

# **AN EMPIRICAL INVESTIGATION OF LABOUR INFORMALITY IN INDIA**

## **Abstract**

Labour informality is one of the most widely discussed issues in the current development debate. The thesis attempts to explore some important issues on labour informality in India. The study examines the trends in job quality and labour informality in India using a multidimensional framework. It also measures the extent of wage discrimination in the formal and informal labour market. We explore the extent of heterogeneity within the informal labour market in India. Finally, the thesis examines job reallocation dynamics among large manufacturing plants in India.

The study uses data from the Employment-Unemployment Survey of the National Sample Survey Organisation for the years 1999-2000, 2004-05, 2009-10 and 2011-12. It also utilises unit level panel data from the Annual Survey of Industries for the period 2000-01 to 2014-15. Standard statistical tools and econometric methods are used to address the research objectives.

The study finds the extent of informality to be very high in India and concentrated among certain groups. It finds gender and caste-based discrimination to be significantly higher in the informal vis-a-vis the formal labour market. Gender-based discrimination is also found to be higher than caste-based discrimination in the formal and informal economies. The study further finds evidence of significant diversity among the informally employed. Finally, the thesis finds job reallocation to be very high and displays significant variations across job types. Job reallocation depicts a rising trend over the years, driven partially by the increasing share of contract workers in the workforce.

The study emphasizes urgent policy efforts to improve working conditions and reduce discriminatory practices in the informal economy. This calls for, in part, better regulation of the informal labour market. The thesis argues that policy design should be more tailored towards specific sections of informality. Finally, the study calls for further simplification and rationalisation of labour regulations that embrace all sections of the workforce.

**Keywords:** Informal; Job quality; Capabilities theory; Discrimination; Heterogeneity; Gender; Caste; Job reallocation; Job creation; Job destruction; Contract labour.