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RESEARCH ARTICLE

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## URBAN LABOUR IN INFORMAL SECTOR OF ANDHRA PRADESH

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### ABSTRACT

The informal sector constitutes a significant proportion of the total output of developing nations of the world. The figures reported by the ILO state that 48 per cent of non-agricultural employment in North Africa, 51 per cent in Latin America, 65 per cent in Asia and 72 per cent in Sub-Saharan Africa is represented by the informal sector. The urban informal sector plays a crucial role in providing sources of livelihood particularly to the rural migrants and low income households residing in urban slums. The informal sector plays an important role both in terms of its capacity to sustain a large proportion of rural / urban population by generating employment opportunities and producing goods and services for a significant segment of the population. The substantial increase in the volume of person days of employment, percentage of subsidiary and casual labours in the early nineties, after the formal launching of the programmes of structural adjustment, has given a boost to informal sector studies since much of this incremental employment has been generated within this sector. The objectives are to analyse the socio-economic conditions of urban labour in informal sector; and to analyse the employment and wages pattern in urban labour in informal sector in the study area. The present study used both primary data and secondary data for the analysis according to the objectives set in the study. The multi-stage random sampling method will be adopted for present research study. Andhra Pradesh has purposively selected for the study. Therefore the sample size is 675. These respondents were interviewed with a pre-designed and well-structured questionnaire prepared to collect the primary data. A well-structured schedule was canvassed among the labourers respondents and interview method was adopted to record their responses relating to the socio-economic conditions of labourers, their income, employment, unemployment and wages of labourers in informal sector. The above analysis that the hours of work had influence on wage fixation. Further, it is seen street vendors were paid less than others in the study area. The problems of labours in informal sector such as insecurity of job, irregularity in payments, low wage rate, long hours of work, poverty and indebtedness, occupational hazards and health conditions, absence of social security measures, insecurity arising out of illness, loss of income arising out of accident, lack of old age security, lack of employer-employees relationship and wage discrimination are the major issues being faced by the labours in informal sector in Andhra Pradesh. These problems can be addressed by applied suggested measures such as effective implementation of all labour laws to the labours in informal sector in the study area.

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## INTRODUCTION

The informal sector constitutes a significant proportion of the total output of developing nations of the world. The figures reported by the ILO state that 48 per cent of non-agricultural employment in North Africa, 51 per cent in Latin America, 65 per cent in Asia and 72 per cent in Sub-Saharan Africa is represented by the informal sector. This sector also constitutes a pivotal part of the Indian economy. According to the Economic Survey, 2021-2022, more than 90 per cent of workforce and 50 per cent of the national product are accounted for by the informal economy. The informalisation in the Indian economy has been accompanied by high rate of economic growth in the past few decades. The empirical evidences also point out that formal and informal enterprises are linked with each other through many other channels, besides labour channels.

These include product market linkages, input market linkages, spatial linkages, innovation, gender and fiscal linkages.<sup>1</sup> Since these linkages are strong, thus, the existence of small enterprises in the informal sector is not a bad thing as these linkages can boost productivity, growth and jobs. To achieve the objective of faster and inclusive growth of the Indian economy special emphasis on informal economy is needed. The urban informal sector plays a crucial role in providing sources of livelihood particularly to the rural migrants and low income households residing in urban slums. Also, rapid natural growth of population in urban areas has been adding to the urban labour supplies. Most of the labour force in this category is either unskilled or semi-skilled. Since the growth process is becoming highly capital and skill intensive, these labourers are unable to find employment in organized sector and thus get employment in informal sector of the economy. There are also growing interlink ages between

formal and informal sector and the role which this sector plays in providing employment to most of the Indians cannot be ignored. The empirical evidence in India shows that employment and output in the formal sector are greater in those States in India that have a greater presence of informal suppliers of inputs. However, it has been pointed out in various Government reports that lack of reliable data on size, distribution and economic contribution of the informal sector has been a major constraint in providing an understanding of the significance of this sector in economic growth of Indian economy. Therefore, it is now important to collect all the statistics related to informal sector the information base of the sector needs to be widened by including a comprehensive statistical base on various dimensions of the informal economy.

**Informal Sector in the Global Scenario:** The informal sector plays an important role both in terms of its capacity to sustain a large proportion of rural / urban population by generating employment opportunities and producing goods and services for a significant segment of the population. It ensures the utilization of regional resources and manpower with very little capital and mechanisation. Further, it is portrayed as the last resort sector, as it retains a very large amount of low productive activities and workforce. Recently, there has been a drastic change in the perception of the informal sector. A range of informal sector units or micro-enterprises has emerged which have shown remarkable growth and dynamism even under adverse social and economic conditions. The informal sector, which essentially covers the informal spectrum of economic activities in commerce, agriculture, construction, manufacturing, transport and services, absorbs about half of the urban labour force in urban areas of many developing countries. Due to the absence of information regarding the informal sector in various countries, it is very difficult to make a proper estimation about the contribution of the informal sector to the GDP of any particular country. However, recent revision of the System of National Accounts in 2006 has made estimates for various Asian countries available. In Africa, urban informal employment is estimated to absorb 61 per cent of the urban labour force and this sector was expected to generate more than 93 per cent of all additional jobs in the region in 2000s. In Latin America, the urban informal sector is the primary job generator in 2000 with an average of 60 per cent of new jobs created by micro enterprises, self-employed labours and domestic services. In Asia, the informal sector typically absorbed between 40 to 50 per cent of the urban labour force, with a divergence between the newly industrialized countries (with less than 10 per cent) and countries such as Bangladesh (with estimated 65 per cent of employment in the informal sector). The quantum of self-employed in non-agricultural activities are increasing in order in all the regions of the world. The own account and family labours represent nearly two thirds of the total non-agricultural labour force in Africa, one-half in South Asia, one-third in the Middle East and one-fourth in East Asia and Latin America. A dramatic increase in self-employment has marked the transition process in the former centrally planned countries of Europe. In the 2000, own account labours made-up one-fourth of total employment in Poland, one-fifth in Romania and one-tenth in the Czech Republic, Hungary and Slovenia. In most of the countries, the methodologies and procedures of estimation remained unwritten or informally and orally transmitted from one generation of national accountants to the other. It is consequently rather difficult and it requires real and patient investigation to know and make nearly accurate estimates.<sup>2</sup> Due to the nature of the informal sector enterprises, the measurement of the informal sector income has however posed difficult unresolved problems and so remains a major challenge in the assessment of the distribution of income. The share of the informal sector in the total GDP of various countries observed that the percentage contribution of the informal sector of non-agricultural GDP in Ghana was 58.31 per cent and it was followed by India, Philippines, Indonesia, Kenya, Republic of Korea and South Africa which constituted 48.1 per cent, 32.5 per cent, 31.4 per cent, 25.1 per cent, 16.9 per cent and 7.2 per cent respectively.<sup>3</sup>

**Informal Sector in India:** In India, the term formal and informal sector in place of formal and informal sector has been used by

National Abstinence Syndrome (NAS) of India. One of the major points of distinction between formal and informal sector is the availability of regular statistics. The enterprises for which data is available from the budget documents or reports, the Archaeological Survey of India (ASI) are considered as formal sector enterprises. On the other hand, an informal sector enterprise refers to those enterprises whose activities are not regulated under any legal provision. The firms in informal sector do not maintain any regular accounts. Thus, the units not registered under Factories Act, 1948 constitute the informal component of manufacturing and all non-public sector units in the sectors like trade, transport, hotels restaurants, storage, warehousing, and services are part of informal sector of the economy. The First Indian National Commission on Labour (1966-69) defined informal sector workforce as those labours who have not been able to organise themselves in pursuit of their common interest due to certain constraints like casual nature of employment, ignorance and illiteracy, small and scattered size of establishments. The National Commission on Labour in India (1969) incorporated the following types of labour under the system of informal labour. Contract labour, quarry labour, domestic labour, construction labour, agricultural labour, labours from small scale industries, handloom and power loom labours, beedi and cigar labours, sweepers and scavengers, labours from tanneries, tribal labour, employees in shops and commercial establishments and other unprotected labours. The Seventh Planning Commission of India extended the scope of the informal sector and further included landless labourers, small and marginal farmers, share croppers, rural artisans, forest labours, fisherman, and self-employed persons. The CSO defines informal or informal sector consisting of enterprises producing for the market which do not have more than 20 employees without power or 10 employees with power. As per CSO, informallabours include agricultural labourers, share croppers, small or marginal farmers engaged in agricultural operations and labours from allied occupations such as forestry hunting, fishing etc. In the industrial sector, unemployed workforce comprises of rural and urban artisans, home based labours and self-employed persons in household industries.

**Trends in Formal- Informal Employment:** The Formal-Informal employment is spread across two sectors are organized (formal) and organized (informal). The National Commission for Enterprises in the Organized Sector (NCEUS) has defined the informal/ organized sector as all unincorporated private enterprises owned by individuals or households engaged in the sale and production of goods and services operated on a proprietary or partnership basis and with less than ten labours. Informal labours being spread both in the organized and organized sector, the NCEUS also gave a definition of informal labours as, informal labours consist of those working in the informal sector or households, excluding regular labours with social security benefits provided by the employers and the labours in the formal sector without any employment and social security benefits provided by the employers. The NCEUS gave definition to identify the spread of formal / informal employment across organized-organized sectors. The huge growth of informal sector can be seen as growing rate of self-employed workforce, which stands at 50 per cent of the total informal workforce. Since independence, the Indian economy has seen many changes. Once the economy was a closed economy and even after independence, most of the people were dependent on agricultural sector alone. The low productivity and uneven growth of the agricultural sector forced the people to move to manufacturing and construction sectors where required low job skills. Then again, the country witnessed the post liberalization phase where it started facing various rules and regulations to produce the products and services. As the competition in the market increased, these regulations meant for the betterment of the labour force started becoming more stringent. Sudden increase in international competition forced the small enterprises to localize their business operations and for survival purposes, they tried to reduce the cost of operations by employing temporary labour. This has resulted in sudden increase of casual or informal labour. The periodic increases in formal and informal employment in India are seen in the Table 1.

**Table 1. Employment Level in Formal & Informal Sector in India (In Crores)**

| Sector   | 2004-05     |              |              |
|----------|-------------|--------------|--------------|
|          | Organized   | Un-organized | Total        |
| Formal   | 3.21(52.11) | 0.13(0.32)   | 3.34(7.26)   |
| Informal | 2.95(47.88) | 39.66(99.67) | 42.61(92.73) |
| Total    | 6.16(13.41) | 39.79(86.59) | 45.95(100)   |
| Sector   | 2011-2012   |              |              |
|          | Organized   | Un-organized | Total        |
| Formal   | 3.72(45.42) | 0.14(0.35)   | 3.86(8.14)   |
| Informal | 4.47(54.57) | 39.09(99.65) | 43.56(91.85) |
| Total    | 8.19(17.27) | 39.23(82.72) | 47.42(100)   |
| Sector   | 2017-2018   |              |              |
|          | Organized   | Un-organized | Total        |
| Formal   | 4.43(48.95) | 0.28(0.73)   | 4.71(9.99)   |
| Informal | 4.62(51.04) | 37.79(99.26) | 42.43(90.01) |
| Total    | 9.05(19.19) | 38.07(80.81) | 47.13(100)   |
| Sector   | 2018-19     |              |              |
|          | Organized   | Un-organized | Total        |
| Formal   | 4.91(51.90) | 0.45(1.14)   | 5.35(10.96)  |
| Informal | 4.55(48.09) | 38.87(98.85) | 43.43(99.03) |
| Total    | 9.46(19.39) | 39.32(88.61) | 48.78(100)   |
| Sector   | 2019-2020   |              |              |
|          | Organized   | Un-organized | Total        |
| Formal   | 5.09(53.29) | 0.80(1.81)   | 5.89(11)     |
| Informal | 4.46(46.71) | 43.19(98.18) | 47.64(88.99) |
| Total    | 9.55(17.84) | 43.99(82.15) | 53.53(100)   |

Source: Various Economic Survey Reports, Govt.of India, New Delhi.

The Table 1 shows that during the year 2004-2005, the share of formal and informal employment was 13.41 per cent, which increased to 17.87 per cent during the year 2019-20. As per last census report, 2011-12, it stands at 17.27 per cent. The average overall percentage of formal and informal employment in the economy more. During the year 2004-2005, the share of formal and informal employment was 86.59 per cent, which increased to 82.15 per cent during the year 2019-20. As per last census report, 2011-12, it stands at 82.72 per cent. So, on an average the overall percentage of formal and informal employment in the economy less. Moreover, increasing casualization of workforce is leading to a situation where most of the workforce is losing out social securities and benefits that are meant for them. This is not a rosy picture for a growing economy like India. The Indian Economy is characterized by the existence of a vast majority of informal labour employment. More than 90 per cent of workforce and about 50 per cent of the national product are accounted by the informal economy. A high proportion of socially and economically underprivileged sections of society are concentrated in the informal economic activities. According to quinquennial survey of NSSO in 2004-05, in rural areas the share of informal sector labours in each population segment recorded more than 90 per cent and the share of female labours (94.50 per cent) is more than male labours (90.34 per cent). The high level of growth of the Indian economy during the past two decades is accompanied by increasing in formalisation. The informal economy is the lifeblood of many cities today. It provides jobs for urban labours, provides flexible services to urban residents, and makes significant contributions to urban economies. However, diversity makes the informal economy hard to capture in conventional urban policy processes, and for many informal labours precarious and dangerous work, exploitation, harassment, or evictions are a daily threat. Recognising the potential of urban informal labours and their solidarity economy in urban planning, informal settlement upgrading, and recovery from urban violence, disasters and other crises is key to social inclusion of informal labours, to local economic development and to building resilience in 21st century cities. Between 2014 and 2050 the urban population is predicted to increase from 3.9 billion to 6.4 billion, with an estimated 95 per cent of growth taking place in cities and towns of the global South. Secure and decent livelihoods are critical to ensuring that urban households can claim an equitable stake in urban life. The economic development policy has long prioritised macro-economic growth and promoted formal urban economies. A major policy oversight has been the urban informal economy as a source of jobs, livelihoods and as a key contributor to economic development. Despite its importance in some cities the informal economy accommodates up to 80 per cent of urban labours

social protections rarely include informal labours, regulations affecting labours are complex and conflicting, and evictions are commonplace. Yet the informal economy is adaptive and resilient, providing livelihoods for women, young people, and new urban migrants, operating in local and global markets. Including urban labours in local economic development debates, and participatory slum upgrading programmes is key. The informal economy is also central to economic recovery in crisis and conflict affected cities, in providing replacements for disrupted services and livelihoods for victims of violence. There has been an upsurge of interest on urban informal sector in India in recent years. A number of studies have been commissioned, books and articles published, and seminars and workshops conducted focussing both on its theoretical as well as operational aspects. The substantial increase in the volume of person days of employment, percentage of subsidiary and casual labours in the early nineties, after the formal launching of the programmes of structural adjustment, has given a boost to informal sector studies since much of this incremental employment has been generated within this sector. There has, however, been a hiatus between conceptualization of the informal sector in theory and its practical application in empirical research. The urban informal economy has untapped potential to contribute to post-conflict recovery and reconstruction, supporting the livelihoods of communities affected by violence or disaster and contributing to provision of basic services in crisis-affected settings. Urban refugee economies also contribute to the economic development in host cities, particularly where refugees are granted the right to work. The informal settlements are dynamic centres of economic activity, supporting vibrant and specialised economies. Understanding of the complexity and social solidarity of these specialised economies is essential to building social inclusion, especially in participatory slum upgrading programmes.

### Objectives

- To analyze the socio-economic conditions of urban labour in informal sector; and
- To analyze the employment and wages pattern in urban labour in informal sector in the study area.

## RESEARCH METHODOLOGY

The present study used both primary data and secondary data for the analysis according to the objectives set in the study. The multi-stage random sampling method will be adopted for present research study. Andhra Pradesh has purposively selected for the study.

Physiographically, the State of Andhra Pradesh is broadly divided into three regions viz. Coastal Andhra, Uttaraandhra and Rayalaseema. In the first stage the districts were selected, in second stage revenue divisions were selected and third stagemandal were selected in the study area. Therefore the sample size is 675. These respondents were interviewed with a pre-designed and well-structured questionnaire prepared to collect the primary data. A well-structured schedule was canvassed among the labourers respondents and interview method was adopted to record their responses relating to the socio-economic conditions of labourers, their income, employment, unemployment and wages of labourers in informal sector. The informal sector labourers are selected only construction labourers, Hotel labourers and vendors. The schedule includes the questions related to all the information about the informal sector labour income, expenditure, savings, debt and others etc. The distributions of sample informal sector labourers in Andhra Pradesh are presented in Table-2.

**Table 2. Distribution of Sample Respondents in Andhra Pradesh**

| S.No  | Sample Districts | Selected Mandal     | Category     | Total Sample Respondents |
|-------|------------------|---------------------|--------------|--------------------------|
| 1     | Visakhapatnam    | Visakhapatnam Urban | Construction | 75                       |
|       |                  |                     | Hotel        | 75                       |
|       |                  |                     | Vendors      | 75                       |
| 2     | Kurnool          | Kurnool Urban       | Construction | 75                       |
|       |                  |                     | Hotel        | 75                       |
|       |                  |                     | Vendors      | 75                       |
| 3     | Guntur           | Guntur Urban        | Construction | 75                       |
|       |                  |                     | Hotel        | 75                       |
|       |                  |                     | Vendors      | 75                       |
| Total |                  |                     |              | 675                      |

Source:-Government of Andhra Pradesh, Statistical Abstract, 2022.

#### Method of Data Collection

The present study is based on the primary data and secondary data. The primary data was collected through survey method by administering separate well-structured questionnaires from sample respondents. The primary data was collected through discussions, personal interviews of the persons concerned and through questionnaires. The secondary data was collected from various journals, published books and annual reports, organization's annual reports, booklets, articles, National Sample Survey Reports and Census of India, State Government Reports of Andhra Pradesh, Economic Survey, Statistical Abstracts of Andhra Pradesh, Office of the Assistant Director of Statistics, Vijayawada, different reports published by Government of Andhra Pradesh, official websites of Andhra Pradesh, various Government Reports, NGO Reports, Other related Reports and Publications and unpublished research studies also.

The social aspects of sample labour in informal sector in Andhra Pradesh are presented in Table 3. From the Table-3 observed that, the majority of the sample labour in informal sector 11.55 per cent in the age group below 25 years, 36.29 per cent of sample labour were in the age groups between 35-45 years, 29.03 per cent in the age group 35-45 years, 17.48 per cent in the age group 45-55 years and 5.62 per cent sample labour in the age group of 55 years and above in the study area; the majority of the sample labour are 41.33 per cent in the BC category, 18.66 per cent in the OC category, 27.41 per cent in the SC category, 12.59 per cent in the ST categories and 2.81 per cent other category; the marital status observed that the majority labour are married (81.62 per cent), 6.22 per cent are unmarried, 9.92 are widows and 2.22 per cent are widowers; the family sizes are observed that 6.22 per cent are small family, 83.85 per cent are medium family and 9.92 per cent are large size families; the educational levels are observed 25.18 per cent sample respondents are primary education, 43.55 per cent sample respondents are secondary education, 19.55 per cent sample respondents are higher education, 1.18 per cent sample respondents are technical education and 10.51 per cent are illiterates (No education); the sample labour are not living in 47.11 per cent are pucca houses, 19.55 per cent are kutcha houses and 33.33 per cent living in mixed houses in the study area.

**Table 3. Social Aspects of Sample Labour in Informal Sector of Andhra Pradesh**

| S.No | Variables            | Sample Labour | Per cent |
|------|----------------------|---------------|----------|
| 1    | Age                  |               |          |
|      | Below 25             | 78            | 11.55    |
|      | 25-35                | 245           | 36.29    |
|      | 35-45                | 196           | 29.03    |
|      | 45-55                | 118           | 17.48    |
|      | Above 55             | 38            | 5.62     |
| 2    | Caste                |               |          |
|      | OC                   | 126           | 18.66    |
|      | BC                   | 279           | 41.33    |
|      | SC                   | 185           | 27.41    |
|      | ST                   | 85            | 12.59    |
| 3    | Marital status       |               |          |
|      | Un-Married           | 42            | 6.22     |
|      | Married              | 551           | 81.62    |
|      | Widow                | 67            | 9.92     |
|      | Widower              | 15            | 2.22     |
| 4    | Size of the Family   |               |          |
|      | Small                | 42            | 6.22     |
|      | Medium               | 566           | 83.85    |
|      | Large                | 67            | 9.92     |
| 5    | Education            |               |          |
|      | Primary              | 170           | 25.18    |
|      | Secondary            | 294           | 43.55    |
|      | Higher               | 132           | 19.55    |
|      | Technical            | 8             | 1.18     |
|      | No Education         | 71            | 10.51    |
| 6    | Type of the Houses   |               |          |
|      | Pucca                | 318           | 47.11    |
|      | Kutcha               | 132           | 19.55    |
|      | Mixed                | 225           | 33.33    |
| 7    | Land Size (in Acres) |               |          |
|      | No Land              | 294           | 43.55    |
|      | Below 1              | 224           | 33.18    |
|      | 1-2                  | 141           | 20.88    |
|      | Above 2              | 16            | 2.37     |

Source: - Field Data

**Table 4. Economic Conditions of Sample Labour in Informal Sector of Andhra Pradesh**

| S.No | Variables                    | Sample Labour | Per Cent |
|------|------------------------------|---------------|----------|
| 1    | Level of Assets (Rs...)      |               |          |
|      | Below 2,50,000               | 185           | 27.41    |
|      | 2,50,000-5,00,000            | 285           | 42.22    |
|      | 5,00,000-7,50,000            | 119           | 17.62    |
|      | Above 7,50,000               | 86            | 12.74    |
| 2    | Level of Income (Rs...)      |               |          |
|      | Below 1,00,000               | 36            | 5.33     |
|      | 1,00,000-2,00,000            | 395           | 58.51    |
|      | 2,00,000-3,00,000            | 159           | 23.55    |
|      | Above 3,00,000               | 85            | 12.59    |
| 3    | Level of Expenditure (Rs...) |               |          |
|      | Below 1,00,000               | 5             | 0.74     |
|      | 1,00,000-2,00,000            | 94            | 13.92    |
|      | 2,00,000-3,00,000            | 226           | 33.48    |
|      | Above 3,00,000               | 350           | 51.85    |
| 4    | Level of Savings (Rs...)     |               |          |
|      | No Savings                   | 231           | 34.22    |
|      | Below 50,000                 | 405           | 60.00    |
|      | Above 50,000                 | 39            | 5.77     |
| 5    | Level of Debt (Rs...)        |               |          |
|      | No debt                      | 11            | 1.62     |
|      | Below 1,00,000               | 455           | 67.41    |
|      | 1,00,000-1,50,000            | 155           | 22.96    |
|      | Above 1,50,000               | 54            | 8.00     |

Source: Field Data.

Among the sample labour in informal sector 33.18 per cent owned land below 1 acre, 20.18 per cent owned land between 1-2 acres, 2.37 per cent owned above 2 acres and 43.55 per cent had no land among the sample labourers in the study area.

The economic conditions of sample labour in informal sector of Andhra Pradesh are presented in Table 4. From the Table-4 reveals that, among the sample labourers in informal sector observed that, 27.41 per cent had total assets of below Rs.2,50,000, 42.22 per cent of sample house-holds were found to have in the range of Rs.2,50,000 – 5,00,000, 17.62 per cent of house-holds in the ranges of Rs.5,00,000 – 7,50,000; 12.74 per cent of sample house-holds of labourers had assets ranging ranges of Rs.7,50,000 –10,00,000;The income levels are observed that 5.33 per cent of the were found in the income group below Rs.1,00,000/- , 58.51 per cent of them were in the income range of Rs.1,00,000-2,00,000, 23.55 per cent were in the income range of Rs.2,00,000-3,00,000/-, lastly 12.59 per cent of them had a gross income above Rs. 3,00,000/- in the study area. The family expenditure levels are observed that 0.74 per cent of sample labour in informal sector were found to have incurred annual family expenditure up to Rs.1,00,000/-, 13.92 per cent of labour had the expenditure range of Rs.1,00,000 – 2,00,000/-, 33.48 per cent of labour had the expenditure range of Rs.2,00,000-3,00,000/- and lastly 51.85 per cent of house-holds had the expenditure range above Rs.3,00,000/- in the study area. The family savings levels are observed that, 34.22 per cent of the respondents no savings, 60 per cent of the respondents saved below Rs.50,000/- and lastly 5.77 per cent savings are above Rs.50,000/- in the study area. And lastly the family debt levels are observed that 1.62 per cent of the respondents no debt, 67.41 per cent of the respondents debt below Rs.1,00,000/-, 22.96 per cent of house-holds debt ranged around Rs.1,00,000 – 1,50,000/-, and lastly 8 per cent of households a debt above Rs. 1,50,000/- in the study area.

**Table 5. Estimated Consumption Function for the Households Urban Labour in Informal Sector of Andhra Pradesh**

| No. of Observations | Regression Coefficients |                     |                     | R <sup>2</sup> | F-value |
|---------------------|-------------------------|---------------------|---------------------|----------------|---------|
|                     | β <sub>0</sub>          | B1                  | β <sub>2</sub>      |                |         |
| 675                 | 1.6841                  | 0.6215*<br>(2.8412) | 0.3841*<br>(3.7184) | 0.76           | 36.45   |

Note: Figures in parentheses denote t-values.  
\* Indicates that the coefficients are statistically significant at 5 per cent level.

**Table 6. Wages Structure of Labour in Informal Sector of Andhra Pradesh**

| Wages (Rs.) | Construction Labours |          | Hotel Labours |          | Vendors |          | Total   |          |
|-------------|----------------------|----------|---------------|----------|---------|----------|---------|----------|
|             | Persons              | Per cent | Persons       | Per cent | Persons | Per cent | Persons | Per cent |
| Below 500   | 8                    | 3.55     | -             | -        | 55      | 24.44    | 63      | 9.33     |
| 500-750     | 121                  | 53.77    | 46            | 20.44    | 98      | 43.55    | 265     | 39.25    |
| 750-1000    | 96                   | 42.66    | 151           | 67.11    | 72      | 32.00    | 319     | 47.25    |
| Above 1000  | -                    | -        | 28            | 12.44    | -       | -        | 28      | 4.14     |
| Total       | 225                  | 100      | 225           | 100      | 225     | 100      | 675     | 100      |

Source: Field Data

**Consumption Function:** An attempt is made in this section to estimate marginal propensity to consume with the help of a consumption function. Earlier inference that the construction labours live on at the subsistence level, would suggest that their marginal propensity to consume is very high. In order to examine this hypotheses a log consumption function is specified with annual household income and the size of the family of the construction labours as explanatory variables. The estimated equations are of the following form:

$$\log C = \beta_0 + \beta_1 \log I_1 + \beta_2 \log S_2 + u \dots\dots\dots (1)$$

Where

- C = Annual consumption expenditure of the households. (In Rs....)
- I<sub>1</sub> = Annual household disposable income (in Rs.)
- S<sub>2</sub> = Size of family (No. of persons)
- u = Disturbance term
- β<sub>0</sub>, β<sub>1</sub> and β<sub>2</sub> are the parameters to be estimated.

The above equation (1) is estimated by the method of least squares with usual assumptions. Further, the Marginal Propensity to Consume (MPC) and Marginal Propensity to Save (MPS) are derived by using the following formula:

$$MPC = \beta_1 \hat{C} / \bar{I} \dots\dots\dots (2)$$

$$MPS = 1 - MPC \dots\dots\dots (3)$$

Where,

- β<sub>1</sub> = Elasticity of consumption to changes in income derived from model (1)
- Ĉ = Geometric mean value of annual consumption
- Ī = Geometric mean value of annual household disposable income.

The estimated equations of consumption function for households of urban informal sector labour are presented in Table-5. Table-5 statistically significant value of R<sup>2</sup> (vide F-statistics) the estimated equations are good fit and valid to draw inferences. Table-5 shows that, the two explanatory variables included in the model account for 76 percent of variation in annual consumption expenditure of the labours in urban informal sector. The co-efficient of disposable income and family size had a positive and statistically significant value. Elasticity of consumption with respect to income is 0.6215 and it is 0.3841 for the size of the family. Therefore, consumption of expenditure of labours in urban informal sector increased as the annual income and also the size of family increased. The marginal propensity to consume (MPC) and marginal propensity to save (MPS) are derived by using the formula (2) and (3), for three categories of labours separately. It is found that marginal propensity to consume

(MPC) was nearly 0.5865. For the households living close to the poverty live value of MPS is as high as 0.4246 in the study area.

**Wage Fixation and Wage Structure:** The wage has an important bearing upon the living standards and the status of the labours. It plays a major role in allocating labour heads between alternative uses according to the desired pattern of economic activity and securing its most effective benefits. However, it was observed that disputes between the labour and the employer in fixing wage rates had become manifold and sharp. The wage fixation is complicated and fraught with great potentialities for good and evil, affecting the entire community because the relative status of labours in the society, their commitments to the industry and attitude towards management, their morale and motivation towards productivity and in fact their way of life are all conditioned, by the wage rate and days of employment. It is clear that the question of wage fixation is always determines labour culture.

**Wage Fixation:** In the olden days, the wages to informal sector labours were paid in kind. But now, they are paid in both cash and kind in rural areas and cash only in urban areas of Andhra Pradesh. Besides during festival times, food grains are supplied for the work done in lieu of cash payments. The wages are usually fixed by the sub-contractors in the case of construction labours. In the case of big construction projects, the contractors have direct dealings with the labours.

Table 7. Estimated Regression Results for Labours in Informal sector of Andhra Pradesh

| Parameters                 | Construction Labour     |         | Hotel Labour            |         | Vendors                 |         |
|----------------------------|-------------------------|---------|-------------------------|---------|-------------------------|---------|
|                            | Regression Coefficients | t-value | Regression Coefficients | t-value | Regression Coefficients | t-value |
| Intercept                  | 0.7241                  |         | 0.9842                  |         | 0.2785                  |         |
| Age                        | 0.0145                  | 1.0122  | 0.1084                  | 0.1102  | 0.2148*                 | 3.0193  |
| Experience                 | 0.4482*                 | 4.0184  | 0.2754*                 | 2.9475  | 0.1056                  | 0.9722  |
| Hours of work              | 0.2181*                 | 2.5764  | 0.1736*                 | 3.0165  | 0.3844*                 | 4.7252  |
| Standard of Living Index   | 0.3148*                 | 2.7243  | 0.1755*                 | 2.4215  | 0.1975*                 | 2.1682  |
| Source of Employment dummy | 0.0981                  | 0.0052  | -0.0126*                | -3.1026 | -0.0624*                | -2.6744 |
| Seasonal dummy             | 0.0081                  | 0.0044  | 0.0716*                 | 0.0052  | 0.1754*                 | 3.9744  |
| R <sup>2</sup>             | 0.8155*                 |         | 0.8075                  |         | 0.8376*                 |         |
| F-Value                    | 41.48                   |         | 38.49                   |         | 61.54*                  |         |
| No. of observations        | 150                     |         | 150                     |         | 150                     |         |

\*: Indicates the co-efficient are statistically significant at 5 per cent level.

Source: Field Data

They assign major piece of work to various subcontractors on piece rate basis for a specified time and rate. These sub-contractors in turn fix wage rates by assigning the allotted piece of work to labours. Thus, the wage rate is fixed up by a combination of piece and time rates. The actual rate is fixed for masons on the basis of work requirement, the experience and ability of the labours and duration and location of the work to be executed. The wages vary among the contractors or sub-contractors and the type of construction activity. The wage fixed on time rate basis results in the extraction of more work from the labours than for a limited and pre-fixed wages. For other informal sector labours such as vegetable vendors, street vendors, labours in shops and hotels fixed wages were by the owner and labours themselves (if self-employed). This section attempts to analyse the structure of wages of different categories of informal sector labours. The average wage rates per day for each category of the informal labour are presented in Tables 6. Table 6 indicates that the wages position of the sample respondents in informal sector was really poor. Among the sample respondents 9.33 per cent respondents had wages of below Rs.500/-, 39.25 per cent of sample respondents were found to have in the range of Rs.500/- to 750/-, 47.25 per cent of respondents in the ranges of Rs.750/- to – 1,000/-, and 4.14 per cent of sample respondents had wages ranging above Rs.1000/- in the study area. It is observed from the survey those labours who were continuously working with the same contractors or owners were paid on weekly or monthly basis; but temporary labours were paid on daily basis.

As far as the study area was concerned, payments were made directly to the labours either by the contractors or owners; In the case of labours in hotels, 76 (50.66 per cent) of them came under weekly wage payments and was followed by the payment of wages to labours on a daily and monthly basis which constituted 42 per cent and 7.33 per cent; It is evident that 100 per cent of construction labours, received weekly wages, and lastly the vendors, the majority (74.66 per cent) of them were getting daily wages and 20 per cent and 5.33 per cent of the labours earned weekly and monthly wages in the study area. The gifts during festival in a year and about the type of gifts are explained that, the informal sector labours is 27.55 per cent of the labours received gifts during the festival time and the remaining 72.44 per cent of labours did not receive any gifts during festival time in a year in the study area. The labours are 70.96 per cent of labours received gifts in kind and 29.03 per cent of the labours received both cash and kind materials in the study area. The respondents opinion about complaint to non-payment of wages of the informal labour 97 per cent of the respondents do not give the complaint to the top authorities and only 3 per cent of them have given the complaint in the study area. The respondents opinion that, 98 per cent of the respondents do not get over time wage when they are doing over time jobs, only 2 per cent of the respondents receive overtime wages are to be provided under the provisions of The Building and Other Informal women Labours Act 1996 but from the study it is denied to most of the respondents in the study area. The health of the women labours is not like men labours. The women labours have to take rest every week so that their health can be maintained. In the present study, 92 per cent of the respondents state that their employers permit them to take one-day rest.

It is obligatory on the part of the employer to provide one-day rest for the labours, which is complied with most of the employers in the study area.

**Determinants of Wages:** The analyses the several determinants of wages for different categories of informal sector labours. For this, a log linear multiple regression model is used. In this regression model, wage is treated as a dependent variable and the variables namely (i) age, (ii) experience, (iii) hours of work, (iv) standard of living index, (SLI), (v) sources of employment and (iv) season are included as independent variables. The estimate model is:

$$\text{Log } Y = b_0 + b_1 \log X_1 + b_2 \log X_2 + \dots + b_5 D_1 + b_6 D_2 + u$$

Where,

Y = Wage rate (in Rs./day);

X<sub>1</sub> = Age (in years);

X<sub>2</sub> = Experience (in years);

X<sub>3</sub> = Hours of work per day;

X<sub>4</sub> = Standard of living index (index developed);

D<sub>1</sub> = 1 if labours working under contractor/owner  
= 0, otherwise

D<sub>2</sub> = 1 peak season  
= 0, otherwise.

U = Disturbance term.

The above model was estimated by the method of least squares separately for different category of informal sector labours. The estimated regression results for informal sector labours are presented in Table- 7. From the Table-7 observed that, the estimated equations show good fit as shown by the high and significant values of the coefficients of multiple determinations – R<sup>2</sup>. In the case of construction labours, three out of six variables namely experience, hours of work and standard of living index were found to have positive and significant effects on wage determination. The value R<sup>2</sup> indicates that all the explanatory variables jointly accounted for about 81.55 per cent variation in the wage rate of construction labours. None of the dummy co-efficient namely source of employment and seasonal dummy coefficients were statistically significant and it indicated that these two variables had not influenced wage determination of construction labours in urban areas. It was seen that one per cent increase in the variables experience, hours of work and standard of living index, would cause an increase in wage rate by 0.4482 per cent, 0.2181 per cent and 0.3148 per cent respectively. Thus, it may be concluded from the analysis that the hours of work and standard of living are important among construction labours in fixing their wages. The experience also had influence on the wage determination of labours in the study area. Table-7 show that, about 80 per cent (R<sup>2</sup> = 0.8075) variations in the wage rates were explained by all the independent variables included in the model in the case of labours in the hotels. Four variables namely experience, hours of work, standard of living index and sources of employment are found to be statistically significant at 5 per cent level. The coefficients except sources of employment dummy variables were positively related to the wage determination.

The labours in the hotels were paid less than others. The experience had an influence on wage determination of labours followed by the variables, viz., standard of living and hours of work. An additional percentage of each of these variables may lead to increase in wages by 0.2754 per cent, 0.1736 per cent and 0.1755 per cent respectively. Thus it is reasonable to infer that among the significant variables, experience for labours in the hotels is most important variables for determining their wages in the study area. Table-7 show that in the street vendor observed that, all the six variables can explain jointly about 83.76 per cent variations in the determination of wages of street vendors. The co-efficient of age, hours of work, standard of living and source of employment dummy variables were statistically significant at 5 per cent level. An additional percentage of these variables namely age, hours of work and standard of living would increase wage by 0.2148 per cent, 0.3844 per cent and 0.1975 per cent respectively. The street vendors working would be paid less than others as shown by the negative sign and statistically significant value (-0.0624) of the coefficient of dummy variables. Thus, it may be concluded from the above analysis that the hours of work had influence on wage fixation. Further, it is seen street vendors were paid less than others in the study area. The problems of labours in informal sector such as insecurity of job, irregularity in payments, low wage rate, long hours of work, poverty and indebtedness, occupational hazards and health conditions, absence of social security measures, insecurity arising out of illness, loss of income arising out of accident, lack of old age security, lack of employer-employees relationship and wage discrimination are the major issues being faced by the labours in informal sector in Andhra Pradesh. These problems can be addressed by applied suggested measures such as effective implementation of all labour laws to the labours in informal sector in the study area.

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