



Employment Generation in Urban informal sector: A study of city of greater Hyderabad, India

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Abstract

The informal sector is highly heterogeneous in nature. It depicts a picture of unorganized, unregulated, unregistered and labour-intensive activities. This sector with its historical presence in the rural economy has now become an integral part of urban economy due to the changing socio-economic structure of the country. The state of Telangana is no exception to this trend with Greater Hyderabad providing the impetus to the rapid urbanization process. The significance of the informal sector as a tool of employment generation is undeniable for Greater Hyderabad. The objective of the study is to analyze the employment generated by the informal sector in Greater Hyderabad. The informal sector has been playing a significant role in the economy of Greater Hyderabad by contributing high percentage to the total employment generated in the city. The present paper focuses on the jobs created in the informal sector in the ten-year period. Acknowledging the significance of this sector the paper offers some policy suggestions for the optimum utilization of human resource operating in it.

Keywords: Informal sector, employment generation, urbanization, greater hyderabad.

Introduction

The presence of the informal sector was more often than not ignored in development literature until 1972, when ILO/UNDP mission put in concerted efforts to study income employment scenario in Kenya. Informal sector absorbs a significant component of the surplus labour force irrespective of economic status of a country. Its role is much more significant in developing countries where the majority of the population is poverty stricken and illiterate. Most of the developing countries have experienced a massive addition to the urban labour force since early 1970's¹. Urban informal sector is characterized by a large number of unorganized and unregistered small-scale production activities. These are either individually or family-owned using labour-intensive simple technology with free entry and exit. With little formal education, the workers in this sector are generally unskilled and lack access to financial capital resulting in low income and productivity².

The urban labour force generally seemed to create their own employment or to work for small-scale family owned enterprises. The self-employed are engaged in a remarkable array of activities like street vending, knife sharpening, street vending, shoe shining, snake charming, mechanics, carpenters, barbers, small artisans etc. Some of these workers could even graduate to the formal sector, where they become legally registered, licensed subject to government labour regulations³. According to the ILO Report of 1972 the global urban labour force engaged in the informal sector activities is growing (ranging from 30 percent to 70 percent of the total labour force) and in India the corresponding rate is around 50 percent⁴. With the precedented explosive rate of growth of the urban

population in developing countries expected to continue and with the increasing failure of the urban formal sector to absorb additions to the labour force, the informal sector serves as a panacea for the growing unemployment problem.

Highly heterogeneous in nature, the informal sector encompasses production units of different types, besides a diverse range of economic activities as well as people. It could be home-based work, street vending, small scale entrepreneurship, casual service provision, both seasonal and permitted etc. It also covers a wide range of labour market activities that include casual jobs, temporary jobs, unpaid jobs, subsistence agricultural labourer.

Informal Sector in Hyderabad

The rapid urbanization is largely induced by migration and is an important and contentious issue in the city. Interestingly, out of Hyderabad's population of 3,637,483 in 2001, 42.77 percent are migrants, constituting nearly half of the population⁵. Though there are many factors leading to migration into the city, search for gainful employment has been established as the principal motive. However, the absence of adequate job opportunities in the formal sector means that the migrants, more often than not, have to seek refuge in the burgeoning informal sector.

The study of the urban informal sector with special reference to Hyderabad City of Telangana State is considered to be significant for many reasons. As the city expands, the informal sector has experienced a growth rate that is much faster than what has been exhibited by the formal sector. This has been achieved despite many constraints and a vested absence of

government support for this sector. With diverse activities ranging from trade (petty traders) and manufacturing to provision of service in areas like hotels and restaurants, transport and communication, constructions etc., the urban informal sector in Hyderabad, in effect has become the employer of the last resorts.

Objectives of the paper

The objectives of this paper are: i. To estimate the employment generated in the informal sector in Greater Hyderabad over a 10 year period i.e.2001-11. ii. To help frame policies leading to a more sustainable growth of the sector.

Sources of data and methodology

The present paper is based on secondary sources of data. Data of population of Hyderabad city is taken from Socio-cultural table, Telangana, Census of India 2001 and 2011. As the population data is available only for the two years, population for the period 2001 to 2011 is estimated on the basis of the data of the above two census years. The work force participation rate is computed from Census of India, 2011. Other secondary sources of information include official publications, journals and magazines, seminar papers, web sites and few unpublished works. Secondary data was also collected from Economic Survey of Andhra Pradesh and Telangana Economic and Statistical Hand book of Andhra Pradesh, Census Reports, Economic and Political weekly and Yojana.

Employment generation in urban informal sector of greater hyderabad:

Hyderabad is a historical city with more than 400 years of history. It was capital city of Nizam dynasty. Hyderabad, the capital Telangana and Andhra Pradesh, was made Greater Hyderabad in the year 2007 by merging 12 municipalities from Rangareddy and Medak districts. It is divided into 5 zones (north, south, central, east and west zones) and 18 circles. The City which was 175 sq.kms. grew to 650 sq.kms. with population of above 7 millions⁶. In 1960, the budget of the Municipal Corporation of Hyderabad was 1.5crores, which has increased to 1000crores presently.

Population of Hyderabad City for the period of 10 years i.e., 2001-11 is shown in Table-1. It shows that population growth in Hyderabad is exhibiting an increasing trend. It has gone up from 36 millions in 2001 to 74 millions in 2011 with a decadal growth rate of 103.5 percent, which is more than state level annual average growth rate of 1.8 percent.

Table-1
Growth of Population in Greater Hyderabad

Census	Population	Growth in %
1971	1,769,000	-
1981	2,556,000	41.8
1991	3,059,262	20.2
2001	3,637,483	18.9
2011	7,402,437	103.5

Source: Socio-Cultural Table B-Series A.P., Census of India, 1971-2011

Table-2 shows that the informal sector employment in Hyderabad city for the period 2001-11. From table-2, it is clear that informal sector plays a very significant role in Hyderabad's economy by contributing 64% of the City's total employment. The employment structure in the city demonstrates the fact that formal (organized) sector of the city could provide very little employment opportunities, only 30 to 35 percent of the total employment. Thus, it is evident that the informal sector in Hyderabad plays a critical role in providing work for its citizens in the context of the failure of the formal sector to do the same.

Important findings

The informal sector plays a very significant role in Hyderabad's economy by contributing 64 percent to city's total employment. In the ten-year period, for which the data has been analyzed, the percentage contribution of the informal sector has been steadily increasing. The employment trend of the city also indicates the fact that the formal (organized) sector of the city could provide very insignificant employment opportunities in the city by absorbing only 35 percent of the total employment in the corresponding period. The data generated in this paper is found to be comparable with national level data generated by NSSO.

Table-2
Employment in Informal Sector

Number of Persons Employed by status per 1000 persons aged 15 years and above during 2001-11						
Persons	Formal Sector Employment	%	Informal Sector Employment	%	Total Employment	% to total Employment
Male	354	35.4	646	64.6	1000	100
Female	723	72.3	277	27.7	1000	100

Source: Directorate of Economics and Statistics, A.P. 2013.

Suggestions

The present study focuses on the employment generated by the informal sector in Greater Hyderabad. So far as gainful work is concerned it is observed that the informal sector is playing an important role in Hyderabad's economy by contributing more than 64 percent to the total employment generated.

The informal sector workers always suffer from social insecurity and so a policy frame work must be formulated and adopted at the national level to provide a basic social security for the people working in this sector. Such a security would have to include health care, old age pension, maternity, accident benefits etc. Allocation on preferential basis may also be considered to the workers in the informal sector with regard to subsidized housing facilities and related schemes as they constitute a major chunk of the urban poor. Provision of proper infrastructure and suitable location for work could help alleviate some of the environmental consequences of an expanded informal sector.

Inadequate capital acts as a major constraint to the informal sector. Hence, a separate institution to cater to the credit requirements of the informal sector is deemed effective to reduce its dependence on unorganized sources of borrowing and thereby to wean the informal workers away from the clutches of private money lenders. For this to happen, individual units have to be encouraged to form cooperatives as this makes lending more viable while risk and cost are significantly reduced. Micro-credit schemes for informal sector entrepreneurs could emerge as an efficient instrument to achieve this end. Various schemes designed to meet specific individual requirements can be introduced by banks and other financial institutions and implemented through NGOs. For the financial reforms to be more efficient, broad based participation of the informal sector is indispensable.

Conclusion

In conclusion it is asserted that the employment goals of the country can only be attained by adopting an employment strategy that encourages the use of both labour-intensive and capital saving technology and rejuvenate the growth of the informal sector. Moreover, the informal sector needs to be made more productive, both in terms of quantity and quality so as to sustain itself against domestic and international competition. The need of the hour is to integrate the informal sector into the mainstream economy and to sensitize all the relevant agencies, authorities and institutions on the indispensability of this sector in achieving the greater developmental goals of the nation. Such a move is certain to supplement the overall growth rate while at the same time it would give the informal sector its rightful place in the economy.

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