UNIT 3 SECTORS

Structure

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3.1 INTRODUCTION

In the third Unit of this Block, you will read about representation and absorption of women workers in different sections of Indian economy. The Unit begins with a section on how sectors are defined and formed, what economic activities fall in which sector and importance of informed sector in our economy.

In the next section you will read about workforce composition in India and how workers in each segment are placed in the hierarchy of workforce. Following this, an account of classification of workforce by NSSO (You have already been introduced to the nature and scope of this organization in Unit 1 of Block 1 of this Course). In the next segment you will read about the unorganised manufacturing enterprises. The last section of the Unit deals with Own Account Manufacturing Enterprises. Look at the objectives of this Unit before reading further.

3.2 OBJECTIVES

After reading the Unit you will be able to:

- Understand the workforce composition of the economy;
- Classify the unorganised sector particularly the manufacturing sector according to the NSSO;
- Discuss wage fixation; and
- Explain distribution of workers within the unorganised sector.
3.3 BACKGROUND

Economies may be divided into three sectors of activity, namely, the extraction of raw materials referred to as the primary sector, the manufacturing or the secondary sector and services or the tertiary sector. Another sector which is lately being recognised is the research and administration referred to as the quaternary sector. However a major section of all the activities fall under the informal economy or the unorganised sector.

The unorganised sector comprises of a vast range of economic activities from both the primary and secondary sectors. They include the home-based activities such as the electronics assembly, garment piece-rate work, crafts, street vending, daily wage work, textile weaving, block printing, embroidery, handicraft production, food production, etc. It is a major source of non-agricultural/agricultural employment in the developing nations. A concentration of such activities also tends to be in the urban slums of the metropolitan cities.

The workers in this sector include the home-based, the self-employed, the daily wage earners, vendors and so on. It is estimated that three fourths of the total working population, among the poor and developing nations belong to the world of the unorganised/informal sector, which has largely been responsible in promoting the poverty levels within these societies. These workers usually remain without any social security or pensions. In the case of accidents, sickness over long duration, unemployment or old age, it leaves no alternative for the workers to fall back upon.

The importance of the informal sector can be judged from the study conducted by the National Commission of Labour, which estimated that almost 60% of the national income and 60% of the home savings are contributed by the unorganised sector. According to estimates, in India, the contribution of the informal sector to India’s exports is roughly 40 percent. Despite the fact that the informal economy has tremendous potential, the sector is beset with manifold problems such as obsolete technologies, unorganised production system, low productivity, inadequate working capital, conventional product range, weak marketing link and an overall stagnation of production as well as sales (IIFT, 1999). With more than 90 percent of the total workforce being engaged in the informal sector, the situation is even graver. Unfortunately the women are mostly concentrated in this sector. The work conditions in the unorganised sector are purely fixed by the entrepreneur and the salaries are mostly paid below the prescribed norm. This is mainly due to exploitation by the middlepersons and other entrepreneurs. Globalisation and tough competition from the mill sector has worsened the economic conditions of the women workers and they are forced to work for less than the minimum wages stipulated by the government.
A high unemployment rate combined with the disguised employed, forces a large number of the workers to migrate along with their families towards the cities from interior rural areas in search of better job prospects. Attracting mass scale in-migration (you will read more about in Block 4, Unit 1) to the cities from the neighbouring regions, work in the informal sector tends to be one of the most flexible forms of employment, particularly the contract work, which is usually home-based. It has emerged as a key component in the restructuring of the global economy and often forms the last link in a network of international trade. It spreads across continents, producing goods sold by large retailers. According to the National Commission of Labour, the present laws and statutes cater mainly, if not solely, to the organised sector, which accounts for less than 10% of the workforce. The remaining 90 to 93% is today outside the pale of social security systems, is susceptible to risks, is vulnerable and therefore, more in need of social security entitlements (Bhatt, et.al. 1988).

The situation is even more grave as only a trickle of the benefits percolate down to repeated earlier in same woods may rewrite grass root level consisting of 90% of the workforce.

The predominant share of the unorganised manufacturing enterprises had been brought to light with the 56th round of NSSO results. Accordingly unorganised sector enterprises accounted for 98.19%, which forms a major chunk in terms of number of enterprises. Inspite of the voluminous gigantic status and complex links to the organized sector, the unorganised economy, continues to remain largely invisible.

The work conditions of home-based workers, including employer-employee relationships and methods of supervision, are very different from those existing in the factories. Since there is no direct control or supervision and no fixed hours of work, the method of wage fixation can therefore not be on the time-rate basis as in the factories. In practice, it is found that the actual wages paid, ought to be calculated taking into account various deductions made by the employers, and work expenses incurred by the worker. This brings down the per day earnings to a bare minimum. This massive chunk of population who face enormous hardships despite putting in colossal work inputs throughout their lives is certainly an issue, which cannot be ignored.

**Check Your Progress:**

1) **Name the major sectors of the economy.**
2) What is the significance of the informal sector?

In the following section you will read about what is the composition of Indian workforce.

3.4 WORKFORCE COMPOSITION

The workforce structure of India can be divided into three segments. At one end of it are the elite white-collar workers like the senior public sector officials and the managerial class of the private sector accounting for not more than 1 percent of the labour force. Job security and social security provisions for this category are part of their work contracts. In the present era of trade liberalisation and increasing globalisation this elite group are quick to avail themselves of the compensation packages that are at par with international standards.

At the other extreme are the unorganised sector workers including the self-employed, informal sector workers, and casual laborers accounting for 92 to 93 percent of the labours force. There exist only minimal social security provisions for this group. It is this 93% of the work force confined within the unorganised sector, which is the main cause of worry.

In between the two are the regular wage employees of the public sector and the organised private sector, which account for hardly about 6 to 7 percent of the labour force. The bulk of government legislation for labour market and social insurance concerns this particular group. The main thrust of the state activities here basically hovers around the minimum wage legislation and various promotional measures for employment generation, which is unlikely to be effective in view of implementation problems.

Classification of Workforce: National Sample Survey Rounds

Data collected through the National Sample Survey Organisation (NSSO), gives information related to certain key parameters of employment and
unemployment in its surveys annually and through a comprehensive survey on employment and unemployment quinquennially. It brings out a number of reports based on these surveys. Some of the important NSSO rounds i.e., the 55th and the 56th, gave detailed information related to workers. The 56th round of NSSO data provides an in-depth view of the unorganised manufacturing sector under various heads. The 56th round was conducted during July 2000 - June 2001, which covered the unorganised manufacturing enterprise as a follow-up of Fourth Economic Census held during 1998. A study of the NSSO data on the basis of the 55th and 56th rounds reveal that about 7% are in the organised sector and the balance, i.e., 93% of the employed belong to the unorganized sector (Dutta, 2010).

The workforce within the unorganized manufacturing sector has been further classified by the NSSO into three categories. These are:

- **Own Account Manufacturing Enterprises (OAME)** - Household enterprises not employing hired workers on fairly regular basis
- **Non Directory Manufacturing Enterprises (NDME)** - Small establishments, employing workers not exceeding 5 in number, which includes household members
- **Directory Manufacturing Enterprises (DME)** - Top layer of establishments employing six or more workers including household members

Information obtained from the 55th and 56th rounds of the National Sample Survey, shows a better understanding of the workforce and entrepreneurial activity of the unorganised sector.

### 3.5 THE UNORGANISED MANUFACTURING ENTERPRISES

The total registered manufacturing units in the urban areas are only about 20% while the rest are unregistered. In the OAME category the number of registered units is only 10 per cent.

<table>
<thead>
<tr>
<th>Categories</th>
<th>Registered</th>
<th>Unregistered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban Total %</td>
<td>20.1</td>
<td>79.9</td>
</tr>
<tr>
<td>OAME (%)</td>
<td>10</td>
<td>90</td>
</tr>
</tbody>
</table>

**Source:** NSSO 56th Round, 2000-2001, Report No 477

Table No 3.2 shows that a major concentration of the manufacturing enterprises are in the OAME category (86%) (Refer figure No 3.1). This means that a single person manages most of the work activities undertaken here. There are no hired workers on a fairly regular basis in these activities.
This is followed by NDME enterprises. Concentration of enterprises in the DME category is the least. This clearly depicts that the nature of manufacturing units are basically small establishments. While the OAME category dominates both for rural as well as the urban areas, the NDME and the DME categories are more focused in the urban areas as compared to their rural counterpart.

Table 3.2: Distribution of Unorganised Manufacturing Enterprises 2000-2001

<table>
<thead>
<tr>
<th>Type of Enterprises (%)</th>
<th>Rural</th>
<th>Urban</th>
<th>Rural + Urban</th>
</tr>
</thead>
<tbody>
<tr>
<td>OAME</td>
<td>92.6</td>
<td>70.9</td>
<td>86.1</td>
</tr>
<tr>
<td>NDME</td>
<td>5.3</td>
<td>21.2</td>
<td>10.1</td>
</tr>
<tr>
<td>DME</td>
<td>2.1</td>
<td>7.9</td>
<td>3.8</td>
</tr>
<tr>
<td>ALL (100%) (in 000s)</td>
<td>11,934</td>
<td>5,089</td>
<td>17,024</td>
</tr>
</tbody>
</table>


OAME- Own Account Manufacturing Enterprises i.e, Enterprises with no hired workers on a fairly regular basis

NDME Non- Directory Manufacturing Establishments, i.e, Enterprises with at least one hired worker and less than 6 total workers

DME Directory Manufacturing Establishments, i.e., Enterprises with at least one hired worker and 6 or more total workers

Before reading further attempt the following exercise to assess your understanding.

Check Your Progress:

1) What is the meaning of OAME, NDME and DME?

2) Where is the largest concentration of women workers and why?
3.6 NATURE OF UNORGANISED MANUFACTURING ENTERPRISES

The nature of Unorganised Manufacturing Enterprises according to seasonality is depicted in Table No 3.3. This reflects the availability of regular jobs for the workers. From the table it is evident that the nature of work is mostly perennial, which means work is available all through the year, in all types of manufacturing enterprises. Almost 93% of the units are perennial in nature. Only 6% of the enterprises were seasonal in nature and hardly 1% was casual. Despite this the workers complained about the lack of regular supply of work. This suggests that although work may be available there may be too many takers especially in the cities because of which the workers are unable to obtain a smooth supply of work. Moreover, the work may not be evenly distributed. It may be available for workers who are not in the city but are located in the interior remote areas outside the city municipality. In these areas the piece rates can go further lower and the level of awareness among the workers may be very low.

![Distribution of Unorganised Manufacturing Enterprises, 2000-2001](image)

**Fig. 3.1: Concentration of OAME Enterprises**


**Table 3.3: Nature of Unorganised Manufacturing Enterprises (%)2000-2001**

<table>
<thead>
<tr>
<th>Nature</th>
<th>OAME</th>
<th>NDME</th>
<th>DME</th>
<th>ALL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perennial</td>
<td>92.8</td>
<td>95.6</td>
<td>83.8</td>
<td>92.7</td>
</tr>
<tr>
<td>Seasonal</td>
<td>6.0</td>
<td>4.2</td>
<td>16.1</td>
<td>6.2</td>
</tr>
<tr>
<td>Casual</td>
<td>1.2</td>
<td>1.0</td>
<td>1.0</td>
<td>1.1</td>
</tr>
<tr>
<td>All (in 000s)</td>
<td>14665</td>
<td>1711</td>
<td>6470</td>
<td>17024</td>
</tr>
</tbody>
</table>

**Workers in the Unorganised Manufacturing Sector:**

The table below (Table No 3.4) shows the percentage of workers in the unorganised manufacturing sector in the various categories for rural and urban areas. There is a clear gender distribution of workers according to the various classes of manufacturing enterprise. In the OAME category, the women workers both in the rural as well as the urban areas dominates. While in the case of the NDME and the DME categories, data reveals that these are mainly areas of male domains. This reflects that the women mainly manage those manufacturing enterprises, which are run without the help of hired workers. Most of the self-employed and the home-based type of workers are engaged in the OAME category of manufacturing enterprises.

### Table 3.4: Distribution of Workers (%) (Rural/Urban), 2000 - 2001

<table>
<thead>
<tr>
<th>Type</th>
<th>Rural</th>
<th>Urban</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
</tr>
<tr>
<td>OAME</td>
<td>74.16</td>
<td>88.80</td>
</tr>
<tr>
<td>NDME</td>
<td>11.39</td>
<td>2.77</td>
</tr>
<tr>
<td>DME</td>
<td>14.45</td>
<td>8.43</td>
</tr>
<tr>
<td>ALL (in 000s)</td>
<td>14,706</td>
<td>9,279</td>
</tr>
</tbody>
</table>


Table No 3.4, clearly displays the dominant pattern of gender distribution of workers. While the gap between male and female workers in OAME category for the rural areas is not so prominent, the same in the case of urban areas is quite marked. Thus, the urban cities depict a major concentration of women workers in the OAME category. The subsequent sections will restrict its discussion to the OAME manufacturing enterprises in the urban areas.

**Check Your Progress:**

1) Despite the fact that most of the unorganised manufacturing entrepreneurs are perennial in nature, state the reasons for a shortage of work availability?
2) Among the categories of unorganised manufacturing sector, in which sector do the women workers dominate the most and why?

In the following section you will read about own account manufacturing enterprises.

### 3.7 OWN ACCOUNT MANUFACTURING ENTERPRISES (OAME)

The OAME enterprises of the urban areas according to the growth status in various categories of manufacturing are shown below (refer Table No 3.5). The status of growth is depicted in terms of their expansion, stagnancy and contraction. Those enterprises, which are less than 3 years old, are not considered. These have been segregated into a separate column termed ‘not applicable’. The table clearly shows that according to the growth status, those manufacturing enterprises, which seem to be expanding, are related to food/beverages, tobacco and chemicals. Excluding food/beverages the latter two are hazardous enterprises. Among the contracting enterprises are non-metallic minerals, furniture and textiles. However, most of the enterprises do not seem to be doing well as per the data showing that almost 60 percent of them are stagnating.
### Table 3.5: Percentage of OAME Enterprises by Growth Status (Urban Areas)

<table>
<thead>
<tr>
<th>Code</th>
<th>Industry/ Division</th>
<th>Expanding</th>
<th>Stagnant</th>
<th>Contracting</th>
<th>Not Applicable (&lt; 3 Years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>17</td>
<td>Textiles</td>
<td>9.5</td>
<td>64.2</td>
<td>18.1</td>
<td>8.2</td>
</tr>
<tr>
<td>18</td>
<td>Wearing Apparel</td>
<td>16.8</td>
<td>56.7</td>
<td>12.5</td>
<td>14</td>
</tr>
<tr>
<td>16</td>
<td>Tobacco</td>
<td>30.0</td>
<td>60.6</td>
<td>5.9</td>
<td>3.5</td>
</tr>
<tr>
<td>15</td>
<td>Food</td>
<td>18.7</td>
<td>56.3</td>
<td>12.2</td>
<td>12.9</td>
</tr>
<tr>
<td>36</td>
<td>Furniture</td>
<td>12.8</td>
<td>59.5</td>
<td>14.0</td>
<td>13.8</td>
</tr>
<tr>
<td>24</td>
<td>Chemical</td>
<td>18.8</td>
<td>67.3</td>
<td>5.2</td>
<td>8.7</td>
</tr>
<tr>
<td>26</td>
<td>Non- Metallic Minerals</td>
<td>9.0</td>
<td>66.3</td>
<td>20.5</td>
<td>4.1</td>
</tr>
<tr>
<td>21</td>
<td>Paper</td>
<td>8.2</td>
<td>62.3</td>
<td>12.7</td>
<td>16.8</td>
</tr>
<tr>
<td>All Total</td>
<td></td>
<td>16.6</td>
<td>59.6</td>
<td>13.1</td>
<td>10.6</td>
</tr>
</tbody>
</table>


### 3.8 LET US SUM UP

It is evident that the unorganised sector is important not only in terms of economic contribution but also since it provides employment to 93% of the workforce in the country. In the light of its tremendous potential for employment generation especially among the voiceless women and other marginalized social groups, it is desirable to address the difficulties faced by the vulnerable groups with specific interventions. The major aspects that emerged were as follows:

- A major concentration of the manufacturing enterprises is in the OAME category both for the rural as well as urban areas;
- The gender gap is more prominent in the urban areas as compared to the rural areas, with a higher concentration of women workers within the OAME activities of the urban areas;
- Most of the enterprises are perennial in nature, reflecting that the work is not a seasonal activity and is practiced throughout the year;
- The manufacturing enterprises do not reflect potential to grow as majority of them depicted a stagnant growth status; and
- The women workers are predominant in the OAME manufacturing enterprises as compared to the NDME and DME enterprises.
3.9 UNIT END QUESTIONS

a) Name the major sectors of the economy?

b) What do you understand by the terms formal and informal Sector?

c) Classify the workforce within the unorganized manufacturing sector according to the NSSO

d) State the significance of the informal economy in the context of India

3.10 REFERENCES


3.11 SUGGESTED READINGS
