

# ORGANIZING THE UNORGANIZED: UNION MEMBERSHIP AND EARNINGS IN INDIA'S INFORMAL ECONOMY

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**Abstract:** Over three-fourths of India's labour force works within the informal economy. Amongst non-agricultural workers, the share of the informal workforce has grown from 68 percent in 1999-2000 to 84 per cent in 2009 -10 (ILO, 2012). Globally, the informalization of work has been assumed to lead to the demise of organized labour, but evidence from India indicates that large and growing numbers of informal workers belong to officially-recognised trade unions. In this paper, I review the literature on collective organization amongst informal workers and analyze large-n national employment survey data to examine unionization in India's informal economy. I find that union membership is associated with a significant increase in earnings, controlling for social group, education and occupational characteristics. This relationship, however, does not hold for women, who are disproportionately concentrated in the lower-rungs of the informal workforce as home-workers and domestic workers. I find significant differences in the odds of union membership by gender, social group and education levels. Women and socially-disadvantaged groups are less likely to belong to unions, while better-educated workers have higher odds of being union members

Widespread informality in India is unlikely to disappear. India's high GDP and urban growth in recent decades have not been associated with a concomitant expansion in formal employment. Formal manufacturing and services employ a small proportion of Indian workers, and, as elsewhere in the world, technological changes as well as a mismatch in skills have resulted in large numbers of "surplus" workers. The 50 million or so unskilled workers who will join India's urban workforce in the coming decade will most likely be absorbed in the informal economy. Given the magnitude of the informal workforce in India, governmental efforts to secure broad-based improvements in living standards must address working conditions and prospects for informal workers. Based on my findings, I argue that labour organization within the informal economy will play a critical role in this regard, by pushing the state to intervene in support of workers, enact and enforce legislation and implement welfare programmes for informal workers.

**Key words:** Informal Economy; India; Urbanization; Labour Organization; Informalization; Female Employment in India; home-based work

Please address all correspondence about this paper to:

Shahana Chattaraj, PhD

[Shahana.chattaraj@bsg.ox.ac.uk](mailto:Shahana.chattaraj@bsg.ox.ac.uk); [shahanac@alumni.princeton.edu](mailto:shahanac@alumni.princeton.edu)

## INTRODUCTION

Over three-fourths of India's urban work force is employed in informal services and 'unorganized'<sup>1</sup> manufacturing (Ghosh and Chandrasekhar, 2013; ILO, 2012; Government of India, 2012). The modern service and manufacturing sectors employ a miniscule proportion of the population—the majority of urban residents, even in India's most economically dynamic cities, are employed in low-wage services and informal manufacturing. India's high rates of GDP and urban growth have not been associated with a concomitant growth in formal employment. The informal workforce has expanded after liberalization, while formal manufacturing employment has been in decline (Ghosh and Chandrasekhar, 2007, 2013). In urban India, the proportion of informal workers grew from 68 per cent in 1999-2000 to 72 per cent in 2004-2005. The ILO (2012) estimates, based on 2009-2010 data, that 84 per cent of the non-agricultural workforce in India works in the informal sector or under informal conditions of employment.

India's informal workforce is heterogeneous and diverse (Unni and Rani, 2003). It includes street vendors, daily-wage construction workers, domestic workers, small-scale entrepreneurs, piece-workers and jobbers, artisans and crafts producers, as well as middle-class professionals running businesses from their homes. Despite variation in the type of work, earnings and education-levels, the majority of informal workers in India makes low earnings and lacks the benefits, social security and legal protections available to workers in formal employment (Unni and Rani, 2003).

Recent data suggests that large numbers of informal workers in India are joining registered national trade associations (Ahn and Ahn, 2012). The Bharatiya Mazdoor Sangh, which became India's largest union in India in 2008, reported that its membership growth was largely from the unorganized sector.<sup>2</sup> Ramaswamy (1988, p222) notes, 'If not from ideology, then at least from self-interest, the unions will eventually have to organise the unorganized – if they are to be left with any constituency at all.' The trend to increased labour mobilization along with informalization may be related to a shift in the nature of the informal economy in India, from traditional, subsistence activities towards dependent incorporation into capitalist work relations.<sup>3</sup>

A growing body of empirical work on organized collective action in the informal economy challenges the assumption, widely prevalent in the policy and academic world, that informal workers are, by

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<sup>1</sup> In official publications, the terms "unorganised" and "organised" correspond to informal and formal sectors. "Unorganised workers" are unprotected by the regulations under the Factories Act (Bremner, 1999). In this paper, the informal economy encompasses work that is licit, but takes place outside formal regulatory institutions.

<sup>2</sup> Special Correspondent. (2006, 31 December). "Big Rise in Central Trade Union Membership". The Hindu, (<http://www.thehindu.com/>, accessed 17 April, 2014); Menon, Srilatha. (2013, April 6). "Indian trade unions are getting bigger, coinciding with slowdown". Business Standard ([http://www.business-standard.com/article/economy-policy/indian-trade-unions-are-getting-bigger-coinciding-with-slowdown-113040600392\\_1.html](http://www.business-standard.com/article/economy-policy/indian-trade-unions-are-getting-bigger-coinciding-with-slowdown-113040600392_1.html)); accessed 17 April 2014)

<sup>3</sup> Menon, Srilatha. (2013, April 6). Indian trade unions are getting bigger, coinciding with slowdown. Business Standard.

definition, unorganized (Agarwala, 2006; Boris and Prugl, 1996; Evans, 2005; Everett and Savara, 1994; Global Labour Institute, 2007; Heller, 2000; ILO 2005; Jhabvala and Subrahmanya, 2000). This literature indicates that informal workers are organizing at various levels (locally, nationally and internationally) and in different organizational forms (in trade unions, business associations, NGOs, networks and co-operatives). The literature, and trends of increasing organization in India's "unorganized" sector raises questions several questions. What motivates informal workers to join unions? Does membership in trade unions improve the material conditions of workers in the informal economy? And if so, what kinds of informal workers are more likely to be unionized? In this article, I examine these questions through an analysis of union membership and earnings amongst urban informal workers in India, using a nationally representative sample survey. Three questions guide my analysis:

- (i) Is membership in a trade union or association associated with higher earnings for informal workers?
- (ii) Are there gender differences in the relationship between union membership and earnings?
- (iii) What sorts of informal workers are most likely to belong to unions?

The data source is the Employment and Unemployment Survey of the 61st round of the National Sample Survey Organisation (NSSO), conducted from 2004-2005. Returns to union membership are estimated through static group comparison using OLS regression, with demographic and other controls. Logistic models are used to examine the characteristics of workers belonging to trade unions and associations, and variations in membership by gender, social group, industry and occupational category. I do not make a causal inference in this paper, because temporal order (between membership in organizations and improvements in wages) is impossible to establish. There may be problems of endogeneity, if better-off workers choose to join organizations, as well as unobserved intervening variables. The informal sector includes a wide range of self-employed and own-account workers, employers and casual workers, and trade unions may selectively recruit members at the top rather than the bottom end of the informal workforce, in which case there may be problems of reverse causality. The qualitative literature from India, however, suggests that this may not be the case, particularly in the case of membership organizations for women workers.

Despite these limitations, this analysis makes a useful contribution to the literature on the informal economy and on informal worker organizations. Extending qualitative accounts of the achievements and strategies of informal unions, the data allows for comparisons between unionized and non-unionized informal workers with extensive controls to reduce unobserved heterogeneity. Furthermore, a quantitative analysis brings out patterns and relationships for further investigation. Because it is a nationally representative sample, comparisons can be made across states, social groups, industries and occupations.

My analysis is informed by literature on the informal economy and an emerging body of work on globalisation and the informalization of work. With limited scholarly research on worker organizations in the informal sector, I draw on Everett and Savara (1994), Breman (1996, 1999), Heller (2000) and Agarwala (2006), as well as action-research and policy-oriented literature to ascertain how informal worker organizations work, their relationships with the state and with formal unions and their membership patterns and goals.

Given the magnitude of the informal economy in India, and its continued importance as a source of employment for the majority of workers, research on the prevalence and nature of informal worker organizations is important both from a scholarly and policy perspective. In order to realize broad-based improvements in living standards as well as promote economic and social mobility, policy-makers at the national as well as sub-national level have taken steps to intervene in the informal economy through legislation to safeguard workers, expand social protections and access to state welfare benefits. Collective organization within the informal economy is likely to play a critical role in pushing the state to intervene in support of workers, enforce legislation and deliver programmes targeted to informal workers.

Once ignored as inconsequential to broader labour struggles, informal workers are increasingly being recognised as an integral component of labour (Evans, 2005; Global Labour Institute, 2007). At the same time, formal labour power in India, as in the industrialised world, is in decline. In this context, a study of the potentials and limitations of organization in the informal workforce has implications for both theory and policy. As informal employment remains predominant in many countries in South Asia, Africa, the Middle-East and Latin America (ILO, 2012), it will also inform debates about the potential and limitations of informal labour movements outside of India.

The article is organized in four sections. Section I introduces the subject, research questions and methodology. Section II reviews the literature on labour processes and organization in the informal economy. Section III lays out hypotheses derived from the literature and analyzes the research questions. The concluding section, section IV, discusses the implications of my findings.

## LABOUR PROCESSES AND ORGANIZATION IN THE INFORMAL ECONOMY

### **The informalization of work**

A growing informalization in the workforce has been observed in recent years in both rich and poor countries, related to the re-organization of production from a factory-based Fordist system to one that involves global networks of sub-contracting (Portes et al 1989; Balakrishan, 2002; Fernandez-Kelly and Shefner, 2006; Sassen 2011; Breman, 2013). Sub-contracting, particularly in labour-intensive industries with varying demand such as garments, allows firms to reduce costs by producing inputs 'just-in-time' rather than accumulating stocks of finished goods. Informal enterprises and workers are thus

incorporated into, and dependent upon, global and national production chains as piece-workers or “flexible” contract workers (Beneria and Roldan, 1987; Boris and Prugl, 1996; Balakrishnan and Sayeed, 2002; Breman, 1999, 2013). Sub-contracting is primarily motivated by reducing labour costs rather than improving productivity, achieved by informalizing employment relations (Balakrishnan and Sayeed, 2002). It allows firms to circumvent labour regulations and collective bargaining, and avoid the costs of employee benefits and protections. The consequent “informalization” of the workforce refers to the shrinking of a formally organized, secure and protected labour force and the expansion of the casual, unprotected and largely unorganized labour force. The informalization of production has been accompanied by changes in the sexual division of labour, described by economist Guy Standing as ‘global feminisation through flexible labour’ (Balakrishnan, 2002; Standing, 1989). The informal economy is thus not a transitory or marginal phenomenon, but a core feature of economic globalisation (Balakrishnan, 2002; Beneria and Roldan, 1987; Breman, 2013; Fernandez-Kelly and Shefner, 2006; Portes et al 1989; Sassen, 2011). As empirical evidence accumulates to negate development theories that predicted the informal sector would, with economic development, be absorbed into formal industry, scholars and policy makers have expressed a renewed interest in informality.

The informalization of the urban workforce is clearly evident in India. India’s rapid economic growth in recent years has not been accompanied by a concomitant growth in formal employment (Government of India, 2012). Liberalization has been associated with a weakening of labour regulations, and the introduction of laws enabling informal contract employment within formal industry. The proportion of India’s workforce employed in formal or “organized” manufacturing has declined over the past two decades, and informal work is the primary source of non-agricultural employment (Ghosh and Chandrasekhar, 2007, 2013; ILO, 2012). Ghosh and Chandrasekhar (2013) found that casual construction labour was the main source of employment during India’s high-growth period between 2005-2010. Given these trends, Harris-White and Prospero, (2013, p1) state that, ‘India’s informal economy is the actually-existing form taken by contemporary capitalism. Informal work is not residual, it is the commonest kind; it is not the reserve army or a separate ‘needs economy’ with a non-accumulative logic, it is the real economy, it does not consist of ‘invisible others’ in non-metropolitan India.’

Although Marxist-leaning scholars emphasize the integral relationship between global capitalism and informalization, Sanyal (2007) proposes that much of the informal economy in India is a subsistence-based “need” economy that does not follow the logic of capitalism, where small-scale owners and workers both occupy a similar social plane. Hahn’s (1996) analysis of the dynamics of household production indicates, however, that the household sector in India is shifting from largely independent traditional or subsistence production to industrial outwork, resulting in more dependent employment relations. For self-employed workers, who comprise the majority of the informal work force in India, the distinction between entrepreneurial or dependent income-generating activity may be difficult to discern in practice. For example, jobbers or sub-contractors as well as piece-worker are counted amongst the ‘self-employed,’

and may belong to same social milieu (Breman, 1999). In recognition of the heterogeneity of unorganized sector in India, and the complexity of its relationship with formal industry, India's informal economy can be understood to encompass both entrepreneurial as well as exploitative and dependent forms of economic activity (Chen, 2005).

The nebulous boundaries and enormous heterogeneity of the "informal economy" may raise doubts about its usefulness as an analytical concept. However, as Portes et al (1989, p11), argue, 'the informal economy is a common-sense notion whose moving social boundaries cannot be captured by a strict definition without closing the debate prematurely'. And it may be more clearly understood by emphasizing what it is not. The informal economy is not a euphemism for poverty or destitution. 'It is a specific form of relationship to production, while poverty is an attribute linked to the process of distribution' (Portes et al 1989, p12).

The informal workforce in India is segmented by gender, class, caste and ethnicity. While men are distributed in the different rungs of informal work, women largely occupy the low-wage, labour intensive and unskilled bottom-rung of different industries. Female workers are concentrated at the base of sub-contracting chains as home-workers, while jobbers, sub-contractors and workers in informal factories are more likely to be male (Agarwala, 2006; Balakrishnan and Sayeed, 2002; Beneria and Roldan, 1987; Hahn, 1996; Kabeer, 2000; Prugl, 1999). A majority of the female non-agricultural workforce in India works within their homes in informal manufacturing and services (NSSO, 2005).

### **Labour organization in the Informal Economy**

While much scholarship on the informal economy has focused on its relationship to global capitalism, examined the effects of state regulation, or investigated the workings of local informal economies, worker organization within the informal economy has received limited academic attention. The existence of organized, collective action within the informal sector challenges core theoretical propositions about the nature of informal work. Given the limited work examining organizing strategies and outcomes amongst informal workers, Agarwala's (2006) work on the relationship between informal sector organizations and the state, Breman's (1996; 1999; 2013) seminal work on the labouring poor in India, Heller's (2000) work on labour mobilization in Kerala, and Everett and Savara's (1994) study on the characteristics of different types of informal worker organizations are important sources.

Informalization, viewed by Marxist scholars as a mechanism to reverse the hard-fought gains of labour and weaken workers rights in the interest of capitalistic growth, is widely associated with the demise of labour power. Informalization is 'undermining the power of organized labour in all spheres: economic bargaining, social organization and political influence' (Portes et al 1989, p31). As a 'status of labour', informality "down-grades' workers (Portes and Sassen-Koob, 1987). Breman (2013) described the loss of formal sector work for workers in Ahmedabad, as a 'fall from paradise' and argues that most

self-employment in India's informal economy is concealed wage labour conducted under exploitative conditions. Informal workers are likely to be undeclared, lacking welfare benefits and worker protections, paid under minimum wage or employed in circumstances contrary to legal norms. They are likely to work in workplaces where health, safety and zoning regulations are violated, and to lack access to compensation or legal redress.

Marxist and structuralist scholarship on informality emphasises the features of informality that make workers, vulnerable (Beneria and Roldan, 1987; Breman 1996, 2013; Portes et al, 1989). 'Undeclared, unprotected labour, small units of production, networks rather than socialised labour processes, homework rather than factories, unstable relations of production, multiple intermediaries between workers and capitals, segmentation of labour along age, gender and ethnic lines, dependence of employment on the absence of regulatory control - all these factors are contributing to the de-collectivisation of the labour process and to the reversal of the material conditions that historically allowed the emergence of the labour movement as an organized force.' (Portes et al, 1989, p31). Informal workers are considered part of the "reserve army" of unemployed and underemployed labour that weakens the bargaining power of urban workers. Bound by ties to their rural homes, divided into ethnic and social groups, informal workers are assumed to lack class consciousness, creating an 'ideological split between employed, unionized workers and newcomers to the labour market, socialised outside or even against the influence of trade unions' (Murray 1983, quoted in Portes et al 1989, p31).

Heller (2000) in his account of the coir industry in Kerala, argues that 'the existence of a pre-capitalist hinterland with large reserves of surplus labour defeated the organized power of the coir factory workers' (Heller, 2000, p188). Producers in the state's coir and cashew industries, "informalized" in order to escape labour regulations. Cashew processing in Kerala,<sup>4</sup> employed a largely female, organized labour force. Responding to labour union pressure, the state set and enforced a minimum wage. In response, cashew producers re-organized as a small-scale 'cottage-industry' to circumvent wage rules. When the government banned this practice, they decamped to neighbouring Tamil Nadu, which had weaker labour regulations. Informal workers in small-scale "cottage" production in the cashew and coir industries, while nominally self-employed, are actually "disguised workers" without the benefits or safeguards of formal employment.

The nature of informal work presents significant barriers to collective action and organization. Often working in their homes, lacking the organizing space of the factory floor, or a direct relationship with management, informal wagedworkers have limited opportunities for organization and collective bargaining (Moser, 1978). Informality complicates or eliminates the employer-employee relationship through multiple

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<sup>4</sup> Kerala in southern Indian state known for its impressive social indicators and history of social mobilization. It has the highest minimum wage rates for casual daily-wage labour in India, and, as per the data from my NSSO data set, appears to be the only state where these laws are enforced.

subcontracting arrangements or nominal self-employment (Agarwala, 2006). Informal workers may work at home, on the street, without a fixed place of work or as casual, undeclared labour in small workshops - the organizing space of the factory floor is absent in most kinds of informal work. The majority of informal workers are poor and unskilled and belong to disadvantaged social groups, lacking resources for organization. Their precarious livelihoods may discourage such workers from organizing, when there is, indeed, a reserve army waiting in the wings. Labour legislation fails to cover most categories of informal work. For example, labour legislation in most countries is designed to protect 'employees' rather than to apply to all workers (ILO, 2002). Home-based workers involved in industrial outwork are a case in point. Home-workers, even when dependent on a single enterprise or employer for their raw materials and output, are technically 'self-employed' and thus outside the ambit of labour protection (Beneria and Roldan, 1987; ILO, 2002). Legal barriers to union organizing in the informal economy may discourage or prevent organization (ILO, 2002; Sundar, 2003). Without state recognition, informal organizations have a limited voice in politics and policy debates, and are unable to intervene on workers' behalf in labour disputes or lobby state authorities. Where labour protections exist for informal workers, states may fail to enforce laws on minimum wages, workers rights and benefits, and health and safety regulations. In India, casual unskilled labourers are covered by federal minimum wage regulations, but my data sample shows that the majority of workers earn below the minimum wage. State capacity and will to enforce laws may be weak in the absence of organized labour pressure.

Established unions have been wary of organizing informal workers (Gallin, 2001). Mobilising and organizing workers in the informal economy is costly, due to the dispersed and irregular nature of work (ILO, 2002). The difficulties of organizing workers in the informal sector were summed up by an Indian union leader thus: 'In the organized sector, twenty per cent work gets ninety per cent result. In the informal sector ninety per cent work gives ten per cent result.' (quoted in Sundar, 2003).

As the literature suggests, labour organization in the informal sector is not widespread. Much of the literature on informal worker organizations arises from an action-research approach, adopted by activist-researchers involved in informal-worker movements. Organizing in the formal economy might occur through unions specifically created to organise informal workers, such as SEWA (Self-Employed Women's Association) or the Working Women's Forum (WWF) in India.<sup>5</sup> Organizations of self-employed women, the majority home-workers, SEWA and WWF are amongst the best-documented examples of worker organizations in the informal economy.

SEWA began its work in the city of Ahmedabad in Gujarat in the early 1970s, as an offshoot of the Textile Labour Association (TLA), a union of formal millworkers (Spodek, 2011). In 2007, SEWA was

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<sup>5</sup> The Working Women's Forum (WWF) is a multi-state union/co-operative of poor women. (<http://www.workingwomensforum.org>)



recognised by the Indian government as one of 10 central or national trade unions and it had close to a million members in 2008.<sup>6</sup> Members include bidi-makers, garment workers, street vendors, and home and workshop-based piece workers in small industries. Though SEWA considers itself a union, it is an unusual one in that it combines “struggle and development”, drawing on its roots in the Gandhian-inspired TLA (Spodek, 2011). Like a trade union, it organises workers and lobbies the government to enforce labour laws, set minimum wages and provide social security to informal workers. And like a social organization, it provides bank loans, forms co-operatives, and conducts literacy and entrepreneurship training programmes (Jhabvala et al 2003).

While SEWA has grown from an association for poor women textile workers in Ahmedabad to a national trade union, a growing number of informal workers in India are joining formerly “formal” sector central unions. Moreover, unions formed specifically around informal workers are often affiliated with central unions (Sundar, 2003; Jhabvala et al 2003). In India, all the major national trade unions have made sporadic, but intensifying attempts to organise workers in the informal sector since the 1980s. These efforts led to a doubling of union membership between 1989 and 2002, driven by an upsurge in union membership in the informal economy (Ahn and Ahn, 2012). The different national unions have organized informal workers in the bidi, construction, handloom, fishery, forestry, health and transport industries. International conventions such as the ILO’s 1996 Convention on Home-Workers,<sup>7</sup> international labour networks and changing national labour regulations, as well as their own declining influence, are likely to have spurred organizing in the informal economy by established unions (Sundar, 2003; Jhabvala, et al 2003, Ahn and Ahn 2012).

State policy plays an important role in determining organizing strategies and outcomes in the informal economy, as Agarwala (2006) and Heller (2000) show. Studies of state-informal sector dealings have show aspects of top-down clientalism, where political machines are activated to mobilise constituencies formed largely by informal workers, to bottom up mobilization, where informal workers and entrepreneurs have successfully lobbied politicians to advance their goals and protect their interests (Agarwala, 2006; Cross, in Fernandez-Kelly and Shefner, 2006; Everett and Savara 1994; Heller 2000). The case of head-load workers or porters in politically and socially mobilised Kerala is illustrative. Head-load work is unskilled, casual and physically demanding, and most workers are from disadvantaged social groups. Head-load workers were organized by the Communist parties in Kerala in the 1960s, and their unions succeeded in dramatically raising wages, compartmentalising and controlling the labour market (Heller, 2000). Though politically organized and locally powerful, head-load worker unions had little institutional support or legal status in early years. In the 1980s, when head-load worker militancy became

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<sup>6</sup> SEWA, registered in 1972 as a trade association of self-employed women workers, reported a membership of 966,139 on its website, <http://www.sewa.org/>, accessed 10 December 2013.

<sup>7</sup>The ILO Convention of Home Workers requires states to promote equality of treatment between home workers and other wage earners in relation, among other things, to their right to establish or join organizations ([www.ILO.org](http://www.ILO.org)).

a serious labour problem, the communist state intervened to formalize informal labour organization, legislating a fixed-work day, limited workloads and instituting a formal labour dispute resolution mechanism. In addition, a welfare scheme provided for educational grants, housing loans, accident insurance and a pension plan (Heller, 2000).

Similarly, labour mobilization resulted in state intervention within small-scale coir producing units in Kerala. Coir enterprises with more than two workers were subject to labour regulation, and were required to provide cost-of-living wage adjustments and paid holidays for workers (Heller, 2000). In addition to intervention through labour legislation, the state also promoted the development of co-operatives in the coir industry, which helped to increase wage-levels (Heller, 2000). Kerala is thus a clear example where labour mobilization and unionization in an informal, scattered and disadvantaged workforce led to increased wages as well as improved work conditions through formal state intervention.

Kerala is an exceptional state, and few other states in India have instituted or enforced similarly extensive legislation to protect informal workers. However, various state governments have instituted social welfare programmes for informal workers. Innovative regulatory systems such as the Bidi and Cigar Welfare Fund Act (1976)<sup>8</sup> have circumvented laws that required a clear employer-employee relationship for labour regulations to apply (Jhabvala et al 2003; Agarwala, 2006). Agarwala (2006) studying bidi-workers and construction workers unions in different states in India, found that unions in the informal sector, instead of seeking higher wages and worker rights from employers, focused their efforts on gaining benefits and social assistance from the state through the social welfare programmes. Breman (2013) is critical of this reformulation, as it shifts the burden of ensuring basic welfare for workers on the state while absolving capital. He is also sceptical of the state's capacity and will to implement these measures. Organized labour pressure, research suggests, may indeed be critical to the implementation of state welfare programmes for the 'unorganized' sector.

Agarwala and Heller's work suggests that workers in industries which moved from formal, factory-based work to small-scale or home-based production (such as Bidi and Coir industries), are more likely to be organized due to the history of unionization within their industries. While the disaggregation of large factories into small units and home-work based production may have been a set-back to the formal labour movements, these changes brought new workers into the labour struggle, and forced bidi workers to seek new collective action strategies that differed from those of formal workers (Agarwala, 2006). Despite differences in organizing strategies and goals, like formal sector workers, home-based bidi workers organise along class lines. Bidi unions are registered national unions with state chapters, affiliated with left-leaning parties. They belong to an 'informal' proletariat, located at the bottom of India's working class,

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<sup>8</sup> The Central government Bidi and Cigar Employees Act (1966.) is implemented by state-level governments through state labour boards. ([www.homenetindia.org](http://www.homenetindia.org))

with significantly less access to political and economic resources than groups above them, but nevertheless endowed with class-consciousness and capable of class-based mobilization (Agarwala, 2006; Breman, 2013).

Agarwala finds that bidi-worker organizations were more effective than construction workers, although construction workers are also eligible for state assistance under Indian labour regulations. The bidi industry in the early years had a strong, organized labour movement, whose strategies and organizing tools may have acted as a resource for workers in the industry after it informalised. The construction industry, on the other hand, is more likely to employ temporary migrant workers who are less likely to be registered voters within a state, and thus less able to use the power of their votes to affect state policy or gain political support (Agarwala, 2006). Along with structural and historical differences in the organization of different industries, state policies play a central role in shaping the prevalence and effectiveness of informal worker organizations.

The Indian state does not treat all informal or self-employed workers alike, intervening in some industries such as bidis and fisheries, while neglecting others. State policies towards different informal sector activities have followed national development priorities (Everett and Savara, 1994). Food production and security were state priorities in the First Five-year plan immediately after independence, leading to interventions in agriculture and fisheries. During the 1970s, the state promoted informal sector production as an employment and income-generating strategy. Traditional and crafts-based industries in rural areas were also promoted in an effort to diversify rural employment and reduce urban migration. Domestic servants, sweepers, waste recyclers or street vendors did not fit into national and state development priorities, and received little or no state support (Everett and Savara, 1994). While state policies do not automatically improve the economic conditions of workers in the sector targeted, they provide resources for mobilization and support the ability of organizations to seek labour protections and social assistance (Everett and Savara, 1994). Thus, informal workers in industries that have been the focus of state regulation and assistance are more likely to be organized than others.

Street vendors, despite, or perhaps because of the lack of supportive state policies, are also well-organized in major Indian cities. Street vendor associations in Mumbai, often affiliated with political parties, allocate access to public space, and mediate with state actors to protect hawkers from official harassment— the vast majority of Mumbai's are unlicensed and routinely violate municipal laws and regulations (Sharma, 2000). Membership in a street vendor association is thus likely to have a significant impact on earnings. As street-vendors across India cities increasingly targeted by middle-class activist groups lobbying the state to enforce laws and regulations (Shapiro-Anjaria, 2006), street vendor associations are organizing nationally as well as locally to gain official recognition and reform laws and

policies governing street vending, lobbying states and through legal channels.<sup>9</sup> Informal service workers in transport, taxi and autorickshaw drivers in Indian cities are organized in trade unions that include owners, license holders as well as drivers. Politically-affiliated unions play a role in organizing territory, regulating access to routes, and mediating with state actors and officials, from the payment of bribes to lobbying on policy issues such as environmental as well as fare regulations.<sup>10</sup>

In addition to state policy, occupational characteristics have shaped informal worker organizations. In their study of different types of informal worker organizations in India, Everett and Savara (1994) find these organizations are quite heterogeneous, reflecting the range and diversity of informal work. They include local, informal associations focusing on specialised jobs and segmented by caste, gender, ethnicity and community (reflecting the dominance of particular communities within specific industries), to large, well-organized, ethnically diverse national trade unions. Casual workers in the service sector have typically formed trade unions, while associations of self-employed women formed credit co-operatives (Everett and Savara, 1994). Different types of organizations also have different goals and have achieved different levels of success. In Bombay in the 1950s, widespread political mobilization by sweepers, who belonged to some of the most disadvantaged groups in India, resulted in their being incorporated into the Bombay Municipal Corporation as government employees with job security and benefits (Everett and Savara, 1994). For many women-focused organizations, the focus was on income-generation and social and economic development rather than incorporation into formal labour. Annapurna Mahila Mandal, one of the earliest associations of home-workers, organized to increase credit to workers through bank loans (Everett and Savara, 1994).

Everett and Savara (1994) also note differences in leadership structure between male-dominated, mixed-gender associations and women's organizations. There were no women in leadership positions in mixed-gender informal worker organizations. Leadership in the male-dominated unions was largely internal and hierarchical, while women-only organizations had a flatter structure but were often organized by outsiders. While female workers have occasionally engaged in informal collective action independent of external support and influence, the more successful women's unions were organized and supported by well-educated, middle-class activists (Everett and Savara, 1994). This may be explained by the fact that women engaged in informal work are typically poorly educated, with limited access to information, skills and resources for organizing. They are often confined to the home due to social and community norms and external organizers have had to overcome and accommodate these restrictions in their organizing strategies. As a result of gender differences, women's organizations such as SEWA and the Working

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<sup>9</sup> The National Association of Street Vendors in India (NASVI), was founded in 2003 as a coalition of 540 member organizations, including trade unions, community based organizations and non-government organizations (NGOs).

<sup>10</sup> These observations are drawn from my fieldwork in Mumbai, between June 2009- September 2010, and August 2013.

Women's Forum explicitly integrate labour rights and entitlements with broader objectives of gender equality and women's empowerment.

The literature suggests that poor women in the informal economy are more likely to be organized than middle-class ones. This may be related to the fact that activist groups and movements have been concerned with work security and income generation for poor women. Furthermore, poor women tend to live in more cohesive neighbourhoods, where home-workers within a particular industry are clustered. For home-workers, the neighbourhood has become the organizing space in the absence of a factory floor (Jhabvala, 2000; Agarwala, 2006). Middle-class women live in more geographically dispersed and scattered locations, and participate in a wider range of informal and home-based activities, offering fewer opportunities as well as needs for collective action (Lahiri-Dutt and Sil, 2004).

In conclusion, the number and diversity of informal workers organizations in India, and their growing incorporation of informal workers into mainstream unions challenges widespread notions about the impossibility of labour organization in the informal economy. Unions and associations of informal workers in different industries and states have been successful in setting and enforcing minimum wages and increasing earnings, "formalizing" labour relations, instituting labour protections and lobbying the state to gain access to welfare and social security programmes. Organizing in the informal sector is difficult, and mobilization strategies differ from those employed by mainstream unions, as do organizational goals and leadership structures. In addition, the literature suggests significant differences by gender in the composition, structure, strategies and outcomes of informal worker unions. There is a considerable variation in state-policy in terms of the regulation of informal enterprises in different industries and occupational categories. Minimum wage rates, legislative protections and social welfare benefits for informal workers vary at the state and industry level, as does the extent and nature of enforcement. These variations influence strategies and levels of informal worker organizations. Variations in policy, in turn, are the outcome of specific trajectories of national development ideologies, national and local politics, labour struggles and production relations.

Summarising the relationships that emerge from the literature, the prevalence, form and relative success of informal worker organizations varies according to (i) the gender composition of workers (ii) the nature of the industry (iii) the nature of work relations, whether casual wage service workers, industrial outworkers or self-employed (iv) community, class and locational characteristics of workers (v) state policies towards informal firms and workers as well the specific industry (vi) relationship with external organizations, including formal labour unions, political parties and NGOs. In this paper, based on an analysis of the National Sample Survey Organisation (NSSO) Employment and Unemployment data, I will examine the first four sets of variables.

Since informality is expressed in terms of enterprise as well as worker characteristics, it is useful to specify the aspects of informality that are most relevant to this article. Following Hart's (1971) original conception, I emphasize informality in labour relations. In addition to self-employed and casual wage-workers, informal workers may also work in more or less formal enterprises. Numerous studies have shown that informal labour relations may be present in formally-registered, tax-paying and regulated firms in the form of off-the-books or undeclared workers, short-term contract labour or industrial out-workers (Beneria and Roldan 1987; Portes et al 1989; Breman 1996, 1999; Balakrishnan, 2002; Chen, 2005). The informalized labour relations of such workers bring them within theoretical compass of the informal economy (Portes et al, 1989).

## UNION MEMBERSHIP AND EARNINGS IN INDIA'S UNORGANIZED SECTOR

**Hypotheses:** The literature on the informal economy suggests the following hypotheses:

- I. Participation in informal worker organizations is related to improvements in material wellbeing for members. These may include higher wages and earnings, through the establishment and enforcement of minimum wage laws, and access to state-provided welfare programmes, or access to more or better-paying work.
- II. Participation in informal organizations differs by gender; class; the nature of work relations (whether self-employed workers, employers, out workers, or daily wage workers); industry and location of work.

**Data:** These hypotheses are tested using a nationally representative sample survey of informal and formal sector workers, the Employment and Unemployment Survey of the 61<sup>st</sup> round of the National Sample Survey, conducted from 2004-2005. The stratified multi-stage survey covered 124,680 households and enumerated 602,833 persons. Sub-national states were represented in proportion to their population as per the 2001 Census. In each state, urban areas were over-sampled. In the final stage of the multi-stage design, households in each sub-block/hamlet were stratified by income/expenditure, with middle and lower-income households sampled at twice the rate of affluent households. My sub-sample includes 82,576 urban informal workers.

Recent rounds of the Employment and Unemployment survey, the 55<sup>th</sup> and 61<sup>st</sup> rounds, were explicitly designed to capture information on the informal or "unorganized" workforce, in accordance with international standards established by the UN system of National Accounts and the ILO. The survey is thus suitable for future cross-national comparisons. The survey includes questions about primary and secondary employment including work status (salaried, self-employed, casual wage), weekly earnings, work relations (nature of contract, regularity of work, mode of payment), location of work, enterprise type, benefits (paid leave, maternity, and social security), participation in certain (central) state welfare

programmes including public works programmes, as well as membership in trade unions or associations. It also includes demographic and household characteristics, monthly household expenditure, industry and occupational category and educational attainment for each worker.

Missing data on the dependent variables is of some concern. Earnings data is reported by approximately sixteen per cent of my sub-sample of informal workers. Satisfaction with pay is reported by just over half of the sub-sample. Although there does not appear to be a systematic pattern in missing earnings information, workers with high monthly household expenditures were slightly less likely to report earnings, and union members were more likely to report earnings. Survey questions on access to social security, state welfare programmes and benefits such as paid leave appear to be unanswered by nearly all workers in my sub-sample. I am thus unable to examine how membership in informal worker organizations is related to work conditions and access to state welfare programmes and social security.

### **Concepts and Definitions**

**The Informal Sector:** For purposes of analysis, I distinguish between informal and formal sector workers. While this distinction does not reflect theoretical advances in the literature, where the formal/informal sector dichotomy has been critiqued, it is useful for analytical purposes and captures the dimensions of the informal economy important for this study.

**Informal Employment:** As per the operational definition employed by the ILO employees are considered to have informal jobs if their employment relationship is, in law or in practice, not subject to national labour legislation, income taxation, social protection or entitlement to certain employment benefits (advance notice of dismissal, severance pay, paid annual or sick leave, etc.). The reasons may be the following: non-declaration of jobs or employees; casual jobs or jobs of a limited short duration; jobs with hours of work or wages below a specified threshold; employment by unincorporated enterprises or by persons in households; jobs where the employee's place of work is outside the premises of the employer's enterprise; or jobs for which labour regulations are not applied, enforced, or complied with for any other reason.

**Informal Workers:** I construct my sub-sample of informal workers based on the above definition. Informal workers are defined according to 'status of work' and include (i) self-employed workers, who own and operate one-person business, alone or with the help of unpaid workers (ii) owner-employers of household or small enterprises (iii) paid dependent workers in household enterprises (iv) casual wage workers (v) irregular workers including contract workers, home-workers and temporary and part-time

workers working in formal or informal enterprises with less than 20 workers.<sup>11</sup>

My sample is limited to workers aged between 15-65. Individuals with professional degrees are excluded from the sample, as are those who perform unpaid work within the home or in household-enterprises. I also exclude workers who report being unemployed all year.

**Self-Employed Workers/Own-Account workers:** “Self-employed workers”, who constitute the bulk of the informal workforce, are conceptually ambiguous. In common usage, self-employed workers are assumed to have autonomy (they decide how, where and when to produce) and economic independence (in terms of choice of market, scale of operation and finance). Thus, self-employment is associated with entrepreneurship, independence and ownership, and considered to be outside the ambit of labour organization and collective bargaining. However, evidence suggests that many of the self-employed share characteristics of dependent workers. Many self-employed workers rely on contractors for materials and are dependent on single buyers. Within the data set, dependent and independent self-employment may be distinguished to some extent in terms of contract-type and mode of payment.

**Employment Characteristics:** These refer to the work relations and employment conditions of informal workers. These are categorised according to modes of payment (regular pay, daily wages or piece-rates); contract types (no written contract, short-term or long-term) regularity of work (temporary or casual work, full time or part time work; primary or subsidiary work); place of work (in factories or workshops, at home, in the street, or without a fixed location).

**Informal Worker Organizations:** Informal Worker Organizations considered in this analysis are those formally registered with state authorities. Registered trade unions or associations may be affiliated to larger central trade unions or independent, organized by industry, work status, locality or community, gender segregated or mixed. The survey data does not, however, capture these distinctions.

### **Descriptive Summary of the Data**

The vast majority of workers in India are informally employed. While data on the informal economy is, not surprisingly, imprecise, in recent years, a serious effort has been made by the Indian government to improve data collection and estimation. Beginning with the 55<sup>th</sup> round in 1999, the NSSO began to include questions aimed at identifying informal workers, and assessing their conditions of work in its regular Employment and Unemployment Survey (Government of India, 2012). The five-year period from the Employment and Unemployment survey in 1999-2000 to 2004-2005 shows an increase in informalization. In urban India, the proportion of informal workers grew from 68 per cent in 1999-2000 to 72 per cent in 2004-2005. More recent rounds of the NSS show that informality in work continues to

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<sup>11</sup> The criteria I use to categorize informal workers differ from the one used in official statistics. The NSSO/ Central Statistical Office does not include daily-wage workers in public works or employees who work within an employer's home, such as domestic workers or cooks, in their definition of the informal workforce.



widespread. The ILO estimates, based on 2009-2010 data, that 84 per cent of the Indian workforce works in the informal sector or under informal conditions of employment.

Within the urban informal workforce, the greatest increase was observed amongst self-employed and casual or daily-wage labourers. Together, self-employed and casual wage workers constitute about 60 per cent of the urban workforce, of which around 45 per cent is self-employed. The proportion of self-employed workers is higher among females (61 %) than among males (55 %). In the manufacturing sector, 81 per cent of workers were informally employed. Women in manufacturing were more likely to be informally employed than men – 90 per cent of female manufacturing workers compared to 78 per cent of males were in the informal sector. Home-based workers were predominantly female. 52 per cent of female informal workers engaged in paid work within the home compared to 12 per cent of males.

The NSS data shows that large numbers of informal workers in India are unionized. As per the 2004-2005 data, 8 per cent of informal workers belong to a registered trade union or association. Compared with approximately 23 per cent of formal sector workers who are unionized, this may seem small. In absolute terms, due to the large size of the informal work force, the number of informal workers who are organized is comparable to the formal sector workforce. In my sub-sample, of regularly employed urban informal workers between 15-65, 19 per cent of males reported membership in a registered union. The proportion of female workers who belonged to a union was far lower at 5 per cent. Historically, India's male-dominated trade unions played a role in displacing female workers from factory work, and had few female leaders (De Haan and Sen, 2005). Given their history, and India's low female labour force participation, mainstream unions may have little incentive to organize female workers. The difference in enrolment rates also reflects the fact that female workers in India are heavily concentrated in home-based work and domestic service (Chen and Ravindran, 2011). Domestic spaces, compared to the streets, public spaces and informal industrial areas where male informal workers are located, present significant barriers for union activity. Womens' unions like SEWA, discussed earlier, specifically focus on organizing home-workers, although their scale and reach is far smaller than the other major national trade unions.

Amongst workers who reported that registered unions existed in their activity, the majority of both men and women were members (Table 1). However, union activity is not widespread within the informal sector. Registered unions do not exist for most types of informal work. A large proportion of informal workers receive wages below the official minimum wage. According to the National Commission for Enterprises in the Unorganized Sector (2007), in 2004-05, 47 per cent of "unorganized" regular workers in urban areas received a wage below the national minimum.

Tables 1 and 2 provide descriptive statistics for my sub-sample. All data are from the NSS unless otherwise stated.

**Table 1 Sample Summary Statistics Informal Workers in India, 2004-2005:**

	Frequency		Proportion	
	Female	Male	Female	Male
<b>Sex</b>	15,751	60,387	0.21	0.79
<b>Age</b>				
15-25	3222	14415	0.04	0.18
25-45	8005	32873	0.10	0.43
45-65	4524	13099	0.05	0.17
<b>Education</b>				
Literate	8,462	49,109	0.54	0.81
High School Degree	3,851	26,103	0.24	0.43
<b>Union Membership</b>				
Member	951	11,526	0.06	0.19
Proportion of union members if union exists in their industry			0.55	0.75
<b>Disadvantaged Groups</b>				
Lower Caste	5,280	13,552	0.33	0.22
Muslim	2,256	11,304	0.14	0.19
	mean		range	
Age	36.3		15-65	
Monthly Consumption (Rs)	4443		51-583,192	
Weekly Earnings (Rs)	<b>374.43</b>		0-4000	

Source: National Employment and Unemployment Survey 2004-2005

N=76,138

The exchange rate for the US Dollar ranged around Rs.43 in 2005.

**Table 2: Sample Summary Statistics Informal Workers in India, 2004-2005**

	Frequency		Proportion	
	Female	Male	Female	Male
<b>Work Status</b>				
Self-Employed	5476	33357	0.31	0.51
Employer	161	2161	0.01	0.03
Worker/Helper	5328	8829	0.30	0.14
Casual Wage (Public Works)	58	364	0.00	0.01
Casual Wage (Other)	4529	16305	0.26	0.25
Other (begging, prostitution)	2021	1987	0.12	0.03
<b>Location of Work</b>				
Home	6088	9237	0.35	0.14
Street	943	7220	0.05	0.11
Enterprise/Shop outside dwelling	1861	24618	0.11	0.38

Source: National Employment and Unemployment Survey 2004-2005  
N=82,576

## Results

The Effect of Union Membership on Material Well-being: Using OLS regression robust to heteroskedasticity, I estimate the effect of union membership on total weekly earnings (Table 3). Union membership is associated with a statistically significant increase in earnings. All four models in Table 3 have controls for gender, religion and caste group, education levels and employment characteristics, including regularity and location of work. The association of union membership with significantly higher earnings remains consistent in various models. In model 4, in which I include additional controls for state, industry and occupational effects, I find that union membership is associated with an increase in weekly earnings of Rs. 34, which was a little under a dollar at exchange rates in 2005. The independent effect on earnings related to existence of a registered union in an activity, whether workers were members or not, disappears once state effects are included, suggesting that the existence of informal unions is reflects state policy.

**Table 3: Union Membership and Total Weekly Earnings of Informal Workers**

OLS Regression Models of relationship between unionmembership and total weekly earnings using National Employment and Unemployment Survey, 2004-2005				
Variable	earnings			
	1	2	3	4
Union Member	100.1*** (12.20)	42.95*** (15.40)	45.56*** (14.70)	34.16*** (12.50)
union exists		63.37*** (9.67)	59.43*** (9.65)	0.865 (7.99)
<i>Demographic and Household</i>				
female	-131.0*** (5.76)	-130.0*** (5.75)	-117.1*** (6.70)	-119.0*** (5.41)
age	2.768***	2.724***	2.812***	2.266***
Land owned	-0.22	-0.22	-0.21	-0.17
muslim	0.00776 (0.01)	0.00833 (0.01)	0.00857 (0.01)	
christian	-16.42** (7.04)	-14.25** (7.04)	-5.645 (7.09)	-32.53*** (5.76)
sikh	173.6*** (13.30)	166.5*** (13.50)	157.7*** (13.80)	109.0*** (12.10)
other religion	24.25* (14.50)	17.32 (14.70)	19.76 (14.90)	-13.14 (18.50)
lower caste	26.07** (12.80)	26.87** (13.00)	29.17** (13.00)	18.87 (12.20)
middle caste	-109.9*** (16.00)	-113.4*** (15.60)	-129.4*** (20.20)	-48.28*** (5.34)
Education	-55.92*** (16.10)	-62.19*** (15.60)	-77.41*** (20.30)	-25.23*** (5.50)
<i>Education</i>				
non-literate	-53.10*** (16.60)	-59.25*** (16.20)	-80.36*** (20.80)	-23.20*** (4.99)
primary education	15.06** (7.13)	14.75** (7.08)	14.16** (6.96)	2.925 (6.47)
Secondary Education	64.57*** (5.65)	62.32*** (5.68)	57.04*** (5.83)	21.90*** (5.61)
Technical/Vocational Education	97.06*** (35.40)	87.52** (35.80)	70.45** (31.70)	39 (27.80)
<i>Employment Characteristics</i>				
full time work	77.85*** (8.00)	76.42*** (7.97)	70.80*** (8.41)	69.90*** (7.19)
regular work	21.54*** (6.18)	21.40*** (6.16)	25.65*** (6.27)	35.02*** (5.00)
large enterprise (10-20 workers)	16.26** (8.09)	15.16* (8.10)	12.26 (8.41)	26.86*** (6.62)
home-based worker	-67.81*** (18.70)	-65.33*** (18.70)	-12.21 (20.20)	-14.8 (17.70)
no fixed place of work	-23.28*** (7.31)	-22.61*** (7.30)	-26.08*** (7.36)	-17.71*** (6.24)
State dummies	no	no	no	yes
Industry dummies	no	no	yes	yes
Occupation dummies	no	no	yes	yes
Constant	286.7***	290.8***	387.8***	416.6***
Observations	10735	10735	10684	14628
R-squared	0.14	0.15	0.18	0.25
Robust standard errors in parentheses	*** p<0.01, ** p<0.05, * p<0.1			
Reference State: Uttar Pradesh; Reference Religion: Hindu; Reference Education Level: literate without schooling				

My analysis also indicates, not surprisingly, that women have significantly lower earnings than men. The drop in earnings associated with home-based work, however, disappears once industry and occupational dummies are included in the model. This suggests that home-based work is located within specific industries and occupational categories.

**Table 4: Union Members and Earnings  
Women Informal Workers**

OLS Regression Models of relationship between unionmembership and total weekly earnings using National Employment and Unemployment Survey, 2004-2005		
Variable	Earnings	
	1	2
union member	-30.86 (33.90)	-35.1 (27.50)
union exists	50.79*** (14.90)	19.05 (15.50)
<i>Socio-demographic</i>		
age	-0.968*** (0.22)	-0.448** (0.20)
muslim	-27.59** (11.10)	-14.72 (11.00)
christian	80.74*** (20.20)	27.49* (16.10)
sikh	-56.57 (39.90)	-40.41 (30.40)
other religion	0.467 (10.60)	-17.91* (10.00)
lower caste	-7.717 (7.37)	-46.28*** (8.00)
middle caste	0 (0.00)	-34.57*** (9.30)
<i>Education</i>		
non literate	48.59*** (10.50)	0 (0.00)
primary education	4.224 (8.10)	15.48** (7.82)
<i>Employment Characteristics</i>		
full time	83.83*** (7.98)	78.76*** (8.44)
regular work	30.90*** (6.08)	22.67*** (6.06)
<i>state dummies</i>	yes	yes
<i>industry dummies</i>	no	yes
<i>occupation dummies</i>	no	yes
Constant	297.2*** -23.8	1162*** -102
Observations	3504	3494
R-squared	0.21	0.34
Robust standard errors in parent! *** p<0.01, ** p<0.05, * p<0.1		
Reference State: Uttar Pradesh;Reference Religion: Hindu; Reference Education Level:literate without schooling		

Table 4 analyzes the relationship between earnings and union membership for women workers. Both models have controls for age, social group, education, and employment characteristics. Model 2 also includes controls for industry, occupation and state. I find that union membership does not have a significant association with weekly earnings for women. While statistically insignificant, the coefficient on earnings is negative. This finding is not entirely unexpected. While male workers are distributed through the rungs of the informal workforce, women are disproportionately concentrated at the bottom-end. Unions in India tend to be gender-segregated, and as discussed earlier, men and women within the informal workforce are likely to belong to different sorts of unions. Women's unions such as SEWA expressly recruit and organize poor and low-income women. The literature indicates that poor rather than middle-class women are more likely to belong to collective organizations. Male workers, on the other hand, may join unions in order to secure access to work opportunities, as the literature suggests is the case for street vendors, transport or construction workers.

Furthermore, although informal workers across the board earn less than state-established minimum wages, minimum wages for unskilled women are set at lower levels than wages for men (Gol, 2007), and women disproportionately work in occupations such as domestic work, which are not covered by national minimum wage regulations.

**Table 5: Union Membership and Workers' Satisfaction with Earnings**

Estimated odds ratios from a logistical regression of reported satisfaction with earnings on union membership, using the National Employment and Unemployment Survey 2004-2005		
Variable	Earnings considered Remunerative	
	1 payok	2 payok
union member	1.713*** (0.04)	1.444*** (0.06)
union exists		1.158*** (0.05)
<i>Demographic and household</i>		
age	1.160*** (0.03)	1.013*** (0.03)
female	1.008*** (0.00)	1.015*** (0.00)
muslim	0.903*** (0.02)	0.879*** (0.02)
christian	1.553*** (0.07)	1.403*** (0.07)
sikh	1.555*** (0.11)	1.153*** (0.09)
othe religion	1.965*** (0.12)	1.340*** (0.09)
lower caste	0.534*** (0.01)	0.688*** (0.02)
middle caste	0.797*** (0.02)	0.940*** (0.02)
<i>Education</i>		
non literate	0.554*** (0.02)	0.660*** (0.02)
primary education	0.666*** (0.02)	0.786*** (0.03)
secondary education	1.086*** (0.02)	1.011*** (0.02)
technical/vocational training	1.510*** (0.07)	1.287*** (0.07)
<i>Employment Characteristics</i>		
full time work	1.730*** (0.08)	1.564*** (0.08)
regular work	2.963*** (0.12)	2.426*** (0.11)
large enterprise (10-20 workers)	0.635*** (0.03)	0.732*** (0.04)
homework	1.292*** (0.03)	1.232*** (0.03)
no fixed place of work	0.789*** (0.02)	1.035*** (0.03)
<i>state dummies</i>	no	yes
<i>industry dummies</i>	no	yes
<i>occupation dummies</i>	no	yes
observations	65648	59950
R-squared	.	.
Standard errors in parentheses	*** p<0.01, ** p<0.05, * p<0.1	
Reference Religion: Hindu, Reference Educaton Level: Literate without		

In addition to earnings, I examine the association of union membership with workers' satisfaction with their earnings (the survey question is phrased 'Do you find your earnings remunerative?') using logistic regression (Table 5). Union membership is strongly related to satisfaction with earnings. Union members are significantly more likely to report that they find their earnings remunerative, controlling for demographic and educational characteristics, religion and caste group, work relations and location, industry, occupation and state. While union membership was not associated with increased earnings for women workers, female union members are significantly more likely to report satisfaction with earnings compared with non-members. This difference may reflect the fact that, rather than raising wages, women's unions focus on improving access to welfare, social security and credit. Interestingly, age, which has a significant positive effect on earnings for men, has a negative effect on women's earnings.

**Characteristics of Union Members:** The question of what kinds of workers are likely to belong to unions becomes even more important given the significant relationship between union membership and higher earnings. Using logistic regression, I significant differences in the odds of union membership by gender, social group, educational attainment, employment characteristics, industry and state (Table 6). Not surprisingly, women are less likely to belong to unions than men. Muslims, a socially disadvantaged group in India, are also significantly less likely to belong to unions, as are lower caste workers. Education levels are significantly related to the likelihood of union membership – better-educated workers have higher odds of being unionized.

Work characteristics are significantly associated with union membership. Controlling for state, industry and occupational category, informal workers in larger enterprises (10-20 workers) are more likely to be unionized, as are self-employed workers. This finding suggests that self-employed workers are more likely to be dependent ‘disguised’ workers rather than independent informal entrepreneurs. Home-based workers and those with no fixed place of work are less likely to belong to unions.

I include some industrial categories within model 4, and find that informal workers in certain industries have far higher likelihood of belonging to unions. Tobacco (bidi) workers are nearly five-times as likely to belong to unions as workers in other industries, controlling for state. There has been extensive state intervention in support of bidi workers (see Agarwala, 2006). This finding is in agreement with much of the literature that suggests state policies have a significant influence on unionization patterns and outcomes. Transport workers are also significantly more likely to be union members, whereas domestic service workers have extremely low odds of unionization. Construction workers, who belong to another industrial sector within which there has been significant state intervention, are less likely to be organized than other informal workers. This finding might be explained by the fact that the construction industry is large and diverse, and certain segments of the industry are more likely to be organized than others. Furthermore, construction workers are organized primarily by established central trade unions, which may be unable or unwilling to mobilize extensively within the industry.

**Table 6: What kind of informal workers belong to Unions? Odds Ratios of Union Membership**

Estimated odds ratios of Union Membership from a logistic regression of unionmembership on sociodemographic, education and employment characteristics of workers, using the National Employment and Unemployment Survey, 2004-2005

Variable	Member of Registered Trade Union/Association			
	1	2	3	4
<i>socio-demographic</i>				
female	0.463*** (0.02)	0.493*** (0.02)	0.415*** (0.02)	0.426*** (0.02)
muslim	0.789*** (0.02)	0.772*** (0.03)	0.735*** (0.03)	0.721*** (0.02)
age	1.021*** (0.00)	1.021*** (0.00)	1.019*** (0.00)	1.022*** (0.00)
christian	1.621*** (0.08)	1.634*** (0.09)	1.011*** (0.06)	1.091*** (0.06)
sikh	0.914*** (0.07)	0.870*** (0.07)	1.032*** (0.09)	1.006*** (0.09)
other religion	1.599*** (0.10)	1.443*** (0.10)	1.502*** (0.10)	1.673*** (0.11)
lower caste	0.507*** (0.02)	0.601*** (0.02)	0.577*** (0.02)	0.511*** (0.02)
middle caste	0.660*** (0.02)	0.777*** (0.02)	0.776*** (0.02)	0.674*** (0.02)
<i>Education</i>				
non-literate	0.378*** (0.01)	0.386*** (0.02)	0.424*** (0.02)	0.361*** (0.02)
Primary education	0.616*** (0.03)	0.668*** (0.03)	0.661*** (0.03)	0.584*** (0.03)
Secondary Education	1.063*** (0.03)	1.076*** (0.03)	1.010*** (0.03)	0.999*** (0.03)
Technical/Vocational Training	1.480*** (0.08)	1.396*** (0.08)	1.274*** (0.08)	1.421*** (0.08)
<i>Employment Characteristics</i>				
large enterprise (10-20 workers)	1.248*** (0.07)	1.644*** (0.10)	1.594*** (0.10)	1.362*** (0.08)
self-employed	1.648*** (0.04)	1.151*** (0.03)	1.162*** (0.03)	1.332*** (0.04)
homeworker	0.515*** (0.02)	0.464*** (0.02)	0.487*** (0.02)	0.474*** (0.02)
no fixed place of work	0.773*** (0.03)	0.496*** (0.02)	0.501*** (0.02)	0.487*** (0.02)
<i>Specific Industries</i>				
tobacco/bidi				5.867*** (0.60)
textiles				0.643*** (0.04)
construction				0.324*** (0.02)
transport				3.467*** (0.13)
domestic service				0.0421** (0.02)
<i>state dummies</i>	no	no	yes	yes
<i>industry dummies</i>	no	yes	yes	no
<i>occupation dummies</i>	no	yes	yes	no
Observations	65648	59917	59917	60162
psuedo R-squared				.
Standard errors in parentheses	*** p<0.01, ** p<0.05, * p<0.1			
Ref State:Kerala;Ref Religion: Hindu; Ref.Education:literate without schooling				



## CONCLUSIONS

The ILO (2012), based on 2009-2010 NSS data, estimates that 83.4 per cent of India's non-agricultural workforce works in the informal sector or under informal conditions of employment, a sizeable increase from the 2005 survey. Countering theories that saw the informal sector as a "transitional" phase that would be absorbed into "modern" factory and office jobs with economic growth, widespread informality in India is unlikely to disappear. Formal industry and services employs a minority of Indian workers, and, as elsewhere in the world, technological changes and a mismatch in skills have resulted in large numbers of "surplus" workers.<sup>12</sup> Most of the 50 million or so unskilled workers who will join India's urban work force over the coming decade (McKinsey, 2012) will be absorbed in the informal economy, as will large numbers of female workers, who continue to be concentrated in home-based work and domestic service (Chen and Raveendran, 2011). While the Indian government is rightly focused on policies to expand labour-intensive manufacturing, in order to secure broad-based improvements in living standards, it will be essential to improve conditions and prospects for workers in the informal economy. Based on my findings in this paper, I argue that trade unions and other forms of membership organizations of informal workers are likely to play an important role in this regard.

My analysis of national survey data finds a statistically-significant relationship between union membership and earnings in India's informal economy, at the national level and across different categories and classes of workers. Membership in trade unions is associated with significant earnings advantages, suggesting that informal worker unions may play a similar role to formal unions in improving the material conditions of their members. Informal worker associations, as suggested by the literature, may play a role in lobbying the state to set or enforce minimum wage regulations. In occupations such as street vending, construction work or transport, membership in unions is related to gaining access to more remunerative work opportunities. The national survey data show a correlation, not a causal link, between union membership and earnings, and it may be the case that better-earning workers, such as jobbers and sub-contractors amongst the self-employed, have a greater propensity to join unions. There may be other effects of organization, suggested by the qualitative literature – such as access to state welfare programmes, co-operatively organized credit, or protection from state harassment, that are not captured in this analysis, which offer compelling questions for further research, and have important policy implications.

A closer examination of the characteristics of union-members is sobering. Though most accounts of informal workers organizations have focused on women's associations, or unions where members belonged to disadvantaged groups, women and disadvantaged groups are significantly less likely to belong to unions. This may be because the reach of organizations like SEWA or the Working Women's Forum remains limited, while larger national trade unions are likely, for a variety of reasons, to neglect

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<sup>12</sup> McKinsey Global Institute (2012). "The World at Work: Jobs, pay, and skills for 3.5 billion people" <http://www.mckinsey.com/global-themes/employment-and-growth/the-world-at-work>

women as well as the more disadvantaged workers. Thus, an expansion of unionization and formal organization within the informal economy may not necessarily lead to an improvement in the material wellbeing of the most disadvantaged groups, including Muslims, lower-castes and women.

Informal organization does, however, create opportunities for common class interests to align workers of different ethnic and caste backgrounds. Scholars have noted that the decline of formal workers unions in India may be related to increased ethnic divisions and violence in India as class solidarity weakens (Breman, 1996). Yet class-based informal workers movements indicate that cohesion and commonality of interests and struggles across ethnic and religious lines is possible within informal worker movements (Agarwala, 2006; Jhabvala. 2000).

More generally, the existence and expansion of organized collective action in the informal economy calls into question widespread assumptions about the nature of the informal economy and the social consequences of informalization. My analysis suggests that the informal economy is more a site of on-going labour struggles than a font of entrepreneurship seeking freedom from state regulation as proposed by De Soto (1989). Data indicates that large and growing numbers of nominally “self-employed” workers belong to trade unions and membership associations, which actively seek state intervention and support to improve earnings, security and working conditions.

The most recent survey of trade union membership suggests that unions are growing in ‘leaps and bounds’, and have reached out previously ignored workers such as female domestic workers. There are several reasons to expect unionization in the informal economy in India to continue to spread. First, the informal sector is increasingly being incorporated into broader labour struggles as established unions make attempts to reach out to informal workers (Anh and Anh, 2012). Second, the “informalization” of work implies that formerly organized workers may be joining the “unorganized” sector, and these workers may use their experience to organise within the informal economy. Third, informalization implies that better-educated workers are joining the informal economy, and better-educated workers are more likely to unionize. Fourth, as the state institutes social welfare programmes targeted at informal workers, unions are likely to mobilize workers around welfare, and will likely play an important role in channelling access to state welfare to members.

Rather than a wholesale decline of organized labour as a result of globalisation and informalization, labour mobilization and organization in the informal economy may play a transformative role in reshaping labour movements as well as social and economic development processes (Evans, 2005). The empirical evidence shows that there is some support for Breman’s argument that a ‘slow and uneven process of self-won emancipation of labour is underway’ (Breman, 1999).

State policy is critical to this process. The manner in which the Indian state navigates competing pressures to deregulate labour to attract investment, as well as provide social safety nets, protections and support to informal workers will play a defining role in determining India’s developmental outcomes. In 2008, the Indian parliament passed the Unorganized Sector Workers’ Social Security Act. Collective mobilization within the ‘unorganized’ sector, my research suggests, will be critical to implementation of

Social Security Act and other policy mechanisms to improve working conditions and earnings within the informal workforce.

Sub-national state governments within India have, to varying degrees, recognized unions within the “unorganized” sector, passed legislation and implemented policies to support informal workers. In the state of Karnataka, the Karnataka Unorganised Workers (Regulation of Employment and Conditions of Work) Bill 2001 created a Social Security Authority for informal workers, and regulated employment conditions including wages, work hours and benefits for different categories of informal workers. Working with domestic workers unions, the Karnataka government also set minimum wages for domestic workers, who are not covered under national minimum wage laws (LabourFile, 2005). Differences in sub-national state policies towards informal workers call for further research, as they are likely to influence rates of union membership, enforcement of legislation and the delivery of welfare programs to informal workers.

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