



Economic Conditions of Global Supply Chain's Informal Workers: "A Study of Dualism & Informality in Indian Economy"

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Abstract: According to ILO more than half of the global workforce and 90% of the micro and small enterprises in the whole world engaged in informal work. The workers are exploited by the big establishments which engaged with the global supply chain and earning a surplus amount of profit. In this context there is a strong need to study the impact of Industrialization in twenty first century and analyse the structural transformation, dualism and informality in India.

The term Precarious labour originated from Pierre Bourdieu's (1963) work on Algeria and the term informal sector was coined by Hart (1973) while studying the urban labour market of Ghana. According to Bourdieu, the precariousness is present due to the existence of large reserve army of labour and associated it with proletariat class. Precarious labour is not a new concept it has a long history in socialist thought (Jonna and Foster, 2011). Frederick Engels (1993[1843]) introduced the idea of precariousness in his treatment of the industrial reserve army in "The condition of the working class in England". Marx and Engels use this in same context in the Communist Manifesto and later on it became the prime element of the Marx's analysis of industrial reserve army of labour (Capital vol.-I, 1990[1867]).

Today's capitalist production is engaged in global supply chains governed by multinational corporations in which production is divided into many links at different places primarily located in Global South and final consumption in Global North. More than 80% of the world trade is governed by MNC's which contribute around 50% to the world GDP (Suwandi I., Jonna J.R., 2019) like US companies such as GM, Boeing, Nike, Apple offshore their production to home based workers through sub contractor in the countries of global south according to exact, digital specifications

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known as arm's length contracting.

According to ILO more than half of the global workforce and 90% of the micro and small enterprises in the whole world engaged in informal work. ILO characterized, Informal economy as small work place, low levels of skills, low productivity, unsafe and unhealthy working condition, low and irregular incomes, long working hours and lack of access of information, markets, credit, training and technology, entrepreneurship skills. Workers in the informal economy are not registered, regulated or protected under any labour laws and social protection. ILO's project on Decent work for sustainable development observed that global supply chains have a common way to organize the investment, production and trade in the global economy. In many countries, they created employment opportunities for economic and social development but in case of developing economies, production and employment relations of global supply chain have negative impact on social security and decent working conditions of informal workers. Therefor in this paper we try to seek the economic conditions of informal workers engaged in GVC.

Objectives:

1. To examine the Economic conditions of the workers engaged in Global value chain industries.
2. To analyse the heterogeneity among the informal workers and the pattern of household-level transition.
3. To examine the social welfare schemes and their impact on the living standard conditions of these informal workers.
4. To address the policy alternatives to improve the living and working conditions of the home based workers and other informal economy workers engaged in supply chain.

Trends in Formal- Informal Employment:

Formal-Informal employment is consists in two sectors, first is organized and unorganized. The National Commission for Enterprises in the Unorganised Sector characterize the unorganized sector as all unincorporated private enterprises owned by



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individuals/households engaged in the production of goods and services operated on a single proprietary/partnership basis and with not more than ten workers. Informal workers consists in both the organized and unorganized sector, the NCEUS also define informal workers as, “Informal workers consist of those working in the informal sector or households, excluding regular workers with social security benefits provided by the employers and the work. The share of employment in organized sector is 13% and in unorganized sector it was 87% in 2004-05 but in 2011-12 it shows that rise in organized sector’s employment from 13 per cent in 2004-05 to 17 per cent in 2011-12. But this increase in organized sector employment was informal in nature (I.e. increased from 48% to 55 % in 2011-12) while the share of organized formal employment decreased. But in the unorganised sector the share of formal employment marginally increased from 0.3 to 0.4 per cent and that of informal employment declined from 99.7 to 99.6 per cent.

Percentage of formal-informal employment in organized and unorganized sector 2004-05

	Organized	Unorganized	Total
Formal	52%	0.3%	7.3%
Informal	48%	99.7%	92.7%
Total	13%	87%	100%

Percentage of formal-informal employment in organized and unorganized sector 2011-12

	Organized	Unorganized	Total
Formal	45.4%	0.4%	8.1%
Informal	54.6%	99.6%	91.9%
Total	17.3%	82.7%	100%

Benjamin and Mbaye (2015) point out that largest and fastest growing sectors of West



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African countries are dominated by informal enterprises like: wholesale and retail trade, reproduction of CDs and tapes, construction, restaurants, textile etc. Some of them are the part of large global supply chain industries and also claim that these urban informal sector absorb the rural informal migrant labour.

For many years, there is increase in precariousness in the employment and informal sector which is a ladder to capital accumulation, was ignored by the mainstream economists to focus on the socioeconomic conditions of these workers and to provide a decent work to them. In 1991, liberalization policy was adopted by India with the expectation of convert a large informal agrarian economy into formal economy, but according to Indiaspend analysis from 1991 to 2011 around 61million jobs were created , out of that 92% were informal jobs. So the motive of liberalization to transform labour force from informal economy to formal economy was seems to be failed. In India, National Commission for Enterprises in the Unorganized sector (NCEUS) find that more than 90% of the workers in agriculture sector, 75% in Industry and 72% in service sector are informal workers, they don't have any social security, good living condition , good work place and other benefits (Sengupta et al.,2009)

The rationale behind the study is Kuznets (1960) pioneers the concept of Modern Economic Growth in which he explained the positive impact of shifting of work force away from agriculture to the manufacturing sector and other sectors and their standard of living will be rise. Similarly in Economic Development with unlimited supplies of labour theory, Lewis (1954) provides an argument to show the 30 percent difference between wage rates of workers of subsistence sector and capitalistic sector, workers in capitalist sector acquiring tastes and a social prestige which have conventionally to be recognized by higher real wages" (p. 150).

In this context there is a strong need to study the impact of Industrialization in twenty first century and analyse the structural transformation, dualism and informality in India.

In case of Punjab, the sports industry of Jalandhar is base for the Indian sports industry, whose roots are in Sialkot Pakistan Punjab. It established in India after partition by



migrated Hindus & Sikhs in Jalandhar. Later on which expanded to Meerut (UP) and Gurgaon (Haryana). Most of the Indian sports goods are exported to the UK, US, Germany, France and Australia. The sports industry manufacture 318 different items. The Indian sports industry is highly labour intensive industry in which a large number of lower section of the society, women and childs are engaged. Over the time, Indian sports industry engaged with global supply chain and there is impressive growth in export of sports goods. These all supplied to the big sports brand of the world like Nike, Adidas, Reebok, Yonex, Head, Wilson, Decathlon. There are around 100 major industries and around 20,000 small scale industries with more than 500 crore annual turnover. In Jalandhar there are three kind of establishments, first is Big establishments: they registered under factories act, 1948 and Shops and establishment act of the state of Punjab. They generally concentrate on exports besides the domestic market. Second is Small Establishments: these are also registered under the same act as above. They usually manufacture goods for the domestic market. Third is the Unregistered Units: these are found in urban area of Jalandhar. These units are mostly small home based units which are run by family members or some time hired the workers as per need. These units do not have direct access to the market. These are dependent upon the big establishments. Many time when big establishments are unable to meet the export demand, then they give ordered to home based units on the basis of piece wage. Therefore these workers are earning very low wage and working condition is also not good. The workers are exploited by the big establishments which engaged with the global supply chain and earning a surplus amount of profit. In this broader context, the present study will be focused on the living and working conditions of these informal workers.

Policy relevance & Concluding remarks:

To conclude, the low wage rate is the biggest challenge for the informal workers in developing countries like India. Increasing share of informal workers and unorganized sector in the workforce combined with low earning without any social security also reflected in the socioeconomic indicators of India like Human Development Index, Global Hunger Index. In GHI 2020 India ranked 94th out of 107



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countries along with Sudan. As it shows informal workers are unable to take sufficient proper diet due to low earnings. Therefore, there should be a assured social security like *medical care, sickness benefit, family benefit, maternity benefit, unemployment benefit, employment injury benefit and minimum wage rate* for these workers for their better livelihood. **Secondly**, by 2040 India's demographic transition would make an aging society which required a strong road-map or planning for social security architecture for these informal workers.

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