on providing mid-day meals was launched through which some amount of cooked food was ensured per day to the children of indigent families. This measure not only acted as a means of nutritional support to the families of unorganized sector labour, but also provided an incentive for school enrolment of their children. In 1997, the PDS framework prevalent in the country was massively overhauled and a revamped and targeted system (TPDS) was launched, with a progressive and discriminatory pricing mechanism, through which a higher share of overall food subsidy was earmarked to those families below poverty line.