

COMMUNICATIVE ACCOUNTANCY: A REALISTIC APPROACH

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Abstract :The process of economic development is usually accompanied by the transformation of the work force structure. In view of the low labour absorption in the organized industrial sector and traditional subsistence agriculture sector it is now the rural non-form sector (RNFS) of the urban informal sector (UIFS) which is considered as the major absorber of the labour force. Hence, this sector has become an important source of employment and earning for a significant section of the labour force. The present research paper is an attempt to study concepts, size, pattern of formal and informal sectors, a skilling system, and a common framework for skills development and the government initiatives.

Keywords: Formal, Informal, Skilling, development etc.

INTRODUCTION

Before 1970s, It was argued by almost all shades of left and right economists and politicians that the informal sector was actually the reflection of underdevelopment and as it happened in developed countries of Europe and America, with the capitalist development i.e. with the acceleration of the process of capitalist accumulation in the underdeveloped regions the informal sector i.e. the traditional sector comprised of petty traders, small producers and a range of casual jobs will disappear (destroyed or absorbed in formal sector). These expectations were, by and large conceptually correct and to some extent it actually happened also. However, there were many political-economic factors that affected the pace of transformation of informal sector and finally with global economy entering in a long term crisis in 1970s. This process was also distorted and faced stagnation and finally in the current phase of globalization we see a re-emergence of the informal sector and informal employment with a new dynamics. Informal sector provides the mean of livelihood to millions of people around the world, particularly in the developing countries.

To quote from the statistics compiled by ILO, about 48 percent of non-agricultural employment in North Africa, 51 percent in Latin America, 65 percent in Asia and 72 Percent in Sub-Saharan Africa are of informal nature. In the case of India, informal employment (including the agriculture sector) contribution is more than 90 percent. It is also evident that there are significant linkages between employments, economic growth and poverty. While increasing poverty is one of the underlying reasons for the growth of the informal economy. The fact remains that the informal sector or informal employment is the main constituents of economic growth in the most of developing countries. As a controversial part of the economy, it provides job reducing unemployment but in the most of the cases the jobs are low-paid and job security is poor. It helps alleviate poverty but increases unemployment and job security.

The informal sector is very important sector which covers the unorganized scenario of economic activities in commerce, agriculture, construction, manufacturing, transportation and various types of services. It absorbs a bulk of labour force in urban areas of developing countries. Thus economic activities of informal sector which are not regularized by taxation or labour laws but by a significant contributor in

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gross domestic product of nation.

In Indian economy, it is widely explained as the sector that it is running in the production of goods and services generating employment and income to the unskilled persons. Generally, these units operate with small capital and minor organization. In these sectors, the mode of employment is casual which is depending on personal contacts or social relations. The owner of informal sector arranges his capital at his own risk. Owners are personally liable for any debt or obligations incurred in the production process. In the country, the informal sector has not been used in recorded statistics sectors. But National Accounts Statistics (NAS) explains it in organized and unorganized sector. The organized sector refers to those enterprises for which the statistics is available from budget procedure etc. On the other hand, the unorganized sector refers to those enterprises whose activities or data is not available under any legal system and do not consists any regular accounts. Thus, informal sector can therefore be considered as synonym to the unorganized sector.

The ILO's Resolution on Statistics of Employment in the Informal sector adopted by the 15th International Conference of Labour Statisticians (ICLS), 1993 and 2003, provided a definition of the "informal sector" as "consisting of units engaged in the production of goods or services with the primary objective of generating employment and incomes to the persons concerned. The units operate at low level of organizations, with little or no division between labour and capital as factors of production and on a small scale. Labour relations – are based mostly on casual employment, kinship or personal and social relations rather than contractual arrangements with formal guarantees"

OBJECTIVES

- ❖ To study the concept of informal sector
- ❖ To find out formal and informal employment in organized and unorganized sectors
- ❖ To trace the initiative steps taken by the government to improve skills

RESEARCH METHODOLOGY & LIMITATIONS:

The study is entirely based on the secondary data. The data is taken from the reports of ILO, 12th plan document and 66th round of NSS to see the extent of informal sector in the Indian economy

LITERATURE REVIEW:

Doeringer, P. and M, (1971) in their study entitled "Internal Labour Markets and Manpower Analysis" tried to understand the place of informal work within the labour market. They divided the labour market into four categories: primary, secondary, informal and illegal. They said, these categories reflect the class, racial and gender stratification in our society. Informal work includes people who operate their own small business in a cash only or unregulated arrangement or people who work for employers but off-the-book.

Hart, K., (1973) in this work the Informal income opportunities and urban employment in Ghana said that the concept of the Informal sector was introduced by International Labour Organisation in the study of urban labour market in Ghana. After that it was used in ILO reports of labour market condition in other African cities and the World Bank in a series of studies of urbanization and poverty throughout the Third World.

Sassen, S., (1977) in this paper on 'Informalisation in advanced market economies' provides many insight into the operation of the informal economy in urban areas. She described the influence that the highly capitalized, specialized service sector had on the informal economy. On the one hand, it pulls low wage informal labour into the metropolitan core to serve the demand for low-end service workers. On the other hand, it drives up business costs, contributes to the dispersal of businesses to outer area, and forces some operations to seek informal means of redress such as moving to neighborhood where costs are lower.

Andrew, Henley, G., Reza, Arabsheibani, and Francisco, G., Carneiro, (2001), in their study, 'On defining and measuring the informal sector' concluded that the precise definition of informality does matter. It cannot be assumed that alternative definitions are broadly consistent and that the conclusion drawn from any detail analysis or modeling of informality will be robust to definitional choice.

Gallaway and Bernasck, (2002) found that the presence of infants and toddlers in the household have different affect on the employment choices of men women. The presence of infants in the household decreases the chance of women to participate in paid employment in the informal sector whereas for men it does not matter.

SIZE AND PATTERN OF FORMAL AND INFORMAL EMPLOYMENT IN INDIA

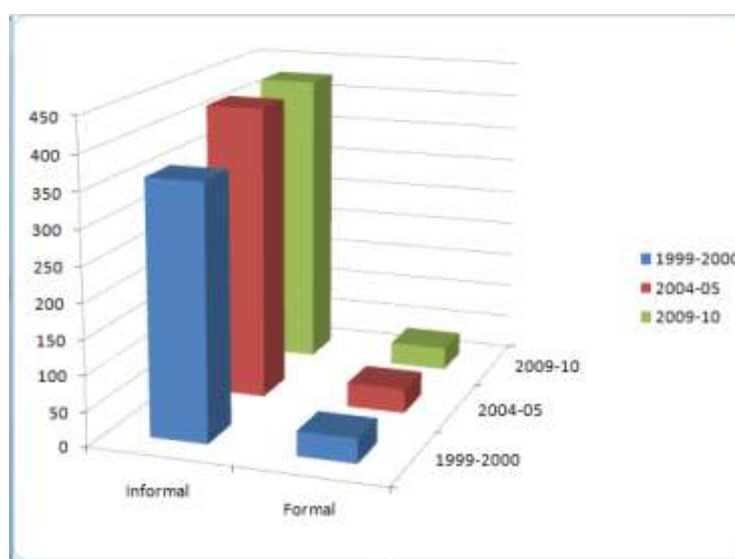
New economic policy based on liberalization, privatization and globalization adopted since 1991 helped India achieve GDP growth rate in the range of 6 percent to 8 percent but it has failed to generate sufficient income and employment for the large section of our population. It is clear from various poverty estimates in our country which differs significantly. The present growth model has accentuated income inequalities significantly rendering the rich, richer and the poor, poorer.

In this background the informal economy has emerged as the largest employment generator and livelihood provider for the majority of our population. As per the 66th round of NSS survey (2009-10), approximately 92.8 percent of the total work force is constituted of formal workers. The sector is heterogeneous covering all economic activities both in organized and unorganized sector covering both the rural and urban areas. Planning Commission Report on labour and employment highlights the importance of unorganized sector/informal sector in our economy.

In the context of India a critical issue in assessing employment behavior of the economy is the growth of employment in the organized sector vis-à-vis the unorganized sector and particularly in terms of formal and informal employments. The below table shows the employment in organized and unorganized sector in terms of formal and informal employment.

Formal and Informal Employment in Organized and Unorganized Sectors (in millions)						
Employment						
Sectors	Informal		Formal		Total	
	Persons	Percent	Persons	Percent	Persons	Percent
2009-10						
Unorganized	385.1	99.42	2.3	0.58	387.3	100
Organized	42.1	57.82	30.7	42.18	72.9	100
Total	427.2	92.83	33	7.17	460.2	100
2004-05						
Unorganized	393.5	99.64	1.4	0.36	394.9	100
Organized	29.1	46.56	33.4	53.44	62.6	100
Total	422.6	92.37	34.9	7.63	457.5	100
1999-2000						
Unorganized	341.3	99.6	1.4	0.4	342.6	100
Organized	20.5	37.8	33.7	62.2	54.1	100
Total	361.7	91.2	35	8.8	396.8	100
Sources : 12th Plan Document Volume III, Planning Commission						

(Diagram represents the employability from the above data)



Persons employed (in millions)

The above data shows that a decline in the employment in the unorganized sector from 99.64 percent in 2004-05 to 99.42 percent in 2009-10. This means that the share of organized sector employment has increased to 57.82 percent in 2009-10 from 46.56 percent in 2004-05 and 37.8 percent in 1999-2000. However, the increase in the organized sector employment is mainly in the informal category. The informal employment in the organized sector has increased from 46.56 percent in 2004-05 to about 57.82 percent in 2009-10. The informal employment in the unorganized sector remains the same.

The above trend is indicative of movement of workers from informal agriculture sector employment to informal non-agriculture sectors. The transition from informal employment in the unorganized sectors to informal employment in the organized sector is indicated by a decline of 8.4 million informal workers in unorganized sector along with an increase of 13 million informal workers in the organized sector. It has noticed that formal employment in the organized sector is not increasing. This shows that organized sector is not increasing but increasingly hiring workers on contractual terms due to labour laws and other concerns. Small and Medium size enterprises generally belong to the unorganized sector and employ informal workers. Hence, analysing employment by size of enterprises would provide some insights on the qualitative dimensions of employment.

Only a small percentage of the workers in informal employment have regular wage paid jobs; most are either self employed or in casual wage employment. In 2004-05, 56 percent were employed, 33 percent were in casual wage employment and only 44 regular wage paid job. And yet, these regular wage paid jobs are better than casual wage paid jobs and self employment with weak asset base. A large section of workers in informal employment earn incomes that are too low to raise poverty. In 2004-05, 41 percent of the workers in informal employment belonged to below poverty line. The incidence of poverty was 25 percent among those in regular wage paid jobs, 35 percent among the self employed and 56 percent among the workers in casual wage employment. These figures immediately suggest that the average labour income of those in regular wage employment is significantly higher than that of a large section of the self-employed and of the casual wage labour in general.

SKILL TRAINING IN INDIA

Traditional Apprenticeship Training, one of the main sources for the mass of the workforce in India is informal apprenticeship to informal enterprises. In many of the manufacturing industries, the method of recruiting workers is through engaging relatives and other known persons as a helper under a master or skilled worker. The trainee at first only helps to fetch any carry for the master, and then slowly begins to help the master in running the machine. In a study of automobiles parts-workers take 2-10 years to become a semi-skilled and later a skilled worker in the enterprise. It is self regulating and the costs are borne partly by the enterprise and mainly by the worker. But it is based on traditional technology and the theoretical training which is weak and limited to particular products.

Since, the nature of informal sector is heterogeneous, it is in a rapidly developing economy, the low level of education and skill is the main reason for the problem of the workforce in the informal sector. It requires different kind of training. Since economy is growing along with rising population, it necessitated the Government of India to do something for the informal sector. National policy on Skill Development laid special emphasis on the skill development for the informal sector. The schemes of vocationalisation of school education as well as opening of polytechnics and ITIs have been started. The private initiative supported by the National Skill Development Corporation is helping the workers in the informal sector. In India the government runs ITIs are playing very important role in providing skilled workers to the informal sector.

A COMMON FRAMEWORK FOR SKILL DEVELOPMENT

International experience shows that countries that have succeeded in linking skill development to gains in productivity, employment and development have targeted skill development policy towards three main objectives:

- ❖ Matching supply to current demand for skill.
- ❖ Helping workers and enterprises adjust to change; and
- ❖ Building and sustaining competencies for future labour market needs.

The first objective is about the relevance and quality of training. Matching the provision of skill with labour market demand requires labour market information systems to generate, analyse and disseminate reliable sectoral and occupational information, and institutions that connect employers with

Skill Challenges Of Informal Sector In India

training providers.

The second objective is about easing the movement of workers and enterprises from declining or low-productivity activities and sectors into expanding and higher productivity activities and sectors. Learning new skills, upgrading existing ones and lifelong learning can also help workers to maintain their employability and enterprises to adapt and remain competitive.

The third objective calls for a long-term perspective, anticipating the skills those will be needed in the future and engendering a virtuous circle in which more and better education and training fuels innovation, investment, technological change, economic diversification and competitiveness, and thus job growth.

GOVERNMENT INITIATIVES:

India is one of the few countries in the world where the working age population will be far in excess of those dependent on them and, as per the World Bank, this will continue for at least three decades till 2040. This has increasingly been recognized as a potential source of significant strength for the national economy, provided we are able to equip and continuously upgrade the skills of the population in the working age group.

In this background, the National Skill Development Mission was launched in 2008. A 3-tier structure has been created to implement this plan. At the apex is the National Council on Skill Development. The second tier is the National Skill Development Co-ordination board. The third tier is the National Skill Development Corporation, which is a not-for-profit, Public-Private Partnership Company to facilitate skill development. The objective of NSDC is to contribute 30 percent to the overall target of skilling 500 million people in India by 2022.

In recognition of this need, the Government of India has adopted skill development as a national priority over the next 10 years. Government of India has initiated several measures including implementation of plan schemes under various Central Ministries / Departments aiming to expand the outreach of skill training to the informal sector workers. The major systematic initiatives undertaken by the government of India which is bearing on the informal sector includes.

1. Government has introduced National Occupational Standards (NOS) for entry level jobs in a number of industrial / services sector.
2. 5. For skill development training, Indian Bank's Association (IBA) has launched a Model Loan Scheme for providing loans from Rs. 20,000 up to Rs. 1.50 lakh.
3. In June 2013, the government has set up National Skill Development Agency (NSDA), for coordinating and harmonizing skill development activities in the country so as to meet skilling targets and to ensure that the skilling needs of the disadvantaged and the marginalized groups like SCs, STs, OBCs, AND Minorities etc.
4. India has sought an increase in representation at the senior levels of ILO and asked technical assistance to develop a database to capture the nature and composition of informal sector in India on September 11, 2014.
5. NSDC has set up of sector Skills Council which is striving to complement the existing vocational education system for the industry / services sectors in meeting the requirements of trained manpower in quantity and quality.
6. A Credit Guarantee Funds Schemes for Skill Development by the lending institutions has been approved. The purpose of the scheme is to provide a guarantee against default in repayment of education loans.
7. Under the new Companies Act 2013, vide Section 135 of the Act, 2 per cent spending on Corporate Social Responsibility (CSR) is mandated out of the average net profit made by the company during every block of three years which would cover activities like employment enhancing vocational skills.
8. To motivate a large number of youth the government has started a new scheme Standards Training Assessment and Renewed (STAR) in which candidate will be provided a monetary reward of Rs. 10,000 after the successful completion of training and obtaining a certificate.
9. Government has established the National Skill Development Corporation in the Public Private Partnership mode to facilitate setting up of large, high quality, vocational institutions. It also aims to set up 1,500 new ITIs and 5,000 skill development centers across the country

The New NDA government is set to launch a new skill development policy by March 2015. The main functions of the PM's National Council on Skill Development are as under:

- To lay down overall broad policy objectives, financing and governance models and strategies relating to skill development.
- To review the progress of schemes, and guide on mid-course corrections, additions and closure of parts or whole of any particular programme /scheme.

“Skill Development : The Key to Economic Prosperity”

CONCLUSION:

India is experiencing a demographic dividend as more than 50 per cent of the population is in the working age group which can make India the skilled capital of the world. It is estimated that by 2020, the average Indian will be 29 years of age compared to average age of 37 years in China and US and 45 years in Europe and 48 years in Japan. However, skilling this youth bulge constitutes a challenge particularly when there is preponderance of informal/unorganized sector.

Now a day, this informal economy is facing lot of challenges for transforming the informal economy in India. Huge majority of informal sector workers are coming from the socially excluded sections of workers like scheduled caste, scheduled tribe and other backward castes. Moreover, huge proportions of women workers are concentrated in this sector. Trade liberalization is an important component of economic liberalization and includes the removal of trade barriers, such as tariffs and non-tariffs, as well as internal restrictions, such as directed credit and preferential purchasing. So, we can say that there is an impact of liberalization and globalization on the informal sector in India and also many challenges for transforming the informal economy in India.

The foregoing discussion reveals that focused attention of economic policies is the need of the hour for addressing the problems of informal sector workers. It is also a necessary condition for achieving the national goal of inclusive growth and poverty reduction. By doing so economic policies can promote the welfare and well being of the vast majority of our fellow.

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