

Annex- 4

Measurement of Informal Economy in India

By
P.K.Mahapatra,
Deputy Director General,
Survey Design And Research Division,
National Sample Survey Office,
Ministry of Statistics & Programme Implementation
Government of India

Stride towards measurement of Informal economy in India

Employment in Informal Economy, in essence,
comprises

*employment in informal sector and
informal employment outside the informal sector.*

According to the 15th ICLS (1993) conceptual
framework, unincorporated enterprises, (i.e.,
proprietary and *partnership* enterprises including the
informal producers' cooperatives) are largely
considered as *informal sector* enterprises.

Stride towards measurement of Informal economy in India (contd.)

The complementary sector i.e. the formal sector, in lucid terms, is what is not informal sector and is often characterized by

the presence/ availability of conducive conditions of employment such as

safe work environment,

facilities of paid leave,

availability of social security benefits like PF/Pension, health care and maternity etc. with the concerned work/job.

Stride towards measurement of Informal economy in India (contd.)

Informal employment which is employment without provisions of social security and other benefits that make the work decent is visible in both formal and informal sectors.

Stride towards measurement of Informal economy in India (contd.)

In India, attempt is being made both at national and local (i.e. state/district/village/town) level to capture the data pertaining to informal economy *through a household survey* called Employment Unemployment Survey (EUS) of NSSO.

Stride towards measurement of Informal economy in India (contd.)

However, prior to NSS 55th round (July1999-June2000), NSS employment-unemployment surveys were not focused on this matter.

A thought on this was given for the first time during NSS 55th round to capture data on employment only in proprietary and partnership enterprises that were taken to constitute Informal sector for the purpose of the survey however keeping conformity to the resolution adopted in the 15th ICLS and 17th ICLS (2003) about Informal sector and Informal employment in enterprises outside the Informal sector as well.

Stride towards measurement of Informal economy in India
(contd.)

Accordingly, provision was made on this aspect in the Employment Unemployment schedule of that round. Along with this, provision was also made to collect information on informal employment outside informal sector in that round.

In order to capture data on employment in informal sector and informal employment outside informal sector along with some aspects of conditions of employment in somewhat systematic manner, a few questions pertaining to social security benefits were asked from waged/salaried persons and casual labours *in usual principal and subsidiary status*.

Stride towards measurement of Informal economy in India (contd.)

It may be mentioned that NSS Employment & unemployment surveys are generally conducted every five year, the latest being the NSS 68th round (July2011-June2012).

Stride towards measurement of Informal economy in India (contd.)

In India during NSS 55th round, coverage for proprietary and partnership enterprises was limited to the entire non-agricultural sector only.

In 61st round also proprietary and partnership enterprises were taken as Informal Sector for all practical purposes but this time they belonged not only to the entire non-agricultural sector but also a part of the agricultural sector.

Exactly same coverage in respect of Informal sector and conditions of employment was taken in the 66th round and more recent 68th round.

Details of relevant surveys: Framework

As noted earlier, attempts to capture data on informal economy in India are being made through employment-unemployment surveys (EUS) of NSSO. This survey is one of the important surveys conducted regularly by the NSSO in every five years interval. The first such survey was done on the 27th Round (September 1972 - October 1973) of NSSO and till date nine such surveys have been conducted.

Details of relevant surveys: Framework (contd.)

The survey covers the whole of the Indian Union *except* a few areas which remained inaccessible throughout the year and a few FSUs which could not be surveyed despite all efforts.

Details of relevant surveys: Framework (contd.)

In EUS, persons are classified into various activity categories on the basis of activities pursued by them during certain specified reference periods.

Three reference periods are used in EUS, viz.

- (i) one year,
- (ii) one week and
- (iii) each day of the reference week,
preceding the date of survey

Details of relevant surveys: Framework (contd.)

Based on these three periods, three different measures of activity status are arrived at.

The activity status determined on the basis of the reference period of one year is known as the usual activity status (US) of a person,

that determined on the basis of a reference period of one week is known as the current weekly status (CWS) of the person and

the activity status determined on the basis of the engagement on each day during the reference week is known as the current daily status (CDS) of the person.

Details of relevant surveys: Framework (contd.)

In India, data are collected from the household (i.e. a group of persons normally living together and taking food from the same kitchen) for each of the members regarding their respective employment-unemployment particulars in the Usual Principal and subsidiary status/ current weekly/current daily activity status.

Details of relevant surveys: Framework (contd.)

The identification particulars of the households, their particular characteristics like household size, household NIC, household occupation, household type, household religion, social group, land possessed, land cultivated, monthly consumer expenditure etc. and demographic particulars like age, sex, marital status, general & technical educational level, status of current attendance and particulars on vocational training received/receiving for each member of the household are also collected.

Details of relevant surveys: Framework (contd.)

The usual principal and subsidiary activity particulars are collected for each member of the household which include information on activity status, industry-occupation of the members, some particulars of the enterprises in which they are working and conditions of employment for the persons employed as regular wage/salaried employee and casual labour with a reference period of 365 days preceding the date of survey.

Details of relevant surveys: Framework (contd.)

Usual subsidiary economic activity particulars of household members refer to some *economic* activity which is carried out for at least 30 days, irrespective of the situation whether the person was employed or not in the usual principal activity status. The information collected under this is same as that of the usual principal activity status.

Details of relevant surveys: Framework (contd.)

Particulars of the enterprise and conditions of employment are collected for usual status workers engaged in any industry of work excluding those engaged in growing of crops and growing of crops combined with farming of animals from 61st round onwards. Information is collected for these persons on
location of work place,
type of enterprises,
number of workers in the enterprise etc.

Details of relevant surveys: Framework (contd.)

However, some *particulars on the conditions of employment, such as type of job contract, eligibility for paid leave, availability of social security benefits like PF/Pension, health care and maternity, method of payment etc.*

are also collected only for the employees classed as regular wage/salaried persons or casual labours among this section of persons.

Details of relevant surveys: Framework (contd.)

Information is also collected for this section of persons on *changes in activity status, occupation /industry, existence of trade unions/associations, nature of employment (permanent/temporary), seeking/available for additional/alternative work, no. of months without work etc.* to get an idea of these aspects of employment, formal or informal (see [61sch10](#) and [66sch10](#)).

Details of relevant surveys: Framework (contd.)

However in EUS of NSSO, no attempt has not so far been made to capture data on hours worked or wages/salary earned and if so earned whether enough for decent living or not etc. for the usual status workers.

*Also, no attempt has been made in these surveys to collect the information pertaining to such conditions of employment as stated above **for the workers in current weekly status** except wages/salary earned for the regular waged/salaried and casual workers only.*