



**Report of the Committee
on
Unorganised Sector Statistics**

National Statistical Commission

Government of India

February 2012

Preface

Indian economy has preponderance of informal and unorganised sector both in terms of number of workers and enterprises. This segment of economy has inbuilt vulnerabilities, and the study of unorganised sector based on reliable data is important for informed decision making and addressing the problems faced. The National Statistical Commission constituted a Committee on Unorganised Sector Statistics to identify major data gaps relating to unorganized enterprises and unorganized workers and to suggest ways and means for developing statistical data base on unorganized sector with standardized concepts, definitions, coverage and comparability over time and space.

The task under the purview of the Committee was enormously diverse and multifaceted and needed to be synthesized, critically reviewing the system in vogue and conceptualising an ideal system for unorganised sector statistics in order to capture its characteristics in a seamless manner. I am happy to note that the Committee attempted to accomplish it and in this, the efforts and intellectual inputs provided by the sub-committee steered by Prof. Sheila Bhalla, IHD is acknowledged. The other sub-committees steered by Prof. Ravi Srivastava, JNU and Dr. S. L. Shetty, EPW Research Foundation also made significant contribution, collating the aspects of data base on the profile of the unorganised enterprises and the associated issues of concept, definitions and coverage of informal sectors, informal workers and informal jobs; data required to measure sustainability and risk management issues in respect of the unorganised enterprises and access to credit and factor and product markets, as depicted in relevant statistics. The deep involvement of Prof. D. N. Reddy, IHD in preparation of the report and Shri A. B. Chakraborty, RBI in providing detailed insight on credit issues are appreciated.

The Committee wishes to place on record the valuable assistance provided by different professional experts including Dr. N. S. Sastry in accomplishing its task. The Committee is grateful to Dr. Manoj Panda, Director, CESS, Dr. C. Ravi and Dr. B. Sambhi Reddy of CESS, for providing logistic and research support to the Committee meetings at Hyderabad.

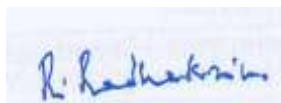
Dr. Rajiv Mehta, ADG, NSSO(SDRD) deserves credit for his significant role as the Member Secretary. The Committee appreciates the untiring contribution of Shri P. K. Mahapatra, DDG, Shri T. K. Sanyal, DDG, Shri Asis Ray, DDG, Shri Salil Kumar Mukhopadhyay, Director and other officers of NSSO(SDRD) for providing the technical and professional support. The Committee places on record its appreciation for Shri M. V. S. Ranganadham, DDG, NSC Secretariat and his team for extending valuable support to the Committee for its smooth functioning.

Dated: February, 2012

**(Prof. R. Radhakrishna)
Chairman**

**Report of the Committee
on
Unorganised Sector Statistics**

**We the undersigned, Chairman and Members of the Committee have adopted
the Report for submission to the National Statistical Commission**



(Prof. R. Radhakrishna)
Chairman



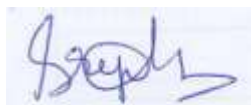
(Prof. Sheila Bhalla)



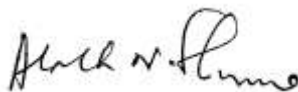
(Prof. Ravi Srivastava)



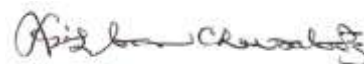
(Prof. D. N. Reddy)



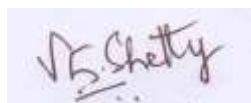
(Dr. Srijit Mishra)



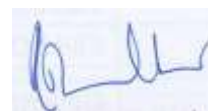
(Prof. Alakh N. Sharma)



(Shri A. B. Chakraborty, RBI)



(Dr. S. L. Shetty)



(Dr. Asis Kumar, ADG, CSO
(NAD))



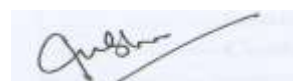
(Shri H. P. Sharma,
ADG, CSO(ESD))



(Shri Servesh Kumar, DDG,
NSSO(FOD))



(Shri G. Sajeewan, DDG,
MSME)



(Director, DES, Govt. of
Karnataka)



(Dr. Rajiv Mehta)
ADG, DPD & SDRD & Member

List of abbreviations used in the report

Abbreviation	Description
AIDIS	All-India Debt and Investment Survey
AITOT	All India Training of Trainers
ASI	Annual Survey of Industries
BSR	Basic Statistical Returns - RBI
CACP	Commission for Agricultural Costs and Prices
CCS	Comprehensive Scheme for Study of Cost of Cultivation
CDF	Cumulative Density Function
CDS	Current Daily Status
CESS	Centre for Economic and Social Studies
COCSSO	Conference of Central and State Statistical Organisations
CPI	Consumer Price Index
CPIAL	Consumer Price Index for Agricultural Labour
CPIIW	Consumer Price Index for Industrial Workers
CSO	Central Statistical Office
CWS	Current Weekly Status
DDG	Deputy Director General
DDP	District Domestic Product
DES	Directorate of Economics and Statistics
DPD	Data Processing Division
DSO	District Statistical Office-DES
EC	Economic Census
EDP	Electronic Data Processing
ES	Enterprise Surveys
EUS	Employment and Unemployment Survey
FAO	Food and Agriculture Organisation- UN
FARMAP	Farm Analysis Package
FOD	Field Operation Division
GC	Governing Council-NSSO
GDP	Gross Domestic Product
GFCF	Gross Fixed Capital Formation
GSDP	Gross State Domestic Product
GVA	Gross Value Added
GVAPW	Gross Value Added per Worker
ICLS	International Conference of Labour Statisticians
IHD	Institute of Human Development
ILO	International Labour Organisation
ISIC	International Standard Industrial Classification

Abbreviation	Description
IT	Information Technology
LFPR	Labour Force Participation Rate
MPCE	Monthly per Capita Expenditure
MSE	Mean Standard Error
MSME	Micro, Small and Medium Enterprises
NABARD	National Bank for Agriculture and Rural Development
NAD	National Accounts Division
NAS	National Accounts Statistics
NCEUS	National Commission on Enterprises in Unorganized Sector
NGO	Non-Governmental Organisations
NSC	National Statistical Commission
NSO	National Statistical Organisation
NSSO	National Sample Survey Office
OAE	Own Account Enterprises
PDS	Public Distribution System
PLFS	Periodic Labour Force Survey
PS	Principal Status
PU	Proportion Unemployed
RBI	Reserve Bank of India
RIDF	Rural Infrastructure Development Fund
RO	Regional Office-NSSO
RSE	Relative Standard Error
RTC	Regional Training Camp
SC	Steering Committee-NSSO
SDDS	Special Data Dissemination Standards
SDP	State Domestic Product
SDRD	Survey Design and Research Division
SHG	Self-Help Groups
SIDBI	Small Industries Development Bank of India
SNA	System of National Accounts
SRO	Sub-regional Offices - NSSO
SS	Subsidiary Status
SSB	State Statistical Bureau
TUS	Time Use Survey
UFS	Urban Frame Survey
UR	Unemployment Rate
USU	Ultimate Stage Units
WPR	Worker Population Ratio

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Chapter 1

Importance of Unorganized Sector Statistics

1.1 Introduction

1.1.1 Unorganised or informal sector constitutes a pivotal part of the Indian economy. More than 90 per cent of workforce and about 50 per cent of the national product are accounted for by the informal economy. A high proportion of socially and economically underprivileged sections of society are concentrated in the informal economic activities. The high levels of growth of the Indian economy during the past two decades is accompanied by increasing informalisation. There are indications of growing interlinkages between informal and formal economic activities. There has been new dynamism of the informal economy in terms of output, employment and earnings. Faster and inclusive growth needs special attention to informal economy. Sustaining high levels of growth are also intertwined with improving domestic demand of those engaged in informal economy, and addressing the needs of the sector in terms of credit, skills, technology, marketing and infrastructure.

1.1.2 It is increasingly realized that “lack of reliable statistics on the size, distribution and economic contribution of the sector. . . has been a major constraint in providing a realistic understanding of the significance of the Indian economy, leading to its neglect in development planning.” (NCEUS 2008, P.64). Under the changed circumstances where informal sector is increasingly interlinked with the formal, and plays pervasive role in the economy and in the livelihoods of the people, it is imperative to improve the information base of the sector. It is necessary to build a comprehensive statistical base on various dimensions of the informal economy as an integral part of the national statistical system.

1.1.3 Clarity of concepts and uniformity of definitions are basic requirements for building a sound system of statistics. Unorganized sector or informal economy is replete with diverse concepts and lack uniformity of definitions. The first step in building database on informal sector is to arrive at definitions that reflect the specific characteristics, and to adopt these definitions for unambiguous identification of the various components of the sector. Further, it is desirable to specify the core statistics relating to unorganized sector that needs to be collected and disseminated with certain regularity as a part of an ideal statistical system that would ensure reliability and credibility.

1.2 Constitution of NSC Committee on Unorganized Statistics

1.2.1 The National Statistical Commission (2001) and several expert committees recognized the need for unorganized sector statistics with standardized concepts, definitions, coverage and comparability over time and space. The task still remains unfinished. There is an urgent need to

address the limitations of the present state of unorganized sector statistics without which the Indian statistical system would not be complete and effective. Putting in place a cohesive, comprehensive and responsive system of unorganized sector statistics is a daunting task. To examine this issue in all its dimensions and to make necessary recommendations, the National Statistical Commission (NSC) constituted a committee on unorganized sector statistics under the chairmanship of Prof. R. Radhakrishna (see Appendix 1 for the notification of the Committee). The terms of reference of the Committee are:

- i. To examine the existing definitions of informal enterprises and employment and suggest appropriate modifications with specific objective of their amenability towards better measurement.
- ii. To identify major data gaps relating to unorganized enterprises and unorganized workers.
- iii. To review the existing methodologies and arrangements for estimating informal employment and income arising from informal enterprises and suggest modifications.
- iv. To examine the existing databases for estimation of income and employment in informal sector and suggest improvements .
- v. To analyse the present system of data collection relating to informal sector and suggest modification needed in the coverage and content in the existing surveys or new surveys.

1.3 Proceedings of the Committee.

1.3.1 The Committee held series of meetings and deliberated on different dimensions of unorganized sector statistics ranging from conceptual and definitional problems to evolving an ideal system and its implementation. Recognizing the complexity of issues and the need for in depth attention, four sub-committees, one each on the following issues, were constituted (see Appendix I for details):

- i. Ideal system for unorganized sector statistics
- ii. Critical review of employment and unemployment
- iii. Critical review of the existing data based on unorganized enterprises, and
- iv. Appraisal of the present system of data collection on unorganized sector.

1.3.2 In the deliberations of the Committee, beside the members, there was active participation by a number of experts and representatives from various ministries as stake holders in the collection, use and dissemination of statistics relating to unorganised sector. The Committee paid attention to some of the much neglected aspects like the data required to measure sustainability and risk management issues, access to credit and the factor and product markets relating to unorganized sector. Similarly, the NAD's requirements of unorganized sector statistics including construction sector were also deliberated.

The reports of earlier expert bodies like the National Statistical Commission (2001) and National Commission on Enterprises in Unorganized Sector (NCEUS), their recommendations and the status of action taken on them were very useful in the Committee's work. The Committee paid special attention to the review of existing data bases of unorganized sector and identifying gaps therein to evolve an ideal system of informal sector data base in terms of adequacy, timeliness and reliability, and to evolve a road map for smooth transition from the existing system to an ideal one.

1.3.3 The finalization of the report of the Committee was facilitated by the drafting Committee chaired by Prof. R. Radhakrishna with Prof. Shiela Bhalla, Prof. D.N.Reddy and Dr. Rajiv Mehta as members, and ably supported by Mr. P.K.Mahapatra, Deputy Director General, NSSO (SDRD).

1.4 Structure of the Report

1.4.1 The Report is divided into seven chapters. This introductory chapter is followed by the second, which gives a comprehensive conceptualisation of a desirable statistical system for the unorganized sector in the light of international standards but tuned to the Indian conditions. Chapter 3 analyses the status of the availability of data bases from existing NSS Employment and Unemployment and Enterprise Surveys, Labour Bureau Annual surveys on Employment and Unemployment, PLFS, Comprehensive Scheme for Study of Cost of Cultivation of Ministry of Agriculture, Time Use Survey, Censuses on Micro, Small and Medium Enterprises, Economic Census – all in terms of content, coverage, conformities and deficiencies with respect to desirable system. In Chapter 4, a detailed account of the economic contribution of unorganized is given. Chapter 5 deals with the statistics on credit and institutional linkages of unorganized sector enterprises. The Chapter 6 discusses the institutional issues relating to challenges of ensuring quality and credibility of the unorganized sector database. Chapter 7, presents the basic recommendations of the Committee.

Chapter 2

Framework of Statistical System for Unorganised Sector

2.1 Conceptualization

2.1.1 The terms ‘unorganized’ and ‘informal’ sectors are often used interchangeably. The informal sector may be broadly characterized 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 (15 ICLS, ILO, 1993). These units typically operate at a low level of organization, with little or no division between labour and capital as factors of production and on a small scale. Labour relations - where they exist - are based mostly on casual employment, kinship or personal and social relations rather than contractual arrangements with formal guarantees.

2.1.2 The prevailing definitions of informal sector emerge from the conceptual framework evolved by the International Conference of Labour Statisticians (ICLS) under the aegis of International Labour Office. Concurrently, the conceptual issues are deliberated and synthesized in two important forums who dealt the issues of informal sector in considerable depth. The National Commission for Enterprises in the Unorganized Sector (NCEUS) was set up by the Government of India in 2004, to "review the status of unorganized/informal sector in India including the nature of enterprises, their size, spread and scope, and magnitude of employment". The Expert Group on Informal Sector Statistics, commonly known as the “Delhi Group”, was set up in 1997 as one of the city groups of the United Nations Statistical Commission to address various methodological issues involved in the treatment of the informal sector.

2.1.3 “India has built up, over the years, an elaborate and competent statistical system both in terms of institutions as well as professional manpower.”¹ Within the ILO, and beyond it, India’s ‘Delhi Group’ is recognised as a leader in setting standards for informal economy statistics. However, the fact that two different systems of the organisation of production coexist side by side in India is still not adequately reflected in the coverage of India’s statistical system. The lack of complete, coherent and comparable data-sets on basic economic variables such as GVA and employment in the formal and informal segments of the Indian economy constitutes a challenge to informed development policy and practice.

2.1.4 Two fundamental features of the Indian economy underline the study of informal sector: (i) the overwhelming predominance of informal enterprises and informal workers and (ii) the fact that the Indian workforce is a workforce in transition. It was recognised that, in an ideal statistical system, data would be required to monitor the long run transition from a predominantly rural and agricultural economy and society to a predominantly urban and non-agricultural one.

¹ Page 7, NCEUS (2008) Report on Definition and Statistical Issues Relating to Informal Economy, New Delhi.

2.1.5 It is desirable that any statistical system, including that for unorganized sector, should be such that:

- (i) the development of concepts, definitions and demarcation of area for coverage of the survey are in conformity with those of International Standards, but tuned to country conditions,
- (ii) it is possible to segregate the economy into a number of disjoint components (sectors) with the developed concepts as envisaged in (i) above, ensuring seamless additivity,
- (iii) the data-collection strategies are simple and unambiguous for the data-collectors, and
- (iv) there will be due consideration for adequate human and financial resources.

2.1.6 The paramount importance of unorganized sector in the economy from the point of view of not only its contribution and share but also for sustaining the livelihood and well being of a large section of population is well recognised. Consequently the necessity of well structured and well defined framework of statistics and its development perspective is also recognized. The development of unorganized sector has a potent role in the 'inclusive growth' in the current paradigm of planning, and such a framework of statistics for formulation of policies and decision support is the need of the hour. The conceptualization and development of an ideal system of statistics for unorganized sector is, therefore, to be aimed at bringing clarity in concepts, definitions, appropriate classification and coverage to meet the diverse requirements of the users.

2.1.7 *A system for statistics on informal economy should have the mechanism to capture data on direct and indirect linkages between the formal and informal sectors, taking into account aspects like:*

- (i) *forms of organisation e.g. agriculture, which has a different form of organisation than that of other sectors, like manufacturing,*
- (ii) *existence of differences in labour status like unpaid family workers including self employment, women's participation in extended SNA activities, and*
- (iii) *variation in the nature of unorganised sector across different locations, and*
- (iv) *vulnerability of unorganised sector to shocks.*

2.2 The desirable system for unorganised sector in the Indian context

2.2.1 The salient characteristics of a desirable system for an Indian informal economy data base may need to be identified in terms of four interrelated dimensions:

- i) conceptual categories,
- ii) coverage,
- iii) capability to monitor development, and
- iv) institutional issues, including issues of staffing, coordination, accountability, the credibility of the statistics generated and their effective dissemination.

2.2.2 *Concepts and definitions:* In a desirable system, *concepts and definitions* should be broadly consistent with international practices followed in data collection and dissemination. In the Indian context, comparability of concepts and methodologies would need to be ensured so that

estimates of absolute number of workers, enterprises and GVA by economic sectors would be consistent and comparable across surveys.

2.2.3 In cases where, for historical reasons, the conceptual categories in the surveys of the data bases on informal and formal enterprises differ, it is essential that steps are taken to make it possible to harmonise for their reconciliation. In India, the problem of incompatible conceptual categories used in complementary surveys is endemic. Surveys of one sector of any particular industry, say manufacturing, services and construction must use the same conceptual categories. Similarly, surveys of organised enterprises must use the same definitions and concepts as the complementary surveys of unorganised enterprises. Conceptual differences in different surveys are due to the specificity of the surveys and hence any absolute comparability and harmonisation of the concepts have inherent limitation.

2.2.4 The case of organised and unorganised manufacturing (as conducted during NSS 62nd round) is one of the examples in India of complementary surveys covering both organised and unorganised enterprises in the same industrial category. The unorganised manufacturing survey had covered many enterprises larger than the widely accepted cut off point of under 10 workers. At the same time, it is known that the *Annual Survey of Industries* (ASI), which uses a different sample frame, fails to capture many enterprises, particularly those employing between 10 and 20 workers. *Ideally*, the solution is to ensure that complementary surveys, such as those of organised and unorganised manufacturing, are based on a common sampling frame, which, in India, can be provided by the *Economic Census*. However, the unorganised enterprise surveys could use the Economic Census lists for their area sample frame. Economic Census must be updated in a manner that would provide a usable sampling frame for follow up surveys.

2.2.5 One of the fundamental issues in conceptualisation of unorganised sector is the definition itself. The definition suggested by ICLS relies on the type of enterprise without any mechanism of registration such as un-incorporated enterprises. The definition as recommended by the NCEUS for classifying the informal sector is in terms of number of workers. Therefore, the framework of the system of unorganised sector statistics should attempt to generate database with flexibility to meet diverse requirements of users.²

2.2.6 *Coverage* : The time has come to take a holistic and comprehensive view of the data base on formal and informal enterprises and formal and informal workers, in each of the primary, secondary and tertiary sectors, with disaggregation to at least the standard nine-fold industrial classification of the workforce and production units. The ideal system distinguishes between formal and informal workers, formal and informal enterprises and between GVA generated in the formal and informal sectors and collects the data required to monitor trends in these data. In

² In the case of informal enterprises classified in terms of number of workers, all unincorporated private enterprises employing less than 10 workers will belong to the informal sector. Should the inclusion and exclusion be solely on workers criterion or on the nature of enterprise? It is well known that the production units of the informal sector have the characteristic features of household enterprises and the fixed and other assets used do not belong to them as such but to their owners. The technology factor may also be determining the deployment of labour for production of similar goods and services within the similar characteristics of ownership and operation.

addition to this, the unorganised sector statistics should bring out the role of the unorganised sector in the overall economy meaningfully. The data profile should also cover aspects of institutional and non-institutional credit, their reach and other aspects like trade linkages and exports.

2.2.7 The data bases of the economy should be complete and coherent in the sense that formal and informal sector data should fit seamlessly together, leaving no subset of informal workers or informal economic activities uncovered, and none double-counted. The result should be that estimates of absolute number of enterprises, workers and GVA in every branch of economic activity in formal and informal sectors would be additive.

2.2.8 In the case of labour force surveys, the requirements of completeness, seamlessness and additivity seem largely satisfied. In contrast, it is not so in case of enterprise surveys both for agricultural and non agricultural sectors. The coverage of enterprises in sectors other than manufacturing is incomplete. The criteria used for classifying unorganised and organised manufacturing in vogue do not hold for services, trade and construction. In order to have seamless coverage of organised and unorganised service sector, an Annual Survey of Services in respect of its organised sector, similar to the Annual Survey of Industries, should be conducted.

2.2.9 Further, the coverage of the agriculture and allied sectors is also inadequate. The deficiencies in terms of data compilation, validation and dissemination of the data generated by the farm level surveys under the Ministry of Agriculture's *Comprehensive Scheme for Studying the Cost of Cultivation of Principal Crops in India* are discussed in Chapter 3. With respect to other primary sector activities, the National Accounts Division (NAD) points out, for example, that *with respect to the fishing sector* that: i) there is no uniform procedure followed by states to estimate fish production; ii) subsistence fishing production is not measured scientifically; iii) no input data is available for fish production. A similar array of deficiencies with respect to the *forestry sector* is noted in a background note by the NAD. In short, there is inadequacy of farm enterprise data for *directly* estimating GVA generated by enterprises in agriculture, fisheries or forestry and no data whatsoever on some activities within these broad activity categories.

2.2.10 With respect to the coverage of the unorganised and organised sectors in existing statistical system, these conspicuous data gaps need to be filled up, and such ambiguities eliminated.

2.2.11 *Monitoring development*³ : The early ILO inspired studies underlined the need to capture the grass roots realities, giving high priority to identify factors constraining decent work and earnings of informal sector workers.⁴ These and other studies thought it is important to include a technology variable in their questionnaires, either the use of electricity in production, or, more generally, the use of motorised equipment. In India, information on the prevalence of multiple

³ This section relies heavily on passages in chapter 5 in NCEUS Working Paper No 3 (2009) titled *Definitional and Statistical Issues Relating to Workers in Informal Employment*.

⁴ Lack of access to infrastructure services and the inadequate education and skill levels of informal workers were identified as key constraints.

income sources among operators of informal enterprises and members of their households, and their employment status, has proved analytically useful. So is the information about whether or not enterprise operators or members of their households own or operate agricultural land. Similarly, the extent to which those who run informal enterprises are independent decision-makers with respect to what to produce and how much to produce, and when, information on these aspects can provide insights into the character of their operations. Finally, social group has been shown to be a decisive factor in determining what kind of enterprises people operate, and their links with input suppliers and buyers of final output in both rural and urban areas. Data on some of these indicators are needed to track the transition from a predominantly rural and agricultural economy to an urban and non-agricultural one.

2.2.12 *Institutional issues:* The refinement in the framework of unorganised sector statistics conceived on the lines of concepts, definitions and the capability to meet the objectives of development planning seeks to address pertinent institutional issues relating to their quality and reliability. The mechanism of data collection and the resources used for this purpose at present, are not adequate. There are serious institutional issues, including issues of staffing, supervision, coordination, accountability and credibility of statistics generated and these need to be addressed with at most priority.

2.2.13 *In order to bridge the divergence in concepts and harmonization thereof, in the spirit of developing an ideal system, an important institutional mechanism can be set up as a dedicated unit within NSO for standardizing the concepts, definitions and coverage for surveys on each of the subjects and for promoting their adoption by all official agencies who conduct the surveys. It should also ensure avoidance of duplication and discrepancy among the data sets.*

2.3 The Committee recognized the paramount importance of unorganized sector in the economy from the point of view of not only its contribution to and share in the economy but also for sustaining the livelihoods in the economy and well being of a large section of population. Consequently, the necessity for a well structured and well defined framework of statistics is recognized as essential. The development of unorganized sector has a potential role in the inclusive growth in the current paradigm of planning, and an ideal framework of informal sector statistics for formulation of policies and decision support is the need of the hour. The conceptualization and development of an ideal system of statistics on unorganized sector is therefore to be aimed at bringing clarity in concepts, definitions and coverage to meet the diverse requirements of the users.

2.4 The Committee feels that effective dissemination of official statistics on informal sector should also be an important function of a desired system of statistics. *The Committee recommends that regular and timely dissemination of informal sector statistics collected by the public agencies should form part and parcel of the national policy on dissemination of statistics.*

Chapter 3

Unorganized Sector Statistics- Current Status

3.1 Prologue

3.1.1 The existing data bases of unorganized sector are briefly appraised here in terms of the definitions and concepts used, the methods of collection, the extent of coverage with a view to identify the conceptual deficiencies, limitations of techniques of collection and coverage keeping in view the demands for evolving an ideal system. This chapter provides a synopsis of conceptual framework of informal sector and the status of nationwide surveys on Employment-Unemployment and Enterprise Surveys carried out by National Sample Survey Office, Labour Bureau etc.

3.2 Concepts and definitions of informal sector

3.2.1 A review of concepts and definitions associated with the collection of data in India on informal sector and informal employment by various organisations is presented below. A conceptual framework of broad 'Ideal System' of statistical database of informal sector has already been deliberated in Chapter 2.

3.2.2 In 1972, the term informal sector was first used by the International Labour Organisation (ILO) to denote a wide range of small and unregistered economic activities. Since then, the term has been debated much for want of a universally acceptable definition. In the *Fifteenth International Conference of Labour Statisticians* (15th ICLS) held in 1993 at Geneva, the Labour Statisticians discussed various issues relating to the concept and definition of informal sector and took a resolution concerning statistics of employment in the informal sector. Later, the System of National Accounts (SNA 1993) recommended by the United Nations also endorsed this resolution with regard to the concept of informal sector.

3.3 Definition of informal sector as per 15th ICLS (January 1993) and informal employment as per 17th ICLS (November-December 2003)

3.3.1 *Operational definitions:* For statistical purposes, the informal sector is regarded as a group of production units which, according to the definitions and classifications provided in the United Nations System of National Accounts (Rev. 4), form part of the household sector as household enterprises or, equivalently, unincorporated enterprises owned by households.

3.3.2 The 15th ICLS recommends that for practical reasons, the scope of the informal sector may be limited to household enterprises engaged in non-agricultural activities. Informal employment, as per 17th ICLS, comprises the total number of informal jobs, whether carried out in formal

sector enterprises, informal sector enterprises, or households, during a given reference period. Broadly, the following can be treated as having informal employment:

- (i) own-account workers employed in their own informal sector enterprises;
- (ii) employers employed in their own informal sector enterprises;
- (iii) contributing family workers, irrespective of whether they work in formal or informal sector enterprises ;
- (iv) members of informal producers' cooperatives ;
- (v) employees holding informal jobs in formal sector enterprises, informal sector enterprises, or as paid domestic workers employed by households ;
- (vi) own-account workers engaged in the production of goods exclusively for own final use by their household.

3.3.3 Resolution concerning statistics of employment in the informal sector, adopted by the Fifteenth International Conference of Labour Statisticians (January 1993) and Guidelines concerning a statistical definition of informal employment, endorsed by the Seventeenth International Conference of Labour Statisticians (November-December 2003) are given at Appendix- 2 and Appendix- 3 respectively for ready reference.

3.4 Informal sector in the context of SNA

3.4.1 The 2008 SNA contains a chapter dedicated to the question of measuring activity carried out within households on an informal basis (the so-called informal sector) and activity that escapes formal statistical measurement (the so-called not-observed economy). This chapter deals with the conceptual framework for preparing tables presenting data on informal sector and informal employment, one on the production and income generated and the other on employment, supplementary to the national accounts.

3.4.2 In the SNA, household enterprises do not constitute separate legal entities independently of the household members who own them. Fixed capital used in production may also be used for other purposes and as such the assets do not belong to the enterprise as such but to the household members. As a result, it may be impossible to compile a complete set of accounts for the household productive activities including the assets, financial and non-financial, attributable to those activities. It is for this reason, the lack of complete accounts, that the production activity remains within the households sector as an unincorporated enterprise rather than being treated as a quasi-corporation in the corporate sectors.

3.5 Coherence between ILO and SNA

3.5.1 The ILO concept of the informal sector takes household unincorporated enterprises and further subdivides them into three: one part forming the informal sector, a second part being units treated as formal, based on the number of employees or registration, and the third part being referred to simply as households. The subset of household enterprises treated as belonging to the informal sector have economic objectives, behaviour and a form of organization that sets them

apart from other unincorporated enterprises. Specifically, the informal sector is defined according to the types of production the enterprise undertakes, still maintaining the production boundary of the SNA and not extending it to include own use household services.

3.5.2 The 15th ICLS distinction between units exclusively engaged in production for own final use and other units does not match precisely the SNA 2008 distinction between households as market producers and producers for own final use. The SNA considers the enterprises most or all of whose output is marketed as market producers only, and those most or all of whose output is intended for own final use as producers. The 15th ICLS chose a wider concept of market producers (i.e. household unincorporated enterprises with at least some market production) and a narrower concept of producers for own final use (i.e. household unincorporated enterprises not marketing any of their production), because it realized the practical difficulties involved in determining ‘most’ and felt the need, in the context of informal sector measurement, to take all market activities into account.

3.6 National Commission for Enterprises in the Unorganized Sector

3.6.1 It is pertinent to note that the National Commission for Enterprises in the Unorganized Sector (NCEUS) has extensively referred to the concepts and results of NSS survey on Employment and Unemployment. While addressing the issues of employment in informal sectors, the NCEUS noted that: ‘employment in India can be meaningfully grouped into four categories to reflect quality and its sectoral association. These are (a) formal employment in the formal or organised sector, (b) informal employment in the formal sector, (c) formal employment in the informal sector, and (d) informal employment in the informal sector. We find that the Indian economy is dominated by (d) constantly around 86 percent of employment as of 2004-05.’ The related issues of statistical framework for the unorganized sector statistics were also detailed in NCEUS reports on *Definitional and Statistical Issues relating to the Informal Economy (NCEUS 2008)*

3.6.2 The Commission’s recommendation relating to the definition of informal sector is as follows:

Informal Sector: “The unorganized sector consists of 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 total workers”.

Informal worker/employment: “Unorganized workers consist of those working in the unorganized sector or households, excluding regular workers with social security benefits provided by the employers and the workers in the formal sector without any employment and social security benefits provided by the employers”.

Informal economy: The informal sector and its workers plus the informal workers in the formal sector constitute the informal economy.

The Commission considered all agricultural activities undertaken on agricultural holdings, either individually or in partnership, as being in the unorganised sector. According to this definition, it excludes only the plantation sector and other types of organised agriculture (e.g. corporate or cooperative farming) and covers a very large part of agriculture.

It is therefore to be noted that the Commission has also made an important distinction between organized or formal and unorganised or informal employment as outlined above.

3.7 Delhi Group and Country Contexts

3.7.1 The International Labour Organization (ILO) has been instrumental in establishing a concept of an informal sector to identify a set of production units within the SNA household sector that are particularly relevant for policy analysis and formulation, especially in many developing countries and countries in transition. This work addresses the question of how the market economy is penetrating areas outside the formal parts of the economy. The ILO work is pragmatic in realizing that it is very difficult to establish a definition of the informal sector that is strictly comparable across countries given the difference in the structure of micro and small enterprises, the national legislation covering registration of enterprises and the labour laws. An Expert Group on Informal Sector Statistics (known as the Delhi Group) was set up in 1997 to address, among other issues, both the conceptual and operational aspects of the ILO definition.

3.7.2 Since the informal sector manifests itself in different ways in different countries, national definitions of the informal sector cannot be fully harmonised at present. International agencies should disseminate informal sector data according to the national definitions used. In order to enhance the international comparability of informal sector statistics, they should also disseminate data for the subset of the informal sector, which can be defined uniformly (CSO, 1999). To arrive at this subset, the Delhi Group adopted a set of recommendations. Some of the important recommendations are given below:

- i. All countries should use the criteria of legal organisation (unincorporated enterprises), of type of accounts (no complete set of accounts) and of product destination (at least some market output).
- ii. Specification of the employment size limit of the enterprise in the national definition of the informal sector is left to the country's discretion. For international reporting, however, countries should provide figures separately for enterprises with less than five employees. In the case of multiple-establishment enterprises, the size limit should apply to the largest establishment.
- iii. Countries using the employment size criterion should provide disaggregated figures for enterprises, which are not registered, as well as for enterprises, which are registered.

- iv. Countries using the criterion of non-registration should provide disaggregated figures for enterprises with less than five employees as well as for enterprises with five and more employees.
- v. Countries, which include agricultural activities, should provide figures separately for agricultural and non-agricultural activities.
- vi. Countries should include persons engaged in professional or technical activities if they meet the criteria of the informal sector definition.
- vii. Countries should include paid domestic services unless these are provided by employer.

3.8 Measuring Informal Economy through NSS Surveys

3.8.1 As mentioned earlier, the terms unorganized and informal sectors are often used interchangeably and are interrelated as per definitional framework. The main sources of data relating to unorganized and informal sector are the socio-economic surveys conducted by the National Sample Survey Office (NSSO). These surveys capture the aspects of unorganized economy in two broad dimensions, viz. in the context of enterprises and the nature of employment. The NSS enterprise surveys, in the past, have covered unorganized non-agricultural enterprises, covering manufacturing, services and trade. In the NSS 55th round, the subject of informal sector enterprises was covered where the informal sector comprised proprietary and partnership enterprises. The NSS 67th round is the exclusive enterprise survey covering unincorporated non-agricultural enterprises (manufacturing, trade and other services, excluding construction).

3.8.2 The employment and unemployment surveys conducted by NSS periodically provide comprehensive account of work force of informal nature as well as workforce engaged in informal sector. NSSO conducted an integrated survey of households and enterprises in its 55th round during July 1999 to June 2000. In this survey, besides collection of usual information on employment-unemployment indicators, certain information on workers in the non-agricultural sector was collected, to measure employment in the informal sector. Information on characteristics of the enterprises, fixed assets, employment, expenses and receipts, value added, employment etc. was collected from the enterprises surveyed. In this survey, all unincorporated proprietary and partnership enterprises were defined as informal sector enterprises.

3.8.3 *NSS Surveys on Unorganized Enterprises:* NSS enterprise surveys carried out in the past as part of socio-economic surveys mainly dealt with unorganized enterprises. The term unorganized, however, is less precise in case of service and trade sectors as compared to manufacturing sector where organized sector comprises factories with 10 or more workers using power or with 20 or more workers without using power, which are registered under section 2m(i) and 2m(ii) of Factories Act, 1948. The organised manufacturing industries are otherwise covered under Annual Survey of Industries (ASI). However, in case of services and trade, no such distinction exists. In NSS 55th round, survey on informal non-agricultural enterprises was undertaken. In this survey all unincorporated proprietary and partnership enterprises were defined as informal sector.

3.8.4 NSS 67th round enterprise survey (July 2010 to June 2011) is of specific significance from the point of view of informal sector, as the subject coverage is exclusively of unincorporated non-agricultural enterprises in manufacturing, trade and other services, excluding construction. The main aim of this survey is to estimate the total number of enterprises, number of workers, gross value added per worker, fixed capital per enterprise, gross fixed capital formation (GFCF) per enterprise, outstanding loan per enterprise, capital productivity (GVA/Fixed Capital) and other operational/economic characteristics of enterprises.

3.8.5 For construction, there is hardly any enterprise survey at all – neither for the formal sector nor for the informal sector. In the words of the *National Accounts Statistics – Sources and Methods 2007*: “In the estimation of GVA of construction, indirect approaches are adopted, in the absence of direct data on construction works. As a result, a number of rates and ratios are used. Although, most of these are updated at the time of revision of base year, the year to year changes in these rates are also expected to be significant. Presently, only five basic materials are examined in detail to estimate the value of output of accounted construction.” “The proportions of GVA to value of output for kutchra, (unaccounted) construction works are not based on satisfactory data.” Similarly, in the case of unorganised services, as an NAD note puts it: “All enterprises other than public sector – administrative, local bodies are treated as unorganised.” *There is an urgent need to improve the methods of arriving at estimates of GVA from service and construction sector based on sound methodology and database.*

3.9 NSS Surveys to measure Informal Sector employment and Informal Employment

3.9.1 *Basis of classification of workers in informal sector and informal employment*: In the determination of workers in the informal sector, the basic elements are identification of the household enterprises and the persons working in such enterprises. In NSS surveys, information on the type of enterprise in which the persons are engaged is collected in both usual principal status and subsidiary status. The enterprises are classified in the following categories:

- i. Proprietary
- ii. Partnership
- iii. Government/public sector
- iv. Public/private limited company
- v. Co-operative societies/ trusts/other non- profit institutions
- vi. Employer’s households
- vii. Others

Among these enterprises, proprietary and partnership enterprises are classified as informal sector enterprises. The important concepts used in NSS Employment and Unemployment survey are given in Appendix - 4.

3.9.2 In NSS 61st round and NSS 66th round, besides collection of information on the characteristics of the enterprises, which is essential for identification of informal sector, a set of probing questions were asked to those engaged in economic activities in the principal status and subsidiary status in the capacity of regular wage/salaried employment and casual status. These probing questions were asked to those engaged in non-agricultural sector and a part of the agricultural sector excluding ‘growing of crops’ and ‘growing of crops combined with farming of animals’. Using the information on conditions of employment, jobs were categorised as informal or otherwise. The specific questions on conditions of employment were as follows:

- i. type of job contract (no written job contract, written job contract: for 1 year or less, more than 1 year to 3 years, more than 3 years).
- ii. whether eligible for paid leave,
- iii. availability of social security benefits (PF/pension/ gratuity/health care and maternity benefits).

Conceptual Framework of Informal Employment as endorsed by the Seventeenth International Conference of Labour Statisticians has been placed in Appendix -3. Items of information collected in EUS and ES of NSSO to measure informal sector employment and informal employment, in conformity with the ICLS conceptual framework is summarised in Table 3.1.

3.9.3 The Committee took note of the preponderance of the workforce in the sector with symptoms of informality such as deprived job- security, tenurial security, guard against arbitrary dismissal, safety in work-profile, social security benefits etc. It also noted that NSSO Employment-Unemployment Survey (EUS) and Enterprise Surveys (ES) up till now are able to depict some notable features of the growing Informal sector and Informal employment but not enough for proper policy framing addressing their concerns. *The Committee also recognized that the present questionnaire of NSS EUS is already heavy. However, considering the importance of data on informal employment, it recommends to incorporate in the present EUS schedule a few more probing questions pertaining to informal characteristics of the enterprises and the workforce, as stated earlier and conduct the survey quinquennially. If such augmentation is found to be not feasible, then a full fledged survey on informal sector alone (based on usual activity status approach for principal and subsidiary status) can be conducted on quinquennial basis as the follow up of quinquennial EUS. Similar exercise can be thought of in respect of EC & ES as well.*

Table 3. 1: Sources of data from NSS surveys for the different cells of the Conceptual Framework of Informal Employment				
description of type of worker in the production unit	numbered cell in the conceptual framework of informal employment vide Appendix- 3	source of information through NSS surveys*		comments <i>(for ES with reference to NSS 67th round and for EUS with reference to NSS 66th round)</i>
		EUS*	ES**	
(1)	(2)	(3)	(4)	(5)
contributing family workers in formal sector enterprises	1	√	X	
informal employees in formal sector enterprises	2	√	X	
informal own-account workers in informal sector enterprises	3	√	√	if all the household enterprises are considered informal
informal employers in informal sector enterprises	4	√	√	if all the household enterprises are considered informal
contributing family workers in informal sector enterprises	5	√	√	For ES this also includes the exchange labours working without payment
informal employees in informal sector enterprises	6	√	√	if all the household enterprises are considered informal
formal employees in informal sector enterprises	7	√	√	if all the household enterprises are considered informal
members of producers' co-operatives	8	x	x	in EUS no separate statuses in employment is identified as 'members of producers co-operative' and no separate enterprise type code is also identified
own account worker in household sector (i.e., households producing goods exclusively for their own final use and households employing paid domestic workers)	9	x	x	household sector producing goods exclusively for their own final use is not separately identified
informal employees in household sector	10	√	x	

***: EUS: employment and unemployment survey **ES: Enterprise survey**

3.10 Limitations of the NSS surveys in estimating the magnitude of workers in informal sector and informal employment:

3.10.1 Most countries exclude agricultural and related activities from the scope of statistics on the informal sector, but some include them. The 15th ICLS recognized that, from a conceptual point of view, there was nothing against the inclusion, within the scope of the informal sector, of household unincorporated enterprises engaged in agricultural and related activities, if they meet the criteria of the informal sector definition. For practical data collection reasons, however, the

15th ICLS provided the option to exclude agricultural and related activities from the scope of informal sector surveys and to measure them separately.

3.10.2 In the Indian context, about 52 per cent of workers are engaged in agricultural activities which are outside the coverage of employment-unemployment surveys for measurement of workers in informal sector or informal employment (about 65 per cent of the rural usual status workers and nearly 7 per cent of urban usual status workers are excluded from the coverage). Thus, from the employment and unemployment surveys of NSS, information on informal sector and informal employment cannot be generated for all those engaged in the agricultural sector.

3.10.3 One of the areas of data gap in the study of informal employment is the quality of employment. The issue of quality may need to be seen in terms of working conditions and environment, durability of employment, duration of work, earnings and labour productivity, protection of labour rights, safety of workers and similar other criteria and conditions. NSS survey, within its limitations, captures some of these aspects of employment, and some more items can be improvised in the survey instruments. Some of these characteristics are also overlapping and may need to be defined more specifically.

3.10.4 Durability of employment is an important qualitative characteristic. Its absence renders the employment precarious, reduces productivity and leads to the prevalence of under-employment. This condition is analogous to the insecurity of employment. In the NSS 61st round, information on non-regularity of work and part time work for usually active workers was captured and its prevalence was found to be significant for female workers. *To ascertain the causes of such precarious employment, methodological studies should be undertaken and specific indicators and data needs be identified.*

3.10.5 Regarding the aspects of labour productivity and labour efficiency, data are required for earnings corresponding with the more detailed information on time duration of work. Though, there is preponderance of self employment in overall work profile and more pronouncedly in informal employment, there are inherent constraints in collection of data on earning from self employment. The proposed Periodic Labour Force Survey will be attempting to capture earnings from self employment besides recording the working details in hours in its approach of Current Weekly Status (CWS). In the normal Employment and Unemployment Survey instruments, in case of Current Daily Status (CDS) the hours worked on one day (last working day) out of seven days activity profile may elucidate some useful information on the aspect of days worked.

3.10.6 Though the information on safety provision is also an important dimension of quality of work, there are practical difficulties in capturing this information. The safety is an issue that varies from activity to activity and different occupations may have respective protocol of safety. *Before furthering the exploration and feasibility of such data collection, the variable standards of safety would need to be studied.*

3.11 Annual Surveys of Labour Bureau

3.11.1 Labour Bureau at the behest of the Ministry of Labour & Employment, undertook a survey on employment & unemployment in 2010 primarily to gauge the situation of employment and unemployment in the wake of volatile economic scenario resultant to global recession. Labour Bureau conducted the first Employment-Unemployment Survey for the year 2009-10 during April-August, 2010 covering 300 districts of 28 States/UTs selected from four strata within each State/UT, based on population of 2001 census followed by selecting 16 villages/urban blocks from selected districts.

3.11.2 The second Annual Employment-Unemployment Survey for the year 2010-11 is being conducted in all the States/UTs by covering all the districts. The survey has been launched from July, 2011 and the field work is expected to be completed within 4-5 months from the date of launch. During the present survey, proportionate allocation technique is used based on rural-urban population for deciding the sample size in each district. About 1.25 lakh household schedules are proposed to be covered in all the States/UTs. Each district of a State/UT has been divided into two strata: i) rural stratum comprising all the rural areas of the district and ii) urban stratum comprising all the urban areas of the district. In all 35 States/UTs, a total sample of 12044 FSU's is allocated at All India level keeping in view the resource availability and other logistics. Broadly considering the population proportion, a sample of 7256 FSUs is allocated to rural sector in 35 States/UTs, while rest 4788 FSUs are allocated to urban sector.

3.11.3 The rural and urban sample size in the Labour Bureau survey is almost same as NSS Employment-Unemployment survey. In the approach of usual status, the fixed reference period of last financial year (April - March) is taken, unlike in NSS where the reference period is preceding 365 days. There is some difference in second stage stratification from NSS. The Labour Bureau survey follows the same classification of activities as followed in NSS.

3.11.4 However in Labour Bureau survey, the aspects of informal employment and characteristics of employer to classify the sector of employment as formal or informal is not envisaged. The survey also does not envisage to collect data on earnings from self employment, though provision is made to collect some information on wage rate for regular and casual wage earners. Data collection and supervision work is done by the state DESs, in some States, and in other States it is done by contract personnel. The overall supervision is done by the Labour Bureau officials.

3.11.5 In the context of recent initiative to conduct the Annual EUS by Labour Bureau, primarily to gauge the impact of economic volatility on the labour market, the Committee felt the need of such assessment for informal employment as well, since these workers are expected to be more vulnerable. *The Committee therefore recommends exploring the possibilities of capturing the salient aspects of informal employment in the Annual EUS conducted by Labour Bureau, on the lines of NSSO EUS.*

3.12 Periodic Labour Force Survey (PLFS) of NSSO

3.12.1 As already discussed, the employment and unemployment surveys undertaken by the National Sample Survey Office (NSSO) are the prime source of statistics on labour market in India. These surveys provide basic labour force indicators in cross classification of age, sex, education, industry, occupation, etc. in an interval of one year or more. Considering the need for data to measure the dynamic behavior of labour market at short intervals, the National Statistical Commission (NSC) recommended collection of labour force data more frequently. On the recommendation of the National Statistical Commission (NSC), the Ministry of Statistics and Programme Implementation (MoS&PI) constituted a Committee on 'Periodic Labour Force Survey (PLFS)', during February, 2009, to develop survey methodology for generating monthly/quarterly labour market data at the national and state levels in urban areas. The Committee on PLFS recommended for generation of quarterly labour force indicators on Worker Population Ratio (WPR), Labour Force Participation Rate (LFPR) and Unemployment Rate (UR) by adopting Current Weekly Status (CWS) approach followed by NSSO in the usual employment and unemployment surveys. The Committee also recommended collection of data on earnings from employment for broad categories of workers viz. casual labour, regular salaried/wage employees and self employed. With the objective to provide estimate of both level parameter and change parameter with quarterly periodicity, the Committee recommended for rotational panel survey. The sampling design specified by the Committee is stratified multi-stage design with 3128 Urban Frame Survey (UFS) blocks as first stage units (FSU) and 12 households per block as the ultimate stage units (USU).

3.12.2 The Committee on 'Periodic Labour Force Survey (PLFS)' felt the necessity of conducting a pilot survey before launching regular PLFS. Accordingly, a committee was set up by NSSO to address the issues to conduct pilot survey for generating quarterly indicators of labour force. The Committee viewed that the pilot survey will be conducted in the urban sector of three States viz., Gujarat, Himachal Pradesh and Orissa. The finalized survey instruments and sample design for pilot PLFS were endorsed by the NSC in its 40th meeting. The pilot survey on PLFS has been started from July 2011 and will be conducted for a period of one year with a sample size of 288 FSUs in each of the four quarters.

3.12.3 Three schedules viz. (i) Schedule 0.0PL (List of households), (ii) Schedule 10.1(First Visit) and (iii) Schedule 10.1(Revisit) are being canvassed.

3.12.4 The rotational panel survey has been adopted in PLFS. In this design, 25 per cent of the FSUs of each quarter are being replaced by a new set of FSUs. The selected households in an FSU will be surveyed for the successive periods during which the FSU remains in the sample.

3.12.5 Items of information collected through PLFS Pilot:

- (i) household characteristics: household size, household type, religion and social group.

- (ii) demographic particulars of the household members: sex, age, marital status, education level, number of years in formal education.
- (iii) current weekly activities of the household members of age 15 years and above: (a) whether worked for at least 1 hour on any day of the reference week, (b) Whether sought/available for work for at least 1 hour on any day during the week, (c) 'hours worked' by the workers on each day of the week; (b) weekly activity status, industry, occupation for two major work activities of the week; (d) earning from employment, (e) type of enterprise for the regular wage/salaried employees, etc.

3.12.6 The survey findings of PLFS will be released in the form of summary of results of various indicators and their changes for every quarter. The indicators are labour force participation rate (LFPR), worker population ratio (WPR), unemployment rate (UR), wages, industrial and occupational distribution of workers for states and all-India. The estimates will be released for persons of age 15 years and above for the classificatory variables sex (male/female/person), age (15-29 years, 15-59 years, 15 years and above), educational level (not literates, literate but below secondary, secondary and above), social group (*ST, SC, OBC, Others*).

3.12.7 It may be seen that the data relating to informal employee and the employment in informal sector through the Labour Force Surveys of NSSO, is based on the approach of *usual status*. Such indicators are generated on the basis of usual employment characteristics pertaining to the aspect of security (social and job) corresponding to the activity status. In addition to this, the characteristics of the enterprise corresponding to activity status facilitate the measurement of informal employment and employment in informal sector. In the *current status* approach, a person is likely to have multiple activities with corresponding industry and occupation classification. Since the measurement of informalisation corresponds to activity status, there are practical constraints in capturing the information.

3.12.8 As against the usual employment and unemployment surveys of NSSO, the PLFS can not provide estimates for (a) *underemployment*: information like 'whether sought/available for additional work' or 'whether sought/available for alternative work' is not collected through PLFS and (b) informal sector employment/informal employment: information on (i) number of workers in the enterprise in which a person is employed, (ii) type of enterprise for all workers, (iii) conditions of employment like 'type of job contract', 'eligibility of paid leave/social security benefit' etc. is not collected through PLFS Pilot.

3.13 Time Use Survey (TUS)

3.13.1 The coverage of the conventional Labour- Force surveys as conducted by NSSO does not include some SNA activities predominantly done by females and children, mostly in rural areas. These activities include domestic work e.g. cooking for household members, looking after the children etc. Multiple activities pursued by the persons, whether simultaneously or not, cannot be accounted for, when the number of activities exceed two. Time Use Survey is conceived to take account of all these aspects of the labour market with special emphasis on women participation, in particular. In fact, it can supplement and complement the conventional Labour- Force surveys

by way of collecting data on how people spend their time in an entire 24 hour period. But it is a very difficult survey to undertake, as it requires collection of data for each person of the selected households for his/her activities during 24- hour period. In India, a pilot of TUS was conducted by CSO in 6 selected States, namely, Haryana, Madhya Pradesh, Gujarat, Orissa, Tamil Nadu and Meghalaya during July, 1998 to June, 1999 to assess the difficulty in conducting the survey. Although interesting results came out of this pilot, as far as the women's participation in SNA and extended SNA activities are concerned, the survey appears to be highly resource- intensive both in number of skilled investigators, time and money. If the constraints in the resources are overcome, the survey can be conducted with a reasonable periodicity, say every 10 years.

3.13.2 Another issue relating to TUS is the classification of activities and its convergence with the classification used in labour force surveys. *To ensure comparability, TUS should be conducted by bringing about harmonized classification of activities.*

3.14 MSME

3.14.1 The Ministry of Micro , Small and Medium Enterprises (MSME), Govt. of India, entrusted to develop the enterprises operating on small scale, in terms of output, has been collecting data on the SSI sectors right from 1973-74 only through census of SSI units, the concepts and definition of which have undergone several changes, making the comparability among the data-sets of different censuses impossible. Till now, four All India censuses have been conducted. However, only during 3rd and 4th census of small sector enterprises covered under MSME, some information on unregistered enterprises (i.e. the enterprises not registered with District Industries Centres) were collected. Some of these unregistered units may fall under the category of unorganized enterprises if judged by the available definitions followed in practice. However, it is to be seen how far the concepts conform to the Ideal system and what measures are to be taken to rectify the position for capturing meaningful data on unorganized enterprises of this sector from the MSME census data in their present status. *The Committee noted that MSME is taking initiative to evolve production index based on MSME Census data. It is recommended that an exercise of statistical auditing of production index may also be undertaken. For enhancing the utility of MSME census and its comparability with other surveys on unorganized sector, the schedule of enquiry should incorporate information on type of enterprise, and the employment size. The unit level data of MSME census should also be disseminated, maintaining the confidentiality.*

3.14.2 *Considering the important role of micro, small and medium enterprises in the national economy, the Committee recommends that systematic studies may be undertaken on their role in terms of output, employment, export. In addition, studies may be sponsored on value added and technology absorption.*

3.15 Economic Census

3.15.1 Economic census is intended to enumerate all enterprises: agricultural and non-agricultural; organized (formal) and unorganized (informal); household and non-household; with fixed premises and also without fixed premises. However, Economic censuses carried out in India five times so far were limited to cover only the non agricultural enterprises and agricultural enterprises not engaged in crop production and plantations. The major deficiency of the past Economic Census was that it could not cover all enterprises without fixed premises and the enterprises carried out in residential premises due to field difficulties. . As a result, ECs suffered from the undercount of enterprises, especially own account enterprises and its use as the sampling frame for the follow-up surveys was constrained.

3.15.2 In the Sixth EC, which is likely to be launched in 2012 with an army of about 8 lakh enumerators, special care is being taken to capture OAEs, including those invisible from outside and without fixed premises, to guard against possible undercount of OAEs from EC. Enumerators are likely to be better- qualified, better -trained and better- supervised in Sixth EC. But it, too, will not cover the agricultural enterprises engaged in crop production and plantation in its ambit.

3.15.3 As EC, in essence, covers all enterprises(except those engaged in crop production & plantation), it will certainly prove to be proper comprehensive frame for any future enterprise survey – organized or unorganized, formal or informal – without any distinction for manufacturing and non-manufacturing, trade and other service sectors. In fact, Business Registers can be developed from a well organized EC to form a well-groomed frame for organized manufacturing (i.e. ASI in current practice) and also for organized (i.e. incorporated) non-manufacturing integrated enterprise surveys, every year and unorganized non-agricultural integrated surveys (in the model of NSS 67th round) every 2nd & 4th year after the completion of EC.

3.15.4 *In order that EC can live up to the expectation of serving as an effective and reliable sampling frame for all kinds of enterprise surveys in future, it must have an embedded quality-assuring mechanism consisting in incorporating lessons from pre-, on & post- census data-analysis. It must also have a regular updating mechanism for inter-census period as well. This necessitates to have regular staff both at central and state levels, who can undertake two very important exercises like monitoring and supervising. Updation of frame, whether at central or state level is necessarily to be done with administrative records that emerge out of various administrative measures and exercises undertaken on the relevant areas. It is, therefore, imperative for the central or state updation machinery to have an access to these records for carrying out constant updation of list. One such but very important exercise that may be taken up is to get the help of the forthcoming ‘Goods and Services Act’ which inter alia, perhaps entails assignment of unique identification number or code to all enterprises producing goods and services.*

3.16 Comprehensive Scheme for Study of Cost of Cultivation (CCS):

3.16.1 Huge chunk of unorganised enterprises and also of informal employment are in the agricultural sector. India being a predominantly agro-based economy, it is felt necessary to have detailed database on various dimensions of this sector in terms of number of unorganised enterprises and informal employment. The 15th ICLS recognised the peculiarity of this sector in terms of measurement and therefore suggested to consider measurement strategies for it separately from non-agricultural sector to start with. Rangarajan Commission (2001) also emphasised on collection of data on this sector and recommended to go for Comprehensive Scheme for Study of Cost of Cultivation (CCS) on regular basis. The Committee appraised the status of the Scheme with the objective of improving the database on the agriculture sector.

3.16.2 The Comprehensive Scheme for Study of Cost of Cultivation (CCS) is the regular survey programme providing detailed data on farm management, particularly on cost of cultivation and cost of production. This scheme was initiated in 1971 and is administered by the Directorate of Economics and Statistics, Ministry of Agriculture. Objective of the Comprehensive Scheme is primarily to generate estimates of cost of cultivation (i.e., cost/hectare) and cost of production (i.e. cost/tonne) of different crops for the use of Commission for Agricultural Costs and Prices (CACP) to fix Minimum Support Prices of important crops covered. The Survey operations under the scheme cover 19 states and are implemented mainly through Agricultural / general universities. The sampling methodology is three stage stratified random sampling and each state is divided into homogeneous agro climatic zones. Primary sampling unit is sub District (Tehsil) allocated to different zones, Second stage unit is village / cluster of villages and final stage units are Operational Holdings selected at random from each land size class. The sample size of the scheme is 840 Tehsils (sub district) covering 8400 Operational Holdings (final sampled units) out of about 120 million Operational Holdings. These operational holdings are further stratified in five size classes to provide representation to marginal, small and large holdings.

Crop Coverage	Total Crops Covered for 2008-2011: 28
Crop Group/ No. of crops	
Cereals (7)	Paddy, Jowar, Bajra, Maize, Wheat, Ragi and Barley
Pulses (6)	Bengal Gram, Arhar (Red Gram), Moong (Green Gram), Urad (Black Gram), Peas and Masur (Lentil)
Oilseeds (7)	Groundnut, Rapeseed and Mustard, Soyabean, Sunflower, Safflower, Sesamum and Nigerseed
Fibers (2)	Cotton and Jute
Sugar (cane) (1)	Sugarcane
Fruits and Vegetables (3)	Onion, and Potato
Miscellaneous (2)	Coconut , VFC Tobacco, Black Pepper

3.16.3 The CCS follows the cost accounting method and adopts the crop complex approach. Under this approach, data on inputs and outputs in physical and monetary terms are collected in respect of all the crops cultivated in the sampled operational holding. Presently, there are 28

crops for which estimates of cost of cultivation and production are generated. The survey provides daily entries of debt/credit for expenditure/income mode to assess total cost/benefit. For processing of data, Farm Analysis Package (FARMAP) developed by FAO in 1992 is used.

3.16.4 The Committee appraised itself of the constraints in monitoring the scheme and data validation due to acute shortage of staff. As such, validated unit level data are not disseminated. The data users, on request, are provided with the un-validated unit level data only. However, validation done by the users is not consistent with the unit level data maintained by the Ministry of Agriculture. The Committee also noted the inadequacy of the present sample size to provide the reliable estimates on operational and economic characteristics of farm enterprises, although the data are being used by NAD, CSO for disaggregating factor income. It may be mentioned here that the sample size of the just concluded NSS 67th round survey of unincorporated non-agricultural enterprises (excluding construction) was about 3 lakhs out of about 5 crores of such enterprises in the frame.

3.16.5 The Committee recommends that the operation of the cost of cultivation studies (CCS) should be strengthened and vitalized inducting inbuilt mechanism of data validation, consolidation and dissemination. The central unit managing the cost of cultivation studies in the Ministry of Agriculture needs to be suitably strengthened and the dissemination of validated unit level data should be put in place.

Chapter 4

Economic Contribution of Unorganised Sector

4.1 The informal sector contributes to the economy and caters to the wide ranging requirements of formal sector. The non-farm informal enterprises are predominantly own account enterprise and enterprises operated in self employed mode, more particularly in urban areas. This chapter reviews the existing databases on unorganized sector enterprises for assessing its contribution in the labour market and in the economy in terms of its share in GVA.

4.2 In the informal sector persons often undertake multiple jobs, pursuing of multiple jobs by a person may be taken as a sign of insecurity in jobs. A single job or even two may generate income barely enough for subsistence. It therefore necessitates knowing the size of the class of persons who are forced to take up multiple jobs just for a living to address the issue of how to mitigate these conditions of job- insecurity. In India, National Accounts Division (NAD) of CSO tries to get an idea of multiple jobs, both for formal and informal employment from EUS of NSSO. It may be mentioned here that NSSO (EUS) can give an estimate of number of jobs from the workforce engaged in Usual Principal Status(PS) and in Usual Subsidiary Status(SS) combined but it cannot give the estimate of jobs for the workforce engaged in more than one SS job, as EUS schedule has not been provisioned for capturing this particular aspect so far; nevertheless this is the only source from which at least some reasonable estimate of number of jobs can be had, presuming that the size of workforce performing more than one SS job is not large enough to bother about.

4.3 Workforce and Number of Jobs⁵ in Unorganized Sector

4.3.1 The labour contribution in the economic activities is generally seen from two main dimensions: (i) population share in workers, their nature and type of participation, and (ii) number of jobs/positions in the enterprises. The estimates of workforce and jobs in unorganised sector may be worked out from workforce participation rates (WPRs) of NSSO Employment Unemployment Surveys (EUS) and population estimates from the Population Census, separately for rural and urban areas and also by gender. The total workforce so estimated through this procedure refers to the number of jobs performed and is taken as the controlling total. The workforce in each industry group estimated from the EUS is then cross-validated with the workforce data available from the decennial population census, to check for inconsistencies. Suitable adjustments in workforce estimates are made from the population census for some of the industry groups, for which the sample survey estimates are not considered reliable, without changing the total estimated level of workforce from the EUS.

⁵ All the estimates are quoted from Ramesh Kolli and Anindita Sinharay's paper

4.3.2 Once the industry-group wise total workforce is estimated by using workforce participation rates (WPRs) from EUS, the workforce is divided between organized (comprising public sector and private organized sector) and unorganized sectors. The total labour input and the share of organised sector is presented in Tables 4.1 and 4.2 below. The data on total estimated workforce in public sector and private organized sector is available annually from the administrative sources⁶, which was used in the Indian NAS till the 1999-2000 base year series. However, in the NAS series with 2004-05 base year, data on employment in organized sector⁷ too (along with the total employment) has been taken from the EUS of NSSO, which provides employment by type of units (enterprise type code in the questionnaire), in which they are employed. The residual is the labour input in unorganized sector.

**Table 4. 1: Estimated Workforce and Number of Jobs from the 61st Round of EUS
Adjusted for Census Projected Population for the Year 2004-05**

(in millions)

Item	61st round –EUS (2004-05)					Final estimates after upward correction as per RGI-population
	rural male	rural female	urban male	urban female	total	
Usual status worker as per NSS definition ⁸	202	116	71	20	408	456
Labour Input (jobs)	263	142	75	21	500	556
Jobs, <i>minus</i> , workers	62	25	4	1	92	100 [22%*]
						*: $(jobs - workers) \times 100 / worker$

Table 4.2: Share of Labour Input in unorganized Sector (%)

Tabulation category/Description	2004-05
	Share of Unorganised Sector
A: Agriculture and forestry	99.9
B: Fishing	98.7
C: Mining	64.4
D: Manufacturing	87.7
E: Electricity, Gas, Watersupply	12.4
F: Construction	92.4
G: Wholesale and Retail Trade,	98.3
H: Hotel & Restaurants	96.7
I: Transport, Storage & Communication	82.2

⁶ Directorate General of Employment and Training, Ministry of Labour.

⁷ For the purpose of employment, organized sector definition includes the units in government/public sector, private corporate sector and cooperatives

⁸ Usual status (ps+ss) workers as per NSS are those who perform some work activity either in the principal status or in the subsidiary status. In this case, the persons who perform work in both principal status as well as in the subsidiary status are counted only once, whereas such persons have been counted twice according to labour input method.

Table 4.2: Share of Labour Input in unorganized Sector (%)	
Tabulation category/Description	2004-05
	Share of Unorganised Sector
J: Financial Intermediation	32.4
K: Real estate, renting and business activities	81.4
L: Public Administration and Defence, etc.	2.6
M: Education	37.9
N: Health and social work	55.1
O: Other Community, Social and Personal Services	92.5
P: Private Households With Employed Persons	100
Q: Extra Territorial Organizations And Bodies	87.8
Grand Total	93

4.3.3 The estimates of workforce and number of jobs both are required by National Accounts Division (NAD) of CSO for compilation of National Accounts Statistics (NAS) of India. Census-adjusted workforce estimates are first arrived at by NAD using workforce participation rates (WPRs) from (PS+SS) workforce data of the NSSO (EUS) and population estimates from RGI's office, separately for rural and urban areas and also by gender. However total job count is first arrived at by adding the head-count of the PS workforce (i.e. consisting of those engaged in PS work alone and also those, in PS and SS work together) and that of the SS workforce, not engaged in PS work at all in the usual activity status of NSSO (EUS). The total workforce in the country estimated through this procedure refers to the number of jobs performed and is taken as the controlling total. The workforce in each industry group estimated from the EUS is then cross-validated with the workforce data available from the decennial population census, to check for inconsistencies. Suitable adjustments in workforce estimates are made from the population census for some of the industry groups, for which the sample survey estimates are not considered reliable, without changing the total estimated level of workforce from the EUS. Once the total workforce is estimated by industry-group using workforce participation rates (WPRs) from EUS, the workforce is divided between organized (comprising public sector and private organized sector) and unorganized sectors. The industry-wise estimates of total labour input and the share of organised sector are then worked out. The data on total estimated workforce in public sector and private organized sector are available annually from the administrative source⁹, which was used in the Indian NAS till the 1999-2000 base year series. However, in the NAS series with 2004-05 base year, data on employment in organized sector¹⁰ too (along with the total employment) have been taken from the EUS of NSSO, which provides employment by type of units (enterprise type

⁹ From Directorate General of Employment and Training of Ministry of Labour.

¹⁰ For the purpose of employment, organized sector definition includes the units in government/public sector, private corporate sector and cooperatives

code in the questionnaire), in which they are employed. Kolli and Sinharay¹¹ have shown that the total input (i.e. jobs) for 2004-05 was estimated to be 5562 lakhs of which Agriculture had the maximum contribution of 3370 lakhs, followed by Manufacturing (603 lakhs). It is worth mentioning here that unorganised agricultural jobs had the 99.9 percent share of the total agricultural jobs and unorganised manufacturing, 87.7 per cent of the total manufacturing jobs respectively. That means agriculture and manufacturing together had about 98.2 percent jobs in the unorganised sector.

4.3.4 Kolli and Sinharay in their study have shown some more interesting results based on their own assumptions taken to segregate the informal sector from the formal one. In Table 4.3, estimates of formal and informal employment in terms of jobs by broad institutional sectors in India in the form of a labour input (LI) matrix for the years 2004-05 and 1999-2000 have been presented. It may be mentioned here that the 1999-2000 data do not include multiple jobs performed. Instead, they include subsidiary activities only of the persons who do not have any principal activity. Hence the estimates for 1999-2000 are not really those of labour input and, therefore, are not comparable with LI of 2004-05, but ratios and percentages provided in the table are expected to be comparable between the two years 1999-2000 and 2004-05.

Table 4.3: Depiction of the Labour Input Matrix for Formal and Informal Jobs at Institutional Unit level for 2004-05 and 1999-2000

Year	Institution/Sector		Number of Jobs (in '00000)			% to total Jobs			% to total Jobs within institution		
			Forml jobs	Infl. jobs	Total	Forml jobs	Infl. jobs	Total	Forml jobs	Infl. jobs	Total
2004-05	I. Formal Sector	1.1 Public Sector	166	84	250	3.0	1.5	4.5	66.4	33.6	100.0
		1.2 Pvt. Corp. Sector	51	86	137	0.9	1.5	2.5	37.4	62.6	100.0
		1.3 Hh Sector excl. Infl. Sector	25	440	465	0.5	7.9	8.4	5.4	94.6	100.0
	2. Informal Sector	7	4,707	4,713	0.1	84.6	84.7	0.1	99.9	100.0	
	Total	249	5,316	5,565	4.5	95.5	100.0	4.5	95.5	100.0	
1999-2000	I. Formal Sector	1.1 Public Sector	146	61	208	3.7	1.5	5.2	70.5	29.5	100.0
		1.2 Pvt. Corp. Sector	34	78	112	0.9	1.9	2.8	30.6	69.4	100.0
		1.3 Hh Sector excl. Infl. Sector	13	193	206	0.3	4.8	5.2	6.5	93.5	100.0
	2. Informal Sector	5	3466	3471	0.1	86.7	86.8	0.1	99.9	100.0	
	Total	199	3798	3997	5.0	95.0	100.0	5.0	95.0	100.0	

Source: Kolli- Sinharay Paper

- i) **Formal sector:** All enterprises in the public sector, private corporate sector, and household enterprises having greater than 5 workers have been treated as formal sector.
- ii) **Informal Sector:** All household enterprises having less than equal to five workers are treated as informal sector. The informal sector is taken to be a subset of household sector, in accordance with the concepts of 15th ICLS and

¹¹ vide Ramesh Kolli and Anindita Sinharay's paper entitled 'Share of Informal sector and Informal Employment in GDP and Employment'. The Committee acknowledges the contribution of the paper with gratitude in writing this chapter.

1993/2008 SNA. The size of informal sector has been determined on the basis of Delhi group recommendations on international comparability of informal sector statistics.

4.3.5 The labour input matrix presented above is at the overall economy level. It may be mentioned that both the formal and informal employment can exist in both the formal and informal sectors. This matrix provides the estimates of formal and informal employment in various cells of the matrix. Overall, informal employment accounts for 95.5 per cent of total employment in 2004-05, with 1.5 per cent each in public and private corporate sectors, 7.9 per cent in household excluding informal sector and the balance 84.6 per cent in the informal sector. In the public sector, of the total 25 million jobs in 2004-05, as many as 84 lakh jobs were informal jobs, accounting for 33.6 per cent of total jobs in the public sector. This is showing that almost one-third of jobs performed in public sector are of informal nature. These jobs could be contracted jobs or outsourced jobs, where a person reports to the investigators as being employed in public sector, though may not have a regular job in public sector or written contracts for performing such jobs. Such informal jobs in public sector are found to rise from 29.5 per cent in 1999-2000 to 33.6 per cent in 2004-05, indicating an increase of informalisation of jobs in public sector through outsourcing or contracting by about 4 per cent, over this 5-year period. It also appears that most of the additional jobs between 1999-2000 and 2004-05 in public sector (42 lakh) appear to have gone to informal employment (23 lakh).

4.3.6 The presence of informal employment is more glaring in the case of private corporate sector, accounting for as much as 62.6 per cent of total jobs in this sector. The corresponding figure in 1999-2000 was 69.4 per cent. This is contrary to the informal employment position in public sector, as there is significant fall in informal employment share in private corporate sector in this 5-year period. Of the 25 lakh jobs created between 1999-2000 and 2004-05 in private corporate sector, a majority of these jobs went to formal employment (17 lakh) as compared to informal employment (8 lakh). There is a presence of small formal employment in the informal sector enterprises to the extent of 25 lakh formal jobs or 5.4 per cent in 2004-05 (it was 6.5% in 1999-2000).

4.3.7 Most of the informal employment is, however, in informal sector accounting for 99.9 per cent of total jobs in informal sector. There is a marginal presence of formal employment in informal sector of about 5 lakhs accounting for just 0.1 per cent of its total employment.

4.3.8 The original study by Ramesh Kolli and Anindita Sinharay (2011), which is the source of the above estimates, contains detailed labour input matrices at industry level, has also provided disaggregated data by institutional sectors along with percentage shares for the years 2004-05 and 1999-2000. Those data depict at length in which industries and institutional sectors in the country formal and informal employment co-exist and with what extent.

4.4 Estimation of GVA of unorganized sector

4.4.1 As per statistics available in India so far, it has been seen that GDP from unorganized sector is almost half of the total GDP. However, the very nature of this sector mostly characterized by the huge proliferation of tiny production units not or hardly maintaining any accounts and remaining invisible or non-observable in most of the times, does not allow direct measurement. In the Indian NAS therefore, the estimates of GDP and also of GVA for unorganized sector¹² by activity are compiled through indirect methods, using the benchmark-indicator procedure. In this procedure, the benchmark GVA estimates are initially prepared at detailed economic activity level for the base year of national accounts series using the estimated workforce engaged in the particular activity and the value added per worker (VAPW) in the same activity¹³. While preparing benchmark estimates, alternative data sources such as those available on consumption are also examined (for example in the case of health and education services), in addition to the data on employment from India's employment and unemployment surveys and population censuses. For subsequent years, the base year GVA estimates are extrapolated with appropriate proxy indicators relevant to the economic activity.

(i) *Benchmark estimates*

Estimates of total workforce by economic activity

To arrive at the benchmark estimates for the total workforce and the GVA, labour input method is resorted to, as it takes care of the possible under-reporting by the informal sector units while trying to evade taxes or administrative regulations. One of the key components of labour input method is to estimate the total number of jobs performed, activity-wise. In India, (i) large-scale household sample surveys on Employment and Unemployment (EUS) conducted by the National Sample Survey Office (NSSO) and (ii) the decennial population censuses provide workforce estimates, by industry groups, as per National Industrial Classification (NIC), which is similar to the International Standard Industrial Classification (ISIC). Of these two, the EUS is the preferred source in the NAS compilation.

However, as already discussed, workforce estimates for use in national accounts compilation are required for the estimation of the number of jobs performed, rather than the headcount, as the value added per worker estimate comes from the enterprise surveys, which include multiple jobs performed by individuals. The data on total number of jobs performed in each economic activity are not directly available. The available data on employment from the NSSO is through household enquiry method, which gives data on number of workers. The difference between the number of workers and the number of jobs is the multiple jobs performed by employed persons, data on which are, however, available from the NSSO reports, and are thus used to estimate the total number of jobs. The estimated workforce and labour input for 2004-05 are 408 million and

¹² Excepting for agriculture and allied and mining activities, where direct data on production and prices are available both in respect of organized and unorganized segments.

¹³ This procedure essentially follows the labour input method.

500 million respectively. When census-adjusted, these turned out to be 456 million and 556 million respectively.

(ii) Benchmark estimates of value added per worker (VAPW) by economic activity

The benchmark estimates of VAPW for the unorganized manufacturing and services sectors are derived by NAD of CSO from the detailed data available from the enterprise surveys conducted by the NSSO, from time to time on different industries in the unorganized sector of the economy. These enterprise surveys typically cover all units other than those covered in the public sector, except the manufacturing industry. Kolly- Sinharay in their study has detailed the procedure and hence it is not repeated here.

(iii) Annual estimates of value added of unorganised segments: The above stated procedure provides estimates of GVA for the unorganized sector by activity and forms benchmark estimates. For the years when the relevant data are not available from NSSO, these benchmark estimates are extrapolated with suitable indicators to get the yearly estimates. Following this procedure, estimated share of unorganized sector in GVA at current prices turned out to be 56.4% in 2004-05 and 54.4% in 2008-09 respectively.

4.4.2 Translation of employment and jobs estimates into GVA shares by sectors

From Table 4.4 below, it is seen that the contribution of informal sector to the GDP in 2004-05 is about 48 per cent, as against the Indian NAS 'unorganised' sector GVA contribution of 56.4 per cent ; the government and corporations account for the balance 43.6 per cent of GVA. These numbers are much smaller than the informal sector shares in employment, evidently due to their lower GVA per employee and being employment-intensive.

4.4.3 Table 4.4 also presents and contrasts, the contribution of informal employment to GDP against the share of informal jobs shown earlier. The share of informal jobs in total GDP which is 53.9 per cent (against of 95.5 per cent share of total jobs) in 2004-05 has depicted a 1 % rise when compared with that for 1999-2000. On the other hand, formal jobs contributed as much as 46.1 per cent to the GDP as against their employment share of just 4.5 per cent for 2004-05.

4.4.4 Kolly- Sinharay showed in their study that, about 48 per cent of the total GVA of 2004-05 came from the informal sector at the overall economy level, and 8.4 per cent in household sector excluding informal sector in 2004-05. Within this 48 per cent, 17.7 per cent is from agriculture and the balance in non-agricultural activities, mainly in manufacturing (3.6%), construction (2.7%), trade and hotels (11.2%) and all others (7.6%). The informal sector in agriculture employs 60.4 per cent, though its GVA share is just 17.7 per cent. The non-agriculture informal sector, which has a share of 24.2 per cent in total jobs, contributed 30.3 per cent of total GVA of the economy. The household sector (excluding informal sector) has more or less the same shares in jobs and GVA. On the other hand, public sector, which has a share of 4.5% of total jobs in the economy, contributed 23 per cent to the total GVA, mostly in activities of manufacturing (2.2% share in GVA against 0.2% share in jobs), and others (19% share in GVA against 3.9% share in

jobs). The private corporate sector, which had a share of 2.5 per cent in jobs, contributed 20.6 per cent to total GVA, mostly in manufacturing (7.6% share in GVA against 1.2% share in jobs), trade and hotels (3.4% share in GVA against 0.15% share in jobs) and others (7.1% share in GVA against 1% share in jobs).

4.4.5 As regards the informal jobs, these have a share of 53.9 per cent in total GVA (against 95.5 per cent of total jobs) in 2004-05, and this share comes mainly from agriculture (17.8% against jobs share of 60.9%), manufacturing (5.8% against jobs share of 10.1%), construction (5.3% against jobs share of 5.7%), trade and hotels (12.5% against jobs share of 9.5%) and all other activities (12.6% against the jobs share of 9.3%).

4.4.6 Of the contribution in overall GVA of informal jobs in non-agricultural activities (36.2%), the respective sectoral shares are 25 per cent in informal sector, 6.6 per cent in households (excluding informal) sector, 1.3 per cent in corporate sector and 3.2 per cent in public sector. The formal jobs in public sector (3%) contributed 19.8 per cent to the GVA and in private corporate sector (0.9%) contributed 19.3 per cent of GVA.

Table 4.4: Estimates of GVA for 2004-05 and 1999-2000

Year	Institution/Sector		GVA at current price (in Rs.10bn.)			% to total GDP			% to total GVA with in institution		
			Forml jobs	Infl. jobs	Total	Forml jobs	Infl. jobs	Total	Forml jobs	Infl. jobs	Total
2004-05	1. Formal Sector	1.1 Public Sector	587	94	682	19.8	3.2	23.0	86.2	13.8	100.0
		1.2 Private Corporate Sector	572	39	611	19.3	1.3	20.6	93.6	6.4	100.0
		1.3 Household Sector excluding Informal Sector	51	200	250	1.7	6.7	8.4	20.2	79.8	100.0
		total formal sector	1,210	333	1,543	40.8	11.2	52.0	78.4	21.6	100.0
	2. Informal Sector	156	1,268	1,424	5.3	42.7	48.0	11.0	89.0	100.0	
	Total	1,367	1,601	2,968	46.1	53.9	100.0	46.1	53.9	100.0	
1999-2000	1. Formal Sector	1.1 Public Sector	435	15	450	24.3	0.9	25.2	96.6	3.4	100.0
		1.2 Private Corporate Sector	296	24	320	16.6	1.4	17.9	92.4	7.6	100.0
		1.3 Household Sector excluding Informal Sector	23	64	87	1.3	3.6	4.9	26.0	74.0	100.0
		total formal sector	753	104	858	42.2	5.8	48.0	87.9	12.1	100.0
	2. Informal Sector	95	834	929	5.3	46.7	52.0	10.2	89.8	100.0	
	Total	848	938	1,787	47.5	52.5	100.0	47.5	52.5	100.0	

Note: 2004-05 data relates to new series, base year 2004-05 and 1999-2000 data from the old series, base year 1999-2000

Source: Kolli- Sinharay Paper

4.4.7 The National Commission for Enterprises in the Unorganised Sector (NCEUS), constituted by the Government of India, also compiled estimates of value added for the informal sector and informal employment for the years 1999-2000 and 2004-2005, using the available information on labour input and value added per worker from the above mentioned survey results, but using a slightly different set of definitions.

4.4.8 In its “Definitional and Statistical Issues Relating to the Informal Economy”, the NCEUS defined the informal sector as consisting of 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 total workers.

4.4.9 Estimates of gross value added by economic activities, as presented in the report of the Commission, are presented in Table 4.5 below:

Table 4.5: Estimated Gross Value Added by Economic Activities: 1999-2000 and 2004-2005

(Rs. ten million)

Economic activities	55 th Round (1999-2000)			61 st Round (2004-05)		
	GVA		share of Informal Sector	GVA*		share of Informal Sector
	Informal Sector	Total		Informal Sector	Total	
Agriculture	431131	446515	96.55	506990	536629	94.48
Mining	12478	41594	30.00	15204	84464	18.00
Manufacturing	77579	268927	28.85	123859	461531	26.84
Electricity, Gas & Water	1781	44526	4.00	1818	60607	3.00
Construction	45559	102007	44.66	86024	185669	46.33
Trade	179349	231878	77.35	318753	424552	75.08
Hotels & Restaurants	12511	22265	56.19	20211	39781	50.80
Transport & Storage	76381	133373	57.27	111220	250214	44.45
Banking, Finance & Insurance	7852	105662	7.43	15588	167831	9.29
Real est. & Business Services	98778	127887	77.24	155620	245298	63.44
Public Administration & Def	4467	122384	3.65	710	177496	0.40
Education	9608	69563	13.81	13145	106580	12.33
Health & Social Work	6026	27640	21.80	12323	53137	23.19
Comm.,social&pers. servs.	23527	38545	61.04	38860	55961	69.44
Pvt. Hhs & extra-terr. Orgns.	3014	3762	80.11	5894	6185	95.29
Total	990041	1786528	55.42	1426218	2855934	49.94

* old series (1999-2000 base year) estimates

Source: Kolli- Sinharay Paper

Table 4.6: Estimated Number of Informal/Formal Sector Workers in 1999-2000 and 2004-05

(in million)

category of workers	2004-05					
	Informal Sector		Formal Sector		Total	
Informal Workers	391.73	(99.6)	28.91	(46.2)	420.67	(92.3)
Formal Worker	1.42	(0.4)	33.65	(53.8)	35.03	(7.7)
Total	393.15	(100.0)	62.56	(100.0)	455.7	(100.0)
	1999-2000					
Informal Workers	339.71	(99.5)	23.04	(42.0)	362.76	(91.5)
Formal Worker	1.79	(0.5)	31.85	(58.00)	33.64	(8.5)
Total	341.50	(100.0)	54.89	(100.0)	396.4	(100.0)

4.4.10 Earlier, the NCEUS had presented in one of their reports the distribution of workers as between formal and informal sectors. As per that data presented in Table 4.6, of the total workforce, informal sector accounted for 85%, but informal workers without any social or job security accounted for 92%. This contrasts with the labour input matrix constructed in the Kolli – Sinharay study which has placed the corresponding proportions at 84.7% and 95.5%, respectively. It is understandable that the informal sector share is somewhat higher in the NCEUS study as Kolli- Sinharay took 5 workers as the cut-off point, while the NCEUS took 9 workers as the cut-off point for each informal sector enterprise.

4.5 Revelation from the three estimates

4.5.1 As for the informal sector share in GVA, the three estimates surprisingly stand-apart somewhat, for 2004-05 for instance; 56.4% for unorganized sector as per the NAS estimates; 48.0 % for the informal sector and 53.9% for informal workers as per the Kolli-Sinharay paper, and 49.9% for the informal workers as per the NCEUS paper. From the analysis what has been discussed above it has become clear to the Committee that different concepts and methodology used by different users with respective arguments and logic, have perhaps led to such divergences. *The Committee therefore feels it necessary to standardise the usage of concepts and definitions mandatorily to be followed by users for the estimations of ‘informal sector’ and ‘informal worker’ shares. The Committee also recommends that the satellite account for the informal sector be prepared, once in five years.*

Chapter 5

Credit and Institutional Linkages

5.1 Statistics on Credit to unorganized sector enterprises

5.1.1 The issue of credit to the unorganized sector enterprises assumes critical importance in the context of the large number of such entities operating in India, their contribution to the economy, their distribution across various sectors, geographical spread and the welfare needs for those engaged in these enterprises. Recently, the Prime Minister's Task Force on the MSME enterprises (January, 2010) has highlighted various issues relating to credit to these enterprises, a large part of which are in the unorganized or informal sector. Earlier, on the advice of National Statistical Commission, a Committee set up by RBI under the Chairmanship of Prof. P. Venkataramaiah (2001) had examined the status on Informal Financial Sector Statistics and made recommendations for improving such statistics.

5.1.2 At present, there are several different statistical systems for collection of data on unorganized sector enterprises as discussed in Chapter 3. While data on various aspects of unorganized sector enterprises are collected through surveys conducted by NSSO and CSO, data on credit extended to this sector by both formal and informal agencies comprising both bank and non-bank sectors is collected through the AIDIS survey conducted by NSSO. RBI and NABARD, on the other hand, collect data on bank finance and some categories of non-bank finance to enterprises in various sectors. It needs to be recognized, however, that the scope, coverage, classification, mode and frequency of data collection of the existing statistical systems on finance to unorganized enterprises are quite different and do not provide a complete picture of the sector. For example, while AIDIS covers various types of credit agencies in the formal and informal sector, its focus is more on households rather than informal sector enterprises. Although loans to various categories of household enterprises are covered, the classification of activities is not quite limited. Besides, it is conducted once in every ten years. On the other hand, although the RBI database provides a detailed classification and coding of the activities following NIC classification, its primary focus is the credit from banks and as such does not cover many informal sources of finance, which has a substantial share in provision of credit according to the AIDIS 2002-03. Before deliberating on the various sources of data on credit to unorganized sector enterprises, the issues examined by the Venkataramaiah Committee are briefly discussed below.

5.2 Informal Financial Sector Statistics and Its Status:

5.2.1 The Venkataramaiah Committee on Informal Financial Sector Statistics was set up by RBI with the main objective to critically examine the current status of statistics on the Informal Financial Sector. The Report of the Committee (2001) recommended a statistical system for improving collection of statistics on the sector. The Committee identified two purposes for which data are to be collected on various aspects of Informal Financial Sector Statistics namely, (a) to measure the extent of informal credit and to understand the dynamics of informal financial markets, and (b) to facilitate generation of inputs on informal finance for the compilation of National Accounts.

5.2.2 The Committee deliberated on two interrelated issues, viz., the definition of Informal Financial Sector Statistics, and the type of institutions to be covered in this sector. As opined by the Committee, although there is no accurate definition of ‘informal sector’, the UN System of National Accounts (SNA) had broadly characterised the informal sector as consisting of units engaged in the production of goods and services with the primary objective of generating employment and incomes to the persons concerned. The production of units of the informal sector has the characteristics of a household enterprise. According to the classification adopted by the UN SNA, the production units owned by a single household or a group of households form part of the household sector as household enterprises or unincorporated enterprises.

5.2.3 For the purpose of identifying the informal financial sector enterprise, the Venkataramaiah Committee adopted the criterion of ‘incorporation’ as a guiding factor, according to which the enterprises that are ‘incorporated’ constitute the formal sector and those that are not so incorporated constitute the informal financial sector. The status of availability of data in respect of the informal financial sector, consisting of ‘unincorporated financial enterprises’, was examined and recommendations were made for instituting and improving collection of statistics on this sector. This concept of un-incorporated enterprises for studying informal sector, incidentally, is similar to the one adopted in the NSS 67th round enterprise survey.

5.2.4 Venkataramaiah Committee studied the major formal and informal systems of data on credit. It noted that the structure of the informal financial market is extremely heterogeneous. This sector comprises partnership firms, sole proprietary concerns, own account enterprises, financial auxiliaries such as share broking firms, loan brokers, Non-Governmental Organisations (NGOs), Self-Help Groups (SHGs), share brokers and traders, multani shroffs, pawnbrokers, chettiaris, etc. Data on this segment are available neither regularly nor on an ad hoc basis except that certain pieces of information are collected and are available from various sources.

5.2.5 *Existing databases on credit to unorganized sector enterprises:* With this backdrop, an overview of the existing statistical systems for credit to unorganized sector enterprises is provided below. These include: (i) data collected by RBI through the BSR system, by other

departments of RBI such as Rural Planning and Credit Department, data collected by NABARD; and (ii) data collected through NSSO and CSO surveys.

5.2.5.1 Existing databases of both the organized and unorganized credit structure system coming under the purview of All-India Debt and Investment Survey (AIDIS) as well as credit flow information reported by the banking industry to RBI, SIDBI and NABARD could be considered for examination and development of a framework for sourcing the credit information in respect of the unorganized sector enterprises. The database of organized credit coming under the supervisory jurisdiction of RBI, SIDBI and NABARD was examined. In particular, RBI's Basic Statistical Returns (BSR), data collected by other departments of RBI as also co-operative credit flow were examined. As unorganized enterprises do not have unique definitional perspective, an approximate frame based on the BSR classification system would at best help cover the unorganized sector only in part. The BSR system follows NIC/ISIC classification which is quite comprehensive but not exhaustive.

5.3 BSR-1 Data

5.3.1 Basic Statistical Return 1 (BSR-1) was introduced in December 1972 and has been in existence over the last 38 years. The main objective of this return is to capture micro level information from the commercial banks about their operations on credit, which are not otherwise secured from banks for regulatory purposes. BSR-1 contains two parts BSR-1A and BSR-1B. Under BSR-1A, banks report loan account level data for large borrowal accounts. For each account, information such as occupation, organization, type of account, interest rate, credit limit, amount outstanding, etc., are collected. Under BSR-1B, occupation wise totals for small borrowal accounts are collected. With the passage of time, a number of revisions have been made in the BSR-1 system. Some of the changes which were introduced are:

- It was a half yearly (June and December) return till 1989 and became annual from 1990 (as on 31 March).
- Till 1983 accounts with credit limit over 10,000 were classified as large borrowal and up to 10000 as small borrowal. This limit was revised to Rs.25000 from 1984 and again to Rs.200000 from 1999.
- Over the period some new parameters have been added. Detail codes of the parameters also got revised to match with economic condition and related systems.

5.3.2 Further, certain other aspects of the informal financial sector are available from BSR-1. The financial auxiliaries covered under 'finance activity' relate to those of the informal financial sector namely, shroffs, moneylenders, stockbrokers, share brokers, dealers in bullion, etc. apart from those of formal sector. Further details about the classification of BSR-1 data reporting, particularly with reference to unorganised sector, is presented in Appendix-7.

5.3.3 The Non-Governmental Organisations (NGOs) and Self-Help Groups (SHGs) are another category of institutions working in the informal financial sector for implementing special programmes and formulating development policies. Most of these NGOs/ SHGs are credit-linked by banks. These organisations receive funds from Indian financial institutions as also from abroad. NABARD publishes certain data on total credit extended by NABARD to these organisations. NABARD also publishes the State-wise number of SHGs being financed by banks.

5.3.4 The data collected and published by NABARD relate only to a particular aspect namely, the credit disbursed to NGOs and SHGs by banks and NABARD. As NGOs and SHGs intermediate a large amount of funds between banks and financial institutions and households, it is necessary to build a database of these organisations. Data on the operations of SHGs and NGOs are not available although banks submit a “Micro-credit progress Report” to RBI, and NABARD provides certain particulars of credit extended by them to these NGOs under different schemes on a half-yearly basis.

5.4 Other Existing Data Sources

5.4.1 All-India Debt and Investment Survey (AIDIS) data, as available at decennial intervals, provide information on composition of assets, capital formation, and indebtedness of rural and urban households. A distinguishing feature of the AIDIS is the collection of loan-wise details such as credit agency (institutional and non-institutional), rate of interest, duration of loan, purpose, etc. The non-institutional agencies refer to the landlords, moneylenders, traders, relatives and friends, doctors, lawyers, etc. The data collected through AIDIS are used in the compilation of National Accounts.

5.4.2 Data collected in AIDIS, however, relate only to pure households and as such quasi-corporations of business households namely, partnerships, proprietary concerns, etc. in trade; transport and other activities are not covered. The survey collects details on the occupation of the head of the households and the flow of funds within the informal sector from the financial to the real sector. One of the occupation groups is “finance, insurance, real estate and business”. But the data classified by this occupation group are not published by the NSSO. These surveys provide at best a truncated picture of the assets and liabilities, and also exclude receipts and payments of the households.

5.4.3 Though the surveys of NSSO/CSO are supposed to have covered informal financial services but no data have been reported separately for this sector. The enterprise surveys do not collect loan-wise details such as interest rate and duration of the loan. As such, it is not feasible to measure the extent of financial accommodation and interest paid on these loans to the informal credit agencies.

5.5 Suggestions for Developing a Comprehensive Database

5.5.1 It would be in order to discuss the definitional scope of unorganized sector enterprises before embarking on suggestions for development of credit database. The definitional scope of unorganized sector enterprises has been outlined in Chapter-2. The Task Force Report on Definitional and Statistical Issues (NECUS 2008) identified unorganized enterprises as the entities with (a) no legal standing other than the single ownership, (b) small in employment size, low in capital and productivity etc. as per the National Commission for the Enterprises in the Unorganized Sector (NCEUS). For several reasons of "smallness" associated with unorganized sector (all unincorporated private enterprises owned by individuals/households engaged in sale and production of goods and services operated on a proprietary or partnership basis and with less than 10 total workers), they mostly centre around the economic activities pursued in Priority Sector. These include 'Agricultural and Allied Activities', 'Small Enterprises', small sized village entities like 'Artisans, village & cottage industries' with specified credit limit, coupled with organizations types covered under household sector, comprising mainly 'Individuals' (in the capacity of farmers, business-persons, traders, professional and self-employed, wage and salary earners, pensioners, unemployed, house-wife, students, money lenders, shroffs, stock-brokers, dealers, etc.), and other entities like 'proprietary concerns', 'partnership firms', 'Self Help Groups' covered under Microfinance institutional activities. While most of the above entities encompass a good chunk of unorganized enterprises having access to organized loans and refinance facilities extended by the Scheduled Commercial Banks (including *RRBs*), some more such could be covered under three-tiered cooperative credit structure system comprising *PACS* (Primary Agricultural Cooperative Societies), *FSS/ LAMPS* (Farmers Service Societies/Large sized Adivasi (Multi-purpose Societies)) and other financial co-operative institutions (Primary & State Cooperative Agriculture and Rural Development Banks (*PCARDBs / SCARDBs*), State Co-operative Banks (*SCBs*), District Central Cooperative Banks (*DCCBs*), Urban Cooperative Banks (*UCBs*), etc.

5.5.2 However, it needs to be kept in view that it is necessary to adopt a specific verifiable definition of unorganized sector enterprises and develop a detailed classification and coding structure of this sector in order to establish clear linkages between priority sector and unorganized sector enterprises. At present, the approach to classify unorganized enterprises leaves some scope for different ways of interpreting and usages adopted by several organizations. For example, NSSO classifies entities not covered under ASI as unorganized manufacturing entities. Similarly, NAS identifies them as residual enterprises depending on data availability. Special purpose classifications are adopted basically depending on data availability with different statistical bodies in the country. Likewise, the credit flow information as culled out through different returns submitted by the banks to RBI follows their own classification system to identify relevant entities critical for policy and operations adopted for smooth running of the banking system. For example BSR 1 captures branch level credit data on different parameters across

different dimensions of organization, occupation and account type applicable at the lowest possible level (i.e., at the account level) (cf. Annexure - 1).

5.5.3 It may be seen from the above overview that at present, there is no unique system, which captures the credit information in respect of unorganized sector enterprises satisfactorily in terms of coverage; classification of activities, type, sources, etc.; regularity of information flow; and so on. RBI does not have any data system specifically related to unorganized sector. The problem is formidable in view of the heterogeneity of the sector as also multiplicity and heterogeneity of the credit sources, including informal sources.

5.5.4 In this background, it is necessary to consider first developing a suitable sampling frame of the unorganized sector enterprises, which will provide a basis for collecting data not only on credit but also other important variables such as production, value added, employment and other related information from the same set of entities in order to ensure comparability over time and across sectors. From the various surveys discussed in the previous chapter, it appears that the scope of the Economic Census of the CSO can be suitably augmented so as to provide a platform to develop such a sampling frame. *In order to pursue this objective, it is necessary to use an appropriate classification and coding system for the enterprises. The latest available NIC 2008 classification may be considered for this purpose. If this coding system (to be developed) can be made compatible with the BSR coding system, it would provide a mechanism to combine the credit data from banks with those collected from other sources.*

5.5.5 *After having developed a frame and a classified /coded structure of the unorganised enterprises, it may be considered to use the NSSO's AIDIS/ Enterprise survey mechanism for capturing the data on credit extended to the unorganised sector enterprises by different types of both formal and informal sources by using a suitable sample design based on the population provided by the Economic Census. Such a survey may be conducted at least once in 5 years. It may be recalled that the Venkataramaiah Committee also recommended that the coverage of the AIDIS needs to be improved by pooling the estimates of Central and State samples on the one hand and by increasing the sample size on the other. It is necessary that the RBI and the NSSO should have a close collaboration in the conduct of AIDIS.*

5.5.6 The Enterprise Surveys of NSSO/CSO need to specifically cover financial service enterprises and provide data needed to derive value-added details as also the details of credit. This is now being done in NSS 67th round. *The RBI should closely liaise with CSO and NSSO on the technical aspects of these surveys and ensure the coverage of all known household financial enterprises like, share brokers, multani shroffs, chettiars, marwari kayas and pawnbrokers and various kinds of moneylenders.*

5.5.7 *Once such a system is established, the linkage between such survey data and those collected by the BSR system may be explored. The use of a common classification system based on NIC codes in the survey and the BSR system would facilitate this exploration. It would in turn help in*

estimating bank credit to unorganized sector enterprises based on AIDIS survey and its interpolation using BSR data.

5.5.8 If classified, according to organization types encompassing individuals and then augmented with occupations, the data segment would contain significant part of organized credit amount flowing to unorganized sector. As of now, one-to-one mapping of BSR codes to extract the identifiable unorganized enterprise entity is not possible in the absence of a clear-cut codified identification structure for unorganized entities. Such classification issues are examined from time to time to expand the coding structure of BSR system in a consistent manner. Scope of BSR system has recently been expanded (cf. Handbook of Instructions, 2008), which already factored in the recommendations of the Committee on Informal Financial Sector Statistics set up by RBI (Informal Financial Sector statistics, 2001) and consequent needs of financial inclusion, raised from time to time by financial regulatory bodies. Even though BSR system has become a comprehensive source for reporting banking statistics, it has become overbearing load for the banking system to maintain requisite reporting standards and data quality because of incremental reporting needs. Extending the statistical reporting needs from the banking sector is also becoming very much onerous because of them being turning out to be the main vehicle for meeting voluminous needs of financial services required by the informal sector under the framework of the financial inclusion policy.

5.5.9 Apart from nation-wide surveys, which provide macro-estimates, it is necessary to promote regional and micro-level studies on the informal financial sector activities considering the diversity across the regions.

5.5.10 It is observed that information availability on the credit flow to the unorganised sector is far from complete. This is more pronounced because of definitional inconsistencies and reporting problems. BSR system provides a comprehensive database on credit flow from Scheduled Commercial Banks. It presents detailed classificatory data annually according to occupation and organisation types. However, such classified information does not help in obtaining credit flow from SCBs to the unorganised sectors. In this background, the following issues were considered:

- Development of representative database on the credit flow to unorganised sector enterprises call for precise coding structure for identification and classification of such activities.
- So far as the credit flow data to unorganised sector from the Scheduled Commercial Banks is concerned, BSR-1 data reporting is at best partial. Potentially, a huge concentration of credit to unorganised sector is covered in BSR-1B which however is not useful for extracting any comparable data relevant to unorganised sector since account-level information is not collected here.
- Extending small borrowal account (BSR-1B) to incorporate organisation types in line with BSR-1A is not feasible because of large data requirement from the banking system.

5.5.11 To build up a workable data-base for this purpose, the following measures are suggested:

- First, apart from credit extended by scheduled commercial banks, it is necessary to cover two other sources of institutional credit delivered by (a) the cooperative sector; and (b) SIDBI and SFCs. *It is also necessary to examine the status of the current data available and make suggestions to the RBI/NABARD with a view to presenting a consolidated picture of formal sector credit outstanding in favour of different categories of informal sectors (of course, avoiding duplications).*
- Second, BSR system provides a comprehensive database on credit flow from Scheduled Commercial Banks. It presents detailed classificatory data annually according to occupation and organisation types. However, such classified information does not directly provide information on credit from SCBs to the unorganised sectors. However, BSR-1A format captures classification according to economic activity (occupation) and type of organisation. For example, the occupation codes include agriculture - direct and indirect and organisation type includes MSMEs, separately for the three categories: micro, small and medium; household enterprises: MFIs, JLGS, NGOs, Trusts and Groups and pure households and NPISHs. Therefore, availability of such cross-classification in BSR 1A data may facilitate exploration of data on finance to these unorganised sectors. In this background, a suitable method of data extraction/augmentation may be adopted for combining occupation and organisation classification as available in the BSR-1A reporting system as per the data requirement of important categories of informal sectors. *For this purpose it is necessary to follow two key additional steps to classify the account wise data as contained in BSR-1A format for loan accounts above two lakh each.*
- Third, the above still leave behind the loan account reported under BSR-1B which provide only broad occupation break up and not by organisation and hence many of the non-farm categories cannot be separately covered in it. *To take these into account of the informal sector data base, feasibility of some type studies may be explored as part of the RBI's survey of small borrowal accounts.*
- Fourth, as far as the SHG and private MFI sector are concerned, the NABARD reports generally provide state-wise and bank-wise information on the progress of SHG savings account maintained and loans utilised. But they do not provide (a) any dossier of the NGO sector operating in MFI field (b) any information on their financial operations and (c) details of the operation of private MFIs. *To bridge the data gap it is suggested (i) a comprehensive census study by NABARD on all NGOs operation in the financial sector field as one-off benchmark exercise and (2) a half yearly reporting system on the detailed financial operations. It is also suggested that a sample survey of NGOs and SHGs should be undertaken by NABARD at quinquennial intervals. NABARD may also consider such data at more frequent and regular intervals.*
- Fifth; for carrying forward, the spirit of informal sector definition and informal employment issues, it is necessary to delineate informal enterprise from pure households. It may be mentioned that farmers, business persons, traders, professionals & the self-

employed, money-lenders, shroffs, stock brokers and dealers are all enterprises whereas wage and salary earners, pensioners, the unemployed, house-wives and students are pure households. However, for the credit data there is no way to make distinction between OAEs and establishments.

- Sixth, though priority sector credit has come to assume critical importance, there are gaps in information relating to some of the informal activities. A major gap in the data base on priority sectors, particularly in favour of agriculture, concerns the absence of data on shortfalls and the consequential allocations under RIDF. The RBI should set out a full picture of these shortfalls and the operation of the RIDF arrangement. Further, from the year 2008 onwards, the RBI has received the BSR guidelines and introduced a new ‘category of borrowers’ covering the various sections of SMEs and farmers. *The entire data set for these categories deserves to be disseminated by the RBI on a regular basis. Apart from credit extended by scheduled commercial banks, institutional credit advanced by (a) the co-operative sector, and (b) by SIDBI and SFCs, should also be covered in total credit flow and/or outstanding in favour of different categories of informal sectors*

5.5.12 Finally, it may be mentioned that RBI has recently set up a Committee Chaired by Shri M. V. Nair, to re-examine the existing classification and suggest revised guidelines with regard to priority sector lending classification and related issues. This Committee will go into various issues relating to priority sector credit. It will inter alia review the existing Management Information System prevalent in banks, and suggest ways to streamline the same in terms of frequency of compliance, data consistency and data integrity.

5.6 Need for the BSR Data Dissemination to be More Wholesome

5.6.1 *Data for new “Category of Borrowers” based on the size of Borrowing Unit:* From the year 2008 onwards, the RBI revised the BSR guidelines and introduced, for data coding, a new “category of borrowers” for the MSE sector. The coding pattern suggested for the new “Category of Borrowers” is reproduced in Table 5.1. RBI may explore dissemination of data on such classification in future.

Table 5.1: List 'F' - Category of Borrowers - 2008		
Serial No.	Category of Borrowers (by size)	Code
Manufacturing Enterprises (Industries) *		
I.	Micro (Manufacturing) Enterprise	
	Weavers- Handloom	01
	Weavers- Powerloom	02
	Rural Artisans/Craftsmen	03
	Village/Cottage Industries (except promoted by KVIC/KVIB)	04
	Tiny Industries	05
II.	Small (Manufacturing) Enterprises	11
III.	Medium (Manufacturing) Enterprises	12
IV.	Large (Manufacturing) Enterprises	19
V.	Khadi and Village Industries Sector	29
Business/Trade and Service Enterprises &		
VI.	Micro (Service) Enterprises	31
VII.	Small (Service) Enterprises	32
VIII.	Medium (Service) Enterprises	33
IX.	Large (Service) Enterprises	39
Farmers (Agriculture and allied activities) \$		
X.	Small Farmers	41
XI.	Marginal Farmers	42
XII.	Agricultural Labourers	43
XIII.	Tenant Farmers/ Sharecroppers/ Oral lessees	44
XIV.	Other Farmers (Medium & Large)	45
XV.	Other borrowers engaged in agriculture and allied activities	49
XVI.	All Others	99
* The Enterprises, engaged in manufacture/production, processing or preservation of goods have been classified into Micro, Small, Medium and Large (Manufacturing) Enterprises, based on their investment in plant and machinery (original cost excluding land and building) (items I to IV). All units in Khadi and Village Industries (KVI) Sector, Irrespective of their size of operations, amount of original investment in plant and machinery, etc., should be classified in item V.		
& The Enterprises, engaged in providing/rendering services in selected area and included in trade/service sector, have been classified into Micro, Small, Medium and Large (Service) Enterprises, based on their investment in equipment (original cost excluding land and building and other items) (items VI to IX). These shall include road & water transport operators, business, professional & self employed and other service enterprises.		
\$ All units, including individuals, engaged in agriculture and allied activities should be classified in items X to XV. The individual farmers should be given codes from X to XIV. The other borrowers like companies, government entities, firms, etc, should be classified in XV.		
The definitions and limits for classifications are based on RBI circulars issued time to time.		

5.6.2 *More Comprehensive Estimates for the Tables Which are Based on Large Accounts only:* In the BSR volume, there are a few tables which are based on data for large accounts only (i.e., accounts with credit limits of above Rs. 2 lakh). In some of them, small-size accounts may be relatively more important. For instance, this may be true in the case of individuals, JLGs and microfinance institutions. *To obviate the above problem, the RBI may make use of the results of its sample surveys of small borrowal accounts undertaken at present biennially and explore*

estimation for the categories covered in the above tables as Supplementary information giving distributions across categories covering both small as well as large borrowal accounts.

5.6.3 *Necessary for the RBI to Publish Data on Priority Sector Short Falls:* Its importance has come up after the doubling of credit for agriculture and the SSI sector.

5.6.4 Data on NBFCs need to be collected; however some type-studies or pilot studies may be undertaken to appraise the difficulties involved in collection of data especially when NBFCs are not regulated by any stipulations from RBI.

5.6.5 Data on the Financial Companies.

5.7 **Linkages between Informal and Formal Sectors**

From what have been put forward so far, it is clear that the fields of definitional and estimational issues of informal sectors have been fairly comprehensively surveyed. It is also focussed on support issues such as the institutional finance for the informal sectors. While doing all these exercises, some serious data gaps on the linkages between the informal and formal sectors have been noticed. These information bases when plugged against such serious data-gaps, if available in a studied manner, are sure to provide some sound basis for promotional and other policy issues. While it is not attempted any thorough analysis of these linkages and the nature of their data gaps, it has been chalked out some tentative list of possible areas of such linkages which deserve attention and possible exploration by public institutions concerned with policy and macro-economic data. Key areas which can be the candidates for such periodical publications on the linkages in question are enumerated below:

- The phenomenon of outsourcing by manufacturing firms for industrial products to MSME units.
- The incidence of labour outsourcing for different services by organised firms.
- Linkages between informal sector products and marketing.
- Enforcement of prompt payment of bills of MSME sector by large corporate borrowers, legal provisions, various RBI regulations and the corporate sector data on sundry creditors and sundry debtors, etc.
- Linkages between formal bank finance and NBFCs and their operations
- Linkages between formal bank credit and the lending activities of micro-credit/ microfinance sector.
- Linkages between banks and informal indigenous financiers including money lenders.
- In the formal banking system, the role of loans for unorganised sector vis-à-vis unorganised sector deposits.

5.8 The Committee endeavoured to get a view on the aspects of sustainability and risk – managements by unorganised entrepreneurs (including the self-employed) in the wake of

suspension / stop of credit flows in terms of cash or raw materials and/or suspension / stop of access to markets. As there are so many causes to affect the smooth entrepreneurial activities leading to death of such enterprises, the Committee found it difficult to get any data on these aspects to analyse and come out with any concrete recommendation. *It, however, perceived that character of risk and its management for the sustainability is different for different industries and as such, it would be best to undertake case studies or type studies or pilot surveys to investigate the data intricacies and subsequent analysis to come out with specific recommendations for specific maladies.*

5.9 The Committee found that no serious attempt has been made so far to study the kind of linkages between the factor and product markets or more generally, those between the organized and unorganised sectors, even though these are omni-present. *It felt that a task force be constituted by NSC to look into this important matter with the responsibility to undertake all ways and means to bring out an Input-Output Table for the unorganized sector first with the readily available data-sets, suggest measures to rid out the problems they faced for the said table and then suggest means to bring the comprehensive I-O table combining both the organized and unorganized sectors.* Once this is done, the Committee felt that the linkages between unorganized and organized sectors could be appreciably understood and the planners would be able to gauge where such linkages require strengthening and what remedial measures to be taken to do this.

5.10 The Committee also realized the problems associated with deducing refined data on linkages of the informal sector with formal sector particularly on the flow of commodity and services. Nevertheless, the importance of the informal sector in meeting the requirement of formal sector as a supplier of inputs and services is acknowledged for ascertaining their potential role in the overall economy. *The Committee recommends that the National Statistical Organisation (NSO) may formulate methodological studies for strengthening data base on such aspects of linkages of informal sector and formal sector as well as their trade relevance.*

Chapter 6

The Challenge of Ensuring the Quality and Credibility of Statistical Base

6.1 Introduction

6.1.1 There has been growing concern about the quality and credibility of the data made available by the Indian Statistical System. The NSC (2001) observed that the operational efficiency of the System was compromised by serious deficiencies.¹⁴ There is evidence that matters may have deteriorated since then.

6.2 Four Deficiencies

6.2.1 The four current practices that undermine the quality and credibility of India's database are:

- i. *Reduction of the number of sanctioned posts* of the NSSO field investigators and their immediate supervisors, and filling up the vacancies with inexperienced contract workers. This institutional problem has been exacerbated by certain features of the recruitment process that came into place since 2002.¹⁵ There are serious doubts about the capacity of contract investigators to conduct surveys like the one on unorganized enterprises. The situation has turned more complex with the Supreme Court effectively banning engagement of school teachers as Economic Census enumerators. There exists no longer a designated permanent cadre at the operational base of the Economic Census at a time when the upcoming Sixth Economic Census is estimated to require seven lakh enumerators.
- ii. *Reductions in sample size along with deficient sample frame* resulting in unacceptably large standard errors. The reduced sample size because of restriction on the recruitment of additional qualified field workers seriously compromised the quality of the Annual Survey of Industries.
- iii. *Unacceptably large revisions* (like for instance, the Index of Industrial Production-IIP) that not only damage the public credibility but also diminish their utility for making official policy decisions.
- iv. *Failure to initiate surveys* that would provide the basic source data required for *National Accounts Statistics* that has led to the adoption of excessively round about procedures making the estimates highly suspect.

These four deficiencies are elaborated, and corrective measures suggested in the following sections.

¹⁴ See Volume I, chapter 1 paragraph 1.1.2 of *The Report of the National Statistical Commission*, 2001.

¹⁵ An Order constituting the centralised Subordinate Statistical Service was issued in 2002. This replaced the pre-existing decentralised NSSO recruitment system.

6.3 Functionally Debilitating Institutional Changes: Two Cases:

i. Reduced Professional Staff of NSSO and ii. Weakened Economic Census

6.3.1 *Reduction of the Number of Professional NSSO FOD Field Investigators: Two Phases.*

The number of field investigators in position was much larger (1189) in 1990-91, than two decades later in 2009-10 (1109). Sanctioned posts did increase from 1469 to 2009 during the period, but the number actually in position had gone down from 81 to 55 percent. In 2009-10, contract investigators (1569) hired to fill the gap out-numbered the regular FOD field investigators. These changes have taken place in two phases¹⁶. First, in the mid-1990s by reduction of sanctioned posts by 10 percent,¹⁷ and then the second, from the start of the millennium, by a new recruitment system that increased the share of contract field investigators.

6.3.1.1 *The First Phase: The Reduction in the Sanctioned Posts:* The Finance Ministry's instructions of 1995 to reduce sanctioned positions by ten percent meant the number of sanctioned NSS field investigators fell from 1469 in 1993-94, to 1199 in 1997-98, and a similar reduction in field supervisors from 1920 to 1745. This happened at a time when India was about to adopt SNA1993 standards and sign up to the SDDS, which together required an improvement in the quality and coverage of existing data, and the collection of large volumes of additional data with increased periodicity in some existing surveys.¹⁸ The shortfall was sought to be made good by *ad hoc* expansion of the Indian Statistical Services (ISS)¹⁹ and the outcome was that the base of the service was "extensively widened while the number of positions at higher levels ... remained the same".²⁰ The shortage of field workers continued, and the NSSO started hiring contract workers for the first time in 1999-00. Apparently hiring contract workers may appear similar to the earlier practice of making *ad hoc* appointments. But the real difference lies in the fact that regularized *ad hoc* appointments had the advantage of retaining the experienced, while the same cannot be said of the contract workers who keep changing.

6.3.1.2 *The Second Phase:* In 1997, the Fifth Central Pay Commission recommended a Centralized Subordinate Statistical Service which was a major restructuring of recruitment institutions,²¹ and a shift from the erstwhile three-tier manpower structure, to a two-tier structure which left the vast majority of FOD Sub-regional Offices (SROs) with no ISS Officer to carry out

¹⁶ Evidence from the FOD records on the size of the impact of both changes is presented for all the years from 1990-91 to 2010-11 in Annexures A, B and C.

¹⁷ According to the instructions issued by the Finance Ministry for ten percent but in staff strength 150 posts of Assistant Superintendents and 220 field investigators posts were required to be abolished (Office Order of NSSO's FOD dated 7 March 1995).

¹⁸ S.M. Vidwans, an eminent statistician and a member of the 2001 NSC, has given a detailed account of these events in a series of three special articles in *Economic and Political Weekly*, starting with the September 14th 2002 issue.

¹⁹ Only Supreme Court intervention regularized their services

²⁰ See page 490, paragraph 14.10.27 in NSC 2001 Report, Volume II.

²¹ See especially *Fifth Central Pay Commission Report, Volume II*, chapter 81, titled "Ministry of Planning and Programme Implementation", page 1313, paragraph 81.17.

the functions of inspection and scrutiny. Before the Fifth Pay Commission recommendations were implemented, the NSSO had a separate cadre. Recruitment of field investigators for NSS surveys was done locally, at the level of NSSO regional offices directly. The Fifth Pay Commission recommendation of a unified cadre for a Subordinate Statistical Service had its own rationale²² but the new recruitment system had an immediate and significant negative impact on the strength of NSSO investigators and superintendents who were recruited. Once it became operational, other major shortcomings in the new system were revealed. The recruitment process took longer, and the recruits who joined the service were not necessarily proficient in the languages of the regions where their services were required.

6.3.1.3 *The Working of the New Recruitment System:* The new recruitment system was actually launched only in 2004. But the system does not seem to be working well.²³ During these years, intake was less than outgo. The backlog of unfilled posts rose to about 800. At its worst, the shortfall was 1100 people.²⁴ The rate of attrition was as high as 150 to 160 per year. The attrition is normally at the supervisory level, but due to the huge shortage at the field investigators' level, the NSS decided not to promote anybody for 4 or 5 years, although eligible cadre as well as vacant supervisory posts did exist. Thus, to maintain field staff, promotional prospects of personnel were sacrificed. Presumably, so was the morale. Allowing attrition at the supervisory level to continue proved to be a "most damaging" decision. Scrutiny, inspection and supervision of field staff suffered. To deal with the problem, in 2008 a large number of field investigators (56) were promoted as supervisors. This created a gigantic gap at the field investigator level (vide figures for 2008-09 and 2009-10 in Annexures A and B).

6.3.1.4 *Towards an Interim Solution:* While filling up of all sanctioned posts is of top priority, the task could be accomplished satisfactorily subject to the fulfillment of certain complementary reforms. First, the recruitment rules need to be amended to ensure that there is sufficient number of field workers in each region knowing the regional language. Second, a three-tier manpower structure needs to be reintroduced. Until such changes are introduced, an interim solution is to make provision for recruitment of field investigators to have 30 percent induction through local recruitment and seventy percent through Staff Selection Commission.

²² "81.17. A large number of posts of Junior and Senior Statistical investigators in the scales of 1400-2300 and 1640-2900 are spread over different Ministries and Offices of the Government of India. We observe that some of these posts are isolated and the chances of promotion are very weak." And the recommendation was "that all such posts with statistical functions be constituted into a subordinate statistical service and all recruitment to feeder posts in Indian Statistical Service be centralized and placed under the ISS Cadre Controlling Authority". *Fifth Pay Commission Report*, Vol. II p. 1313.

²³ To illustrate, in 2006-07, MOSPI, on behalf of the NSSO asked the Staff Selection Commission (SSC) to recruit about 350 fresh recruits at the 'investigator grade 2' level. 350 names were provided and appointment letters were sent but only 110 joined. MOSPI wrote again to the SSC, asking for an additional panel. They got 100 names to whom letters were sent but only one joined. In 2007-08, MOSPI tried again to recruit. Three hundred and fifty names were sent, eventually 90-95 joined. The story was repeated in 2008-09.

²⁴ The Committee is indebted to a senior MOSPI official for these estimates.

6.3.1.5 *Issues of Field Workers' Qualifications and Delays in the Recruitment Process*: Besides the basic academic qualifications, the most important requirement “for primary field workers is knowledge of local language, culture and traditions, as well as topography”.²⁵ Yet under present dispensation, primary field workers are recruited on an all India basis and deputed to work in field offices of particular regions without regard to their knowledge of the regional language, culture and traditions which results in major problems. Not only is the quality of data collected compromised; the freshly recruited and posted field workers involved in such mismatches are more likely to resign. The ‘language and culture’ problems have proved to be the most serious. The inordinate delays in the process of recruitment are yet another cause for concern. At present, there is a two-year gap between the initiation and completion of the recruitment process. In the interval, the applicants may well find other jobs. The delays may make it necessary to hire contract workers locally which means that local FOD officials must make arrangements to invite applications, recruit and train them, only to lose them again at the expiry of their contracts. Moreover, statistics on informal sector are generated primarily through large scale sample surveys involving personal interview approach. To overcome these problems, it is *recommended that the requirements for primary field workers should be identified not only in terms of a minimum educational standard, but also in terms of language qualifications that would specify working knowledge of English, proficiency in the language of the region, and basic knowledge of computers. Further, to avoid undue delays in recruitment, steps should be taken to streamline present procedures with a view to ensuring that the time taken is reduced to a minimum two to three months. A Committee may look into the matter to evolve suitable measures.*

6.3.1.6 *Manpower Structure, Quality Control Functions and the Need to Switch to Three-tier System*: The introduction of *two-tier* manpower structure and the Subordinate Statistical System recommended by the Fifth Central Pay Commission (1997) suffers from serious deficiency. Under the *two-tier* system the quality of data collected is being compromised by a reduction in two quality control procedures viz. inspections and scrutiny. Before the SSS was set up there was a three-tier manpower structure. At the top were Superintendents who worked as supervisory officers. In the middle, Assistant Superintendents worked as the first-level supervisors. Field investigators constituted the primary tier. Assistant Superintendents also worked as primary data collectors for the Annual Survey of Industries, crop statistics and the Urban Frame Survey. Indian Statistical Service Officers exercised overall control of survey operations, monitored the progress of schemes and administered the FOD offices.²⁶

6.3.1.7 Under the present two-tier structure, the work of the Sub-regional Office (SRO) is not being properly monitored. A systematic procedure was followed in the earlier three-tier structure. Assistant Superintendents were identified for each scheme – Socio-economic surveys, the Annual Survey of Industries and the agricultural survey – on a rotational basis. All the First

²⁵ Page 7, paper prepared by the FOD (2011) titled *Present System of Data Collection in Unorganised Sector Statistics – an appraisal*.

²⁶ This account is based on the 2011 FOD paper titled *Present System of Data Collection in Unorganised Sector Statistics – an appraisal*. See page 4.

Stage Units covered in the socio-economic surveys of each NSS round were inspected by the Assistant Superintendents. This 100 percent inspection norm was maintained as long as the three-tier structure was in place. The work of the Assistant Superintendents was, in turn, inspected by officers of the rank of Superintendent and above. This no longer happens and inspections and scrutiny are seriously compromised. *To ensure that high standards of data quality are maintained through regular inspections and scrutiny, and to take charge of field offices at the SRO/NSRO levels, it is therefore recommended that a third, supervisory tier, should be re-introduced.*

6.3.1.8 *Other issues: Lack of pay parity and losses of experienced cadre through resignation.* There is now a persistent brain-drain from the Subordinate Statistical Service. Pay scales are too low and opportunities for promotion too few to retain trained and experienced workers. The entry level grade pay is higher for recruits to other services such as Customs and Income Tax, although recruited through the same combined examination by the Staff Selection Commission. *It is therefore recommended that the entry level grade pay for ASOs be raised to the same level as that for recruits to other services, and that the grade pay for SOs be correspondingly increased. An appropriately higher entry level grade pay for third tier supervisory officers will be necessary.*

6.3.1.9 *How to get the best from the employment of Contract Workers:* The FOD had a ‘mixed experience’ with the contract workers in quality of their work and their motivation. On the one hand there was the attitude that ‘we are only here for a few months’, and on the other, at the end of the contract, there was loss of experienced workers, waste of funds spent on their training and resentment among those who liked to continue as field investigators. Their educational qualifications are similar to ASOs. To minimise the loss of experienced staff and training expenses, *it is recommended that contract workers with about two years’ experience could be given an opportunity to enter regular service through Limited Departmental Examination.*

6.3.1.10 *The Committee recommends filling up all the vacant posts of investigators in FOD. In this regard care should be taken that appropriate ‘language and culture’ qualifications have been adopted for recruitment to regional offices. Supervisory officers should also know the local language to ensure proper inspection and scrutiny standards.*

6.3.2 *India’s Economic Census* was designed explicitly to provide a sampling frame for conducting ‘follow-up’ surveys of unorganised enterprises. The first Economic Census was carried out in 1977. The first ‘follow-up’ unorganised enterprise survey was undertaken the next year, in 1978. It covered unorganised manufacturing enterprises, complementing the already existing *Annual Survey of Industries*, which had been launched in 1959. The idea was that the two surveys, together, would cover the entire population of manufacturing enterprises, large and small, including tiny own account enterprises engaged in manufacturing activities. The Economic Census does a complete count of all enterprises, except agricultural enterprises engaged in crop production and plantations. It covers all states, and generates data at the village, urban block,

district, state and all India levels. The Economic Census is the *only* source of statistics on both formal and informal enterprises, and the only *comprehensive* source of data on the unorganised sector.²⁷ The main objective of the Economic Census continues to be the generation of an updated frame of enterprises for the ‘follow-up’ surveys. An equally important function, introduced from the 1998 Fourth Economic Census, is to generate data for a state-wise Directory of Establishments having 10 or more workers. This is to be used for the preparation of a Business Register.²⁸

6.3.2.1 *Reduced Capacity of the Economic Census due to restructuring of the Economic Census from 1998:* Until 1998 there had been a full-fledged Enterprise Survey unit within the Economic Census which conducted the follow-up surveys on Directory of Establishments. The NSSO did the Non-directory and Own Account Enterprise surveys. This practice continued from 1977 up to the 1998 Economic Census. From the Fourth Economic Census in 1998 onwards, the Census has been conducted in collaboration with the Directorates of Economics and Statistics (DES) of States and Union Territories. As one informant put it “Gradually, the Enterprise Survey unit became defunct,” as normal attrition took place and vacant sanctioned posts remained unfilled.

6.3.2.2 *Need to strengthen Economic Census and the MOSPI Working Group on the Sixth Economic Census:* For effective conduct of Economic Census every five years and to compile and update the Business Register, the MOSPI Working Group on the Sixth Economic Census suggested a number of measures to strengthen the Economic Census from the Centre (CSO), State to the District level.²⁹ *It is recommended that these recommendations should be adopted as guidelines for the conduct of the Sixth Economic Census and their efficacy should be reviewed subsequently in the light of the experience.*

6.3.2.3 *Gross Underlisting and Poor Quality – The Achilles’ heel of the Economic Census:* It was widely noticed that in the Third Economic Census (1990) there was massive undercount of both enterprises and employment.³⁰ Wide divergences between the Economic Census and the NSS results were noticed and commented with concern by the NSC (2001).³¹ The gross underestimation of the number of enterprises, and therefore the number of workers, compared to the NSS, persists even in the Fifth Economic Census as instanced below (Sanyal 2011).³²

²⁷ The unorganized enterprises cover only specified branches of the economy, eg. manufacturing, trade and specified services. Economic Census, however, tends to miss enterprises with no fixed place of work and those conducted within residential premises.

²⁸ The *Business Register* was recommended by the Rangarajan Commission, 2001 and reiterated by the NCEUS 2008 Report on Definition and Statistical Issues.

²⁹ *Report of the Working Group on the Sixth Economic Census, MOSPI* (8 October 2010).

³⁰ See the results of the *Report of the Expert Committee to Examine Wide Variations in Data Sets on the Same Subject* (February 2000), which was much quoted by the Rangarajan Commission (2001).

³¹ The two sources are the *Economic Census* of 1990 and the *Unorganised Enterprise Surveys of Trade, Hotels and Restaurants and Transport* of 1990-91. See page 192 of the 2001 *Report of the National Statistical Commission, Volume II*.

³² T.K. Sanyal (2011) *A Note on Comparison of EC 2005 estimates and NSS estimates of 62nd Round and 63rd Round*.

- i. NSS estimates of manufacturing enterprises and workers are about twice the corresponding 2005 Economic Census (EC) estimates.
- ii. NSS estimates of manufacturing own account enterprises (OAEs) are almost three times the corresponding EC estimates.
- iii. NSS estimates of the number of manufacturing workers in unorganised manufacturing in the 62nd Round is 1.4 times the total (organised plus unorganised), compared to such workers in EC 2005.
- iv. NSS estimates of OAEs in the service sector, excluding trade, are nearly three times the EC estimates. But, the EC estimates of Government and Public Sector units are higher than the NSS estimates, showing that Directory and Non-Directory numbers generated by the EC are not undercounts.
- v. EC estimates of manufacturing enterprises at the state level are lower than the NSS in all of 35 States and Union Territories.
- vi. Over time, in the last three ECs and NSS unorganised manufacturing surveys, the NSS estimates of unorganised enterprises are always higher than the number of all, (unorganised plus organised), manufacturing enterprises by the EC by two to three times.

The crux of the problem is that “NSS surveys were carried out with the help of permanent and experienced field staff of NSSO whereas EC was carried out with the help of a large number of ad hoc enumerators who were given training for the specific job lasting only for a short period”.³³

6.3.2.4 *Problems at the Operational Base – The Quality of Enumerators*: Enumerators hired for EC have been under-qualified, under-trained, inexperienced and under-supervised. Training deficits are at two levels: at the training of enumerator, and at training in tabulation and coding. Inadequacies in the design of the schedules and lack of clarity in instructions add to the problems. That the enumerators are of indifferent quality is reflected from the fact that they range from school teachers, educated unemployed youth to Angawadi workers and college students.³⁴ Adequate number at the expected qualifications for enumerators and supervisors may not materialise.³⁵ Enumerators are hired for a very short period and paid insufficient honorarium without any reference to the diverse field conditions where they have to work. The 2006 Supreme Court ruling against using of school teachers as enumerators may pose further problems. These deficiencies may jeopardise the design improvements, especially in OAEs, introduced in the questionnaire of the Sixth EC.

6.3.2.5 *Five Specific Problems*: Each of the following problems needs immediate attention:

- i) *Economic Census*. Over the years an *ad hoc* approach to the timing of the Census, its periodicity, and provision for updating the data for inter-census years has played havoc with

³³ See page 7, *op cit*.

³⁴ See ESD CSO (2009) *Planning for the Conduct of the 6th Economic Census*, pages 3 and 4.

³⁵ See *Minutes* of a meeting of the Working Group held 8th October 2010.

the systematic development of appropriate institutional and procedural measures for conducting India's Economic Census. Further, delays in the publication of results have been the cause of complaints from the Parliamentary Standing Committee on Finance.³⁶ This has to end. *First, the timing of the Economic Census should be predictable, and its periodicity should be every five years. Second, the quinquennial Economic Census results should be published, and made available to all levels of government, ideally a year before the preparation for successive Five Year Plans begin.*

- ii) *Failure of three-tier training model.* For instance, the Fifth EC top-down approach in training first the top layer of trainers from CSO, and State Directorates, then at the State and District level, and finally at the lower level, resulted in a great loss in transmission³⁷. The lowest level of training was hardly for two days, and the numbers thus trained at any one place were too large to expect proper instruction or reception. *It is recommended that arrangements be made, first, by extending the training period to three days, and second, to reduce the number trained at any place to be of moderate size. And the training of lower level officials should be from the experienced, core group of trainers to avoid failure of 'instructional trickle down'.*
- iii) *Lack of a designated, professional cadre for Economic Census and Sample Surveys at the State and District Levels.* The National Strategic Statistical Plan (2008)³⁸ and the India Statistical Strengthening Project (ISSP) recognised the need for adequate, careful and urgent attention towards enhancing the capacity of the (DES) to organise large-scale surveys, use of advanced software for processing and report generation.³⁹ The better equipped State DESs are expected to participate effectively in the conduct of sample surveys matching the NSS sample.⁴⁰ The Thirteenth Finance Commission recommends financial aid for improving statistical competence at the District level.⁴¹ The need for strengthening EC in evolving a dependable *Business Register* for introducing Annual Survey of non-manufacturing industries is also an important consideration.⁴² *The Committee therefore recommends a planned programme to bring the four complementary projects viz., (i) Economic Census, (ii) Business Register, (iii) Annual Survey of Industries and (iv) Annual Survey of Non-Manufacturing Industries (including construction and ITC sector), on a compatible platform to derive fuller*

³⁶ See *Issues for the Conduct of the 6th Economic Census*, Presentation at the 17th COCSSO, February, 2010, by the ESD CSO. The Parliamentary Committee expressed the hope that the 6th EC would be completed during the 11th Five Year Plan itself.

³⁷ Ibid, page 3

³⁸ Available at mospi.nic.in/Mospi_New/upload/nssp_2July 08_files/nssp_2july08.htm

³⁹ Page 11 op cit.

⁴⁰ Page 11 op cit.

⁴¹ This rationale for their approach was stated explicitly on page 3 of the Ministry of Finance, Department of Expenditure, Finance Commission Division (January 2011) document *Guidelines for Release and Utilisation of Grant-in-aid for Improvement of Statistical Systems at State and District Levels.*

⁴² Quoted from page 6, *Draft Expenditure Finance Committee (ESD) for Central Sector Plan Scheme on Sixth Economic Census*, prepared by the Economic Statistics Division (ESD) of MoS&PI

advantages of complementarities. The Committee also recommends that this programme should be treated as a Central Sector Plan Scheme.

iv) *Worries about the likely impact of the 2006 Supreme Court ban on school teachers as enumerators: The immediate solution for this problem may involve certain ad hoc measures but the longer-term challenge is to construct a durable solution by attracting qualified people who are currently unemployed. A suitable incentive might be a scholarship examination to field investigators at the end of the stint with the Economic Census leading to scholarships for pursuing higher studies at the State level. Another possibility is an annual summer holiday internship. It is recommended that incentive programmes of this type be initiated in advance of the Sixth Economic Census in at least some States on a trial basis.*

6.3.3 *Inadequate Sample Size – the Annual Survey of Industries: Normally a survey is designed by first deciding on the appropriate size of the sample and then executing the survey with the required number of field staff. But over the years, in the case of Annual Survey of Industries there emerged a strange situation of the “determination of sample size for various states and union territories ... solely based on the number of field investigators available. The practice followed has no statistical justification.”*⁴³ This practice, combined with a sampling frame based on a highly defective list of factories maintained by the Chief Inspector of Factories (CIF) has seriously undermined the quality and credibility of the Annual Survey of Industries (ASI). The sample size was halved in 1997-98 and was further reduced to ten percent in the following year, and as a result the very objective of the ASI is reduced to estimating national, or at best, state totals of those numbers.⁴⁴ The reduced sample size resulted in unacceptably large sampling errors of estimates even at the all-India level⁴⁵ and the NSC (2001) suggested that the sample size should be increased for at least those industries where errors of estimation are very high.⁴⁶ Very high relative standard errors are reported for some of the recent years⁴⁷ and more so between 2002-03 and 2007-08,⁴⁸ making it difficult to arrive at 2-digit industry-wise estimates for the Registered Manufacturing Sector at the State level. To overcome the problem of inadequate sample size, on the lines of the suggestions made earlier by the National Accounts Division (NAD)⁴⁹ and the NSC (2001),⁵⁰ it is recommended that States and Union Territories should

⁴³ Report of the National Statistical Commission (2001) Volume II, page 444, paragraph 14.2.55. See also page 153 paragraph 5.130, where the NSC 2001 concluded that “the existing sample design of the ASI with its present sample size results in fairly large sampling errors of estimation even at the all-India level...”

⁴⁴ Vidwans’ (2002) op cit, description related to changes in the Population Census methodology but his objection applies as well to what happened to the ASI. See page 3823.

⁴⁵ NSC 2001 Report, Volume II, page 153, paragraph 5.1.30.

⁴⁶ See NSC Report Volume II, paragraph 5.1.29.

⁴⁷ G.C. Manna (2010) *Current Status of Industrial Statistics in India: Strengths and Weaknesses*, table 4, page 71 in *Economic and Political Weekly*, Volume XLV Number 26, 13 November 2010.

⁴⁸ 2005-06 seems to have been a particularly bad year; there was one case of an RSE for GVA of 65.73 and another of 35.28. In 2004-05, there were two cases of RSEs between 35 and 36. In 2002-03, there was one case of an RSE of 29.02.

⁴⁹ See page 2, item v) of a note prepared by the NAD (2011) titled *Material for Sheila Bhalla on Data Gaps*.

⁵⁰ NSC Report 2001 Volume II page 155, paragraph 5.1.37 (ii).

canvas the ASI schedules in the residual units (i.e, not covered by the NSSO) in their respective States and Union Territories, either on sample or on complete enumeration basis.

6.3.4 Short-term Periodic Indicators have a poor credibility record in India. Monthly Index of Industrial Production (IIP) is one such indicator discussed here.

6.3.4.1 The Index of Industrial Production (IIP) is characterized by a combination of institutional and related deficiencies which is common to periodic indicators that are heavily dependent on multiple data sources.⁵¹ The IIP covers mining, manufacturing and electricity, and is compiled and released by the Central Statistics Office (CSO). Under the Special Data Dissemination Standards (SDDS), the IIP for any reference month has to be released within six weeks from the end of the month. To achieve this, all source agencies are required to furnish data to the CSO within four or five weeks from the end of the month. Since production units at the base of the data collection system commonly fail to provide data on time, the source agencies resort to 'estimation' for the non-responding units. These data are used to compute the Quick Estimates (QE) for the month, which are released by the CSO in six weeks. Later, on the basis of revised production data received, the index is revised and released as Revised Estimates (RE) in the next month and finally, three months after the release of the QE, a revised Final Estimate is published along with the Quick Estimates for the month. The wide variations between these different estimates are the butt of severe criticism.⁵²

6.3.4.2 *Multiple Data Source Agencies and Poor Response Rates:* One of the major causes that results in serious compromise of the quality of IIP relates to multiple data source agencies which are afflicted with a number of serious deficiencies.⁵³ Currently sixteen agencies, one for mining, one for electricity and fourteen for manufacturing, provide monthly production data to the CSO. Of all the agencies that provide data on manufacturing, the Department of Industrial Policy and Promotion (DIPP) is the most important, accounting for almost half of the IIP. The response rates experienced by DIPP appear to be often not satisfactory⁵⁴. Further in the new policy regime of liberalisation of the Industrial Sector, the Government machinery's ability to induce a good response from the industrial units for providing statistics on a monthly basis has been considerably eroded" and the available legal backing has been ineffective.⁵⁵ The proposals for streamlining the IIP include construction of additional IIP based on bigger units,⁵⁶ preceded by a comparative study of annual growth rates in production based on ASI data for recent years and

⁵¹ The weekly *Wholesale Price Index* has been subject to similar problems.

⁵² See page 14, paragraph 15, Inaugural Address by Dr. D. Subbarao, Governor RBI at the Statistics Day Conference of RBI, 5th July 2011 titled *Statistics and the World of RBI*. (available at rbidocs.rbi.org)

⁵³ *NSC 2001 Report, Volume II*, page 8, paragraph 2.4.4.

⁵⁴ For details see 2001 NSC report Vol. 1, page 537, Annexe 5.22

⁵⁵ On these points see paragraph 2.4.4, page 8 *NSC 2001 Report Volume I*, chapter 2.

⁵⁶ See paragraph 2.4.4, page 8, *ibid*.

current IIP;⁵⁷ compilation of comparable State-level IIPs,⁵⁸ which some state have been carrying out more systematically⁵⁹ but not in favour of any Central agency doing it;⁶⁰ and preparation of separate IIPs for organized and unorganized manufacturing.^{61 62} *In the interests of providing more useful, more timely and more credible IIP, it is recommended that an Expert Committee should be constituted to look into the feasibility of implementing these possibilities. It is also recommended that an Expert Committee be appointed to undertake detailed industry-wise investigation into the sources of volatility and to recommend corrective measures. Further, to avoid long gaps between updates of IIP base year, it is recommended, as suggested by the UN Statistical Office, that the CSO be mandated to revise the base year of the IIP every five years.*⁶³

6.3.5 Failure to initiate surveys and to compile basic sources of data required for the National Accounts Statistics (NAS) resulting in adoption of round about estimation procedures by NAD especially in agriculture and allied activities, forestry, fishing and construction.

6.3.5.1 *Agriculture:* The Gross Value Added (GVA) by agriculture sourced from the Ministry of Agriculture's Directorate of Economics and Statistics (DES) which builds up estimates from a multiplicity of sources.⁶⁴ The limitations of various sources on major and minor crops and their by-products, sources on inputs, data on vegetables and fruits, plantation etc. are well documented.⁶⁵ There are huge time lags of data on wholesale prices of primary markets, and the result is "large scale estimates".⁶⁶ Some of the major data gaps include non-capturing of value added due to storage of produce; valuation of 'miscellaneous' crops" on the basis of other and related crops"; lack of complete data on floriculture, mushroom culture, medicinal and aromatic plants, betel leaf and toddy; and methods like estimation of grass as livestock feed based on the 1955-56 NSSO Survey. Discontinuation of data supply in certain areas like minor crops and late supply of data are some of the other problems.⁶⁷ The NSC (2001) recognized the need for special surveys,⁶⁸ including farm-management survey on all-India basis.⁶⁹ However, it may be pointed out that *the Comprehensive Scheme for Studying the cost of cultivation of Principal Crops in*

⁵⁷ These recommendations appear in paragraph 5.4.17 (xiii) and (xv) on page 173 of *Volume II, NSC Report 2001*.

⁵⁸ NSC 2001 Report, Volume II, page 174, paragraph 5.4.18.

⁵⁹ Paragraph 5.4.19, page 174 *ibid*.

⁶⁰ Paragraph 5.4.20, page 174, *ibid*.

⁶¹ G.C. Manna 2010, *Current Status of Industrial Statistics in India: Strengths and Weaknesses*, in *Economic and Political Weekly*, Volume XLV Number 26, 13th November.

⁶² NAD (2011), *Material for Sheila Bhalla on Data Gaps*, page 2.

⁶³ See paragraph 5.4.17 (v), page 172, *NSC Report, Volume II*.

⁶⁴ Quoted from paragraph 9.16 on fertilizer statistics in *National Accounts Statistics – Sources and Methods 2007* (NAS 2007).

⁶⁵ Chapter 9 on Agriculture and allied activities in *NAS 2007* provides an official account of some of these limitations. See especially paragraphs 9.70, 9.71 and 9.72.

⁶⁶ Page 4, NAD (2011) *Material for Sheila Bhalla on Data Gaps*.

⁶⁷ See page 4, NAD (2011) *ibid*.

⁶⁸ *Report of the National Statistical Commission (2001) Volume II*, page 144, paragraph 4.22.1.

⁶⁹ Paragraph 4.22.8 (ii), page 145, *NSC 2001 Report, Volume II*.

India gathers much of the required farm-level data, and further utilization of this source could help in overcoming some of the limitations.

6.3.5.2 Forestry and Logging: In the National Accounts, the GVA is estimated based on production approach but in some categories of forest products, production data are incomplete or non-existent. Added to this, States tend to accord low priority to reporting data and some fail to furnish statistics on time.⁷⁰ The contribution of forest sector to GDP is underestimated since these do not take into account several important items.⁷¹ For instance, the estimates of industrial wood are “generally considered to be quite an underestimate”.⁷² *To improve the estimates related to the production and value of industrial wood, it is recommended that State Forest Departments should be required to provide species and quality-wise quantity and current price estimates for the output produced by Government forests.* Data on production of fuel wood are not available but estimated on the basis of information on the consumption of fuel wood by households⁷³ and the data on firewood are estimated on the basis of NSS quinquennial survey data on household consumption and hence these estimates are likely to be less reliable.⁷⁴ The value of minor forest produce (MFP) is estimated on the basis of royalties received but are considered to be under estimates. The NSC (2001) recommendation in this regard remains on paper.⁷⁵ There are no data at all on the production from social forestry and related programmes.⁷⁶ There are rough estimates of input costs as ten percent of the total value of output.⁷⁷ An another major problem is the inordinate delay in the availability of data for compiling GVA by forestry and logging.⁷⁸ Following the NSC (2001), it is recommended that “State Forest Departments should be adequately supported by the establishment of appropriate statistical units to oversee the collection and compilation of forestry statistics from diverse sources on forest products”.⁷⁹

6.4 Enhancing informant’s cooperation: All the statistical exercises while adopting appropriate methodology, concept, design and the procedures for generating statistics with due concern for reducing non-sampling errors do need to have cooperation of informants and the units providing the data. It is well recognized that a good data base depends upon the cooperation of the respondents. *Towards this end, the measure to sensitise the general public on the importance of data through publicity is equally important for quality of data and control of non-sampling errors.*

⁷⁰ For this summary, see paragraph 10.17, page 116, *National Accounts Statistics – Sources and Methods 2007*.

⁷¹ See paragraph 4.17.5, page 138, *NSC 2001 Report, Volume II*.

⁷² *NAS 2007*, paragraph 10.17.

⁷³ Paragraph 10.10, page 115, *NAS 2007*.

⁷⁴ Paragraph 10.16, *NAS 2007*.

⁷⁵ Paragraph 10.16, page 115, *NAS 2007*.

⁷⁶ Page 5, *NAD Material 2011*.

⁷⁷ Based on paragraphs 10.12 and 10.17 of *NAS 2007* and material from *NAD 2011*.

⁷⁸ *NAS 2007*, paragraph 10.12.

⁷⁹ *NSC 2001 Report, Volume II*, paragraph 4.17.10.

Annexure - A

A. NSS Field Investigators

Year	Sanctioned	In Position	Retd+ VRS	Resignation	Promotions	Other Attrition	Total Attrition (Col. 4+5+6+7)	Rectt.	Contract Investigators
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1990-91	1469	1189	-	-	-	-	-	-	-
1991-92	1469	1215	-	-	-	-	-	-	-
1992-93	1469	1161	-	-	-	-	-	-	-
1993-94	1469	1100	-	-	-	-	-	-	-
1994-95	1231	1054	-	-	-	-	-	-	-
1995-96	1199	1015	-	-	-	-	-	-	-
1996-97	1199	998	-	-	-	-	-	-	-
1997-98	1199	1170	-	-	-	-	-	214	-
1998-99	1482	1215	-	-	66	-	66	-	-
1999-00	1482	1165	-	-	56	-	56	171	240
2000-01	1482	1215	-	-	-	-	-	-	-
2001-02	1482	1242	-	-	-	-	-	55	104
2002-03	1482	1223	-	-	-	-	-	-	-
2003-04	1482	1215	-	-	-	-	-	120	-
<i>Field Investigator (Gr. III and IV From 2004-05 to 2007-08</i>									
2004-05	2009	1519	-	-	-	-	-	-	437
2005-06	2009	1525	4	58	-	4	66	436	-
2006-07	2009	1456	1	38	-	3	79	-	-
2007-08	2009	1683	3	100	-	4	107	165	-
<i>Asstt Superintending Officer Gr. II 2008-09 onwards-</i>									
2008-09	2009	1633	3	99	481	5	588	-	-
2009-10	2009	1109	1	35	253	3	292	286	1569
2010-11	-	-	-	-	-	-	-	-	1020

Note: For Promotion/Resignation/Retd/VRS and other Attrition figures files of individual incumbents have to be checked (around 3500 to 4000) which will take lot of time. Thus, above figures may be treated as tentative

Annexure - B

B. NSS: Field Supervisors

Year	NSSO in Service (Sanctioned)	In Position	Retd+VRS	Resignation	Promotions	Other Attrition (VRS+Expired)	Total Attrition (Col. 4+5+6+7)	Rectt.	Consultants on Contract
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1990-91	-	-	-	-	-	-	-	-	-
1991-92	-	-	-	-	-	-	-	-	-
1992-93	-	-	-	-	-	-	-	-	-
1993-94	-	-	-	-	-	-	-	-	-
1994-95	-	-	-	-	-	-	-	-	-
1995-96	1920	1529	69	-	-	2	71	-	-
1996-97	1920	1490	70	-	-	6	76	-	-
1997-98	1745	1661	52	-	-	1	53	-	-
1998-99	1745	1645	42	-	92	11	145	-	-
1999-00	1745	1623	53	-	160		213	-	-
2000-01	1745	1630	60	-	-	2	62	-	-
2001-02	1745	1654	56	-	19	4	79	-	-
2002-03	1745	1660	48	-	-	5	53	-	-
2003-04	1745	1655	52	-	-	1	53	-	-
<i>Field Investigator (Gr. I and II From 2004-05 to 2007-08</i>									
2004-05	1218	1172	71	-	-	1	72	-	-
2005-06	1218	1148	110	-	64	2	176	-	-
2006-07	1218	1068	77	-	-	3	80	-	-
2007-08	1218	976	102	-	-	7	109		
<i>Asstt Superintending Officer Gr. I 2008-09 onwards-</i>									
2008-09	1218	875	95	-	-	5	100	-	-
2009-10	1218	1072	124	-	48	11	183	-	-
2010-11	-	-	-	-	-	-	-	-	200

Note: For Promotion/Resignation figures files of individual incumbents have to be checked which will take lot of time. Thus, above figures may be treated as tentative

Statement showing the number of contract investigators (C.I.s.) and Consultants engaged by NSSO (FOD) since 1990-91

Sr. No.	Year (Period)	Contract Investigators	Consultants	Period of Engagement
1	1990-2000	240	-	Exact period of engagement is not available Probably from July to June
2	2002-03	104	-	do-
3	2004-05	437	-	do-
4	2009-10	1569	-	1. 616 Contract Investigators for 66th round of NSS from July 2009-June 2010
				2.. 600 Contract Investigators for Urban Frame Survey (UFS) from July, 2009 to March 2011
				3. 126 Contract Investigators for NREGA Survey for twenty five months from July 2009 to July 2011
5	2010-11	1020	200	1. 1020 Contract Investigators and 200 Consultants for 67 round of NSS from June 2010 to July 2011

Chapter 7

Recommendations

7.1 Introduction

7.1.1 There are a number of gaps in the statistics on enterprises and employment in informal sector in India. The Committee noted that the data gaps emanate from the divergence of the existing data collection mechanism relating to concepts, definitions and coverage required for an effective data system conforming to the ILO frame work. The Committee considered the unorganized sector in a holistic perspective, in terms of their characteristics, their linkages and inter-relationship with organized sector as well as linkages with institutions and processes such as credit, marketing, trade and risk management. The Committee recommends that a dedicated unit should be created within NSO for standardizing concepts, definitions and harmonization thereof and promoting their use in census and surveys. This unit will also regularly interact with all national level institutions involved in conduct of such surveys on the need for adopting harmonized concepts and definitions. [Paras: 2.2.14 and 4.5.1]

7.2 Informal Employment

7.2.1 The Committee noted that the present questionnaire of NSS Employment and Unemployment Survey (EUS) is very lengthy. However, in view of the importance of data on informal employment, the Committee suggests the incorporation of a few more probing questions pertaining to informal characteristics of the enterprises and the workforce, particularly in the quinquennial surveys. If such an augmentation is not feasible, then a full-fledged survey confined only to informal sector (based on usual activity approach for principal and subsidiary status) should be conducted as a follow up of EUS survey. [Para: 3.9.3]

7.2.2 A major limitation of the EUS is inadequate information on the quality of employment. The Committee recommends that some additional items of information to capture the quality of employment (productivity, durability, regularity of work, security and safety), with proper specification, may be incorporated in the survey instruments. The Committee also recognised the importance of statistics on earnings. However, there are constraints in the collection of reliable data on earnings from self employment. To overcome these limitations, appropriate methodological studies may have to be undertaken and specific indicators and data needs to be identified. [Para: 3.10.3 and 3.10.4]

7.2.3 The recent initiative of the Labour Bureau to conduct Annual EUS is primarily meant to study the impact of economic volatility on the labour market. However, the surveys do not distinguish formal and informal employment. The Committee while appreciating the initiative suggests that the Annual EUS be redesigned to capture the informal employment as well. [Para: 3.11.5]

7.3 Informal Enterprises

7.3.1 The Committee recognises the importance of cost of cultivation data in bridging the vital data gap for studying various aspects of farm enterprises and recommends that the Comprehensive Scheme for Study of Cost of Cultivation should be strengthened by inducting inbuilt mechanism of data validation, consolidation and dissemination. The central unit managing the cost of cultivation studies in the Ministry of Agriculture needs to be suitably strengthened and the validated unit level data should be put in public domain. In the process of data dissemination, corrections incorporated at the central unit level should also be communicated to the primary data collection units (i.e., Agricultural Universities). [Para: 3.16.5]

7.3.2 The Committee noticed the virtual absence of data on the construction sector. Since informal workers are found in large number in this rapidly expanding sector, the Committee recommends that a special survey on informal sector relating to construction activities be undertaken on a priority basis. [Para: 3.8.5]

7.3.3 The Committee noted that the Ministry of MSME is taking initiative to evolve production index based on MSME census/sample data. For enhancing the utility of MSME surveys and their comparability with other surveys of unorganized sector, the schedule of enquiry should incorporate information on the type of enterprises, and the employment size. The Committee suggests that the unit level data of MSME surveys should also be put in public domain, maintaining the confidentiality. [Para: 3.14.1]

7.3.4 Considering the important role of micro, small and medium enterprises in the national economy, the Committee recommends that systematic studies may be undertaken on their role in terms of output, employment and export. In addition, studies may be sponsored on value added and technology absorption in these enterprises. [Para: 3.14.2]

7.4 Economic Census

7.4.1 In view of the weakness and deficiency in the data-capture, coverage and under-reporting as observed in the past ECs, the Committee recommends setting up of a permanent unit, both at Central and State level, in line with the Population Census, to conduct the ECs at regular and fixed interval of five years. The Committee recommends to equip the Central and State units with adequate manpower and financial resources and with the provision to enhance the capabilities of human resources through up-to-date training. The human resources should be capable of updating the EC frame and preparing the Business Register during the inter-census period based on administrative records. The guidelines of the Working Group on Business Register constituted by the MOSPI should be followed. The Committee also recommends that the quinquennial Economic Census results should be published, and made available to all levels of government and other users, ideally a year before the preparation of successive Five Year Plans, bringing EC in alignment with Planning cycle. [Para: 3.15.4 and 6.3.2.5 (i)]

7.4.2 The MOSPI Working Group on the Sixth Economic Census suggested a number of measures to strengthen the Economic Census. The Committee recommends that these suggestions should be adopted as guidelines for the conduct of the Sixth Economic Census and their efficacy should be reviewed subsequently in the light of the experience. [Para: 6.3.2.2]

7.4.3 The Committee recognises the critical importance of training in the conduct of Economic Census and recommends that arrangements be made, first, by extending the training period to minimum of three days, and second, to reduce the number trained at any place to be of moderate size. The training of lower level officials should be by the experienced core group of trainers to avoid failure of ‘instructional trickle down’. [Para: 6.3.2.5 (ii)]

7.4.4 The National Strategic Statistical Plan (2008) and the India Statistical Strengthening Project (ISSP) recognised the need for adequate, careful and urgent attention towards enhancing the capacity of the DES to organise large-scale surveys, use of advanced software for processing and report generation. The Thirteenth Finance Commission recommended financial aid for improving the statistical competence of the DES at the District level. The Committee recognises the need for strengthening EC in evolving a dependable Business Register for introducing Annual Survey of non-manufacturing industries. The Committee therefore recommends a planned programme to bring the four complementary projects viz., (i) Economic Census, (ii) Business Register, (iii) Annual Survey of Industries and (iv) Annual Survey of Non-Manufacturing Industries (including construction and ITC sector), on a compatible platform to derive fuller advantages of complementarities. The Committee also recommends that this programme should be treated as a Central Sector Plan Scheme. [Para: 6.3.2.5 (iii)]

7.4.5 In view of non-availability of school teachers for data collection and survey activities, immediate solution may need to be evolved in the case of conduct of EC, and a strategy may be adopted by attracting qualified people who are currently unemployed with suitable incentives and providing them appropriate training. [Para: 6.3.2.5 (iv)]

7.5 Economic Contribution of Informal Sector

7.5.1 The Committee recommends that a system for statistics on informal economy should have the mechanism to capture data on direct and indirect linkages between the formal and informal sectors, taking into account aspects like (i) forms of organisation, (ii) existence of differences in employment status like unpaid family workers including self employment, women’s participation in extended SNA activities, (iii) variation in the nature of unorganised sector across different locations, and (iv) vulnerability of unorganised sector to shocks. (Para 2.1.7)

7.5.2 The Committee felt that there is an urgent need to improve the methods of arriving at estimates of GVA from service and construction sectors based on sound methodology and database, separately for organised and unorganised segments. The Committee also recommends

that ‘satellite account’ for the unorganised sector be prepared once in five years. [Paras 3.8.5 and 4.5.1; and Section 4.4]

7.6 Credit Issues

7.6.1 The Committee recognized that there is no unique system which captures credit information in respect of unorganized sector enterprises satisfactorily. In order to effectively address the issues concerning informal sector enterprises, the Committee recommends development of a suitable frame of the unorganized sector enterprises. The classification and coding system that will be used to collect data on credit, production, value added, employment and other related information from the same set of entities should be made compatible with the BSR coding system. To capture such data, surveys are to be undertaken on the lines of NSSO’s AIDIS/ Enterprise survey at least once in five years using this frame and classification/coding structure. [Paras: 5.5.3, 5.5.4 and 5.5.5]

7.6.2 The Committee recommends that the Enterprise Surveys of NSSO/CSO need to specifically cover financial service enterprises and provide data needed to derive value-added details as also the details of credit. The RBI should closely liaise with CSO and NSSO on the technical aspects of these surveys and ensure the coverage of all known household financial enterprises like, share brokers, multani shroffs, chettiars, marwari kayas and pawnbrokers and various kinds of moneylenders. [Para: 5.5.6]

7.6.3 In order to collect financial data in respect of all NGOs and SHGs involved in micro financing, the Committee recommends that a sample survey of NGOs and SHGs should be undertaken by NABARD at quinquennial intervals. NABARD may also consider such data at more frequent and regular intervals. Apart from nation-wide surveys which provide macro-estimates, considering the diversity across regions, it is necessary to promote regional and micro-level studies on the informal financial sector activities. [Para 5.5.11(iv)]

7.6.4 The Committee noted some serious data gaps on the linkages between the informal and formal sectors and recommends that these information gaps be plugged and, data be made available in a studied manner, to provide adequate basis for promotional and other policy issues. The Committee identified some areas for periodical studies on linkages between formal and informal sectors. It recommends special studies on linkages between formal bank finance and NBFCs and their operations, linkages between formal bank credit and the lending activities of micro-credit/ microfinance sector, linkages between banks and informal indigenous financiers including money lenders. It also recommends studies on the role of formal banking system in loans for unorganised sector vis-à-vis unorganised sector deposits. [Para 5.7]

7.6.5 On the aspects of credit flows to informal sector, the Committee noted that the database maintained by RBI does not have any thing specifically related to unorganized sector. The Committee recommends that the details collected under various returns of RBI should be

tabulated against the informal financial sector to understand the extent of linkages between the formal and informal segments. A few tables presenting disaggregated data in the BSR volumes for scheduled commercial banks are based on only large loan accounts (that is, presently with credit limits of above Rs. 2 lakh). These tables are: 1.13 (by interest rate range), 1.14 (by type of account), and 1.15 (according to organisation). Under many sub-categories represented in them, small-size accounts are sure to be important. To present consolidated accounts of such distributions, the RBI may make use of its sample surveys on small borrowal accounts, presently undertaken biennially, and explore aggregate estimation for the relevant categories covering both small and large accounts. [Paras: 5.5.10 and 5.6.2]

7.6.6 Though priority sector credit has come to assume critical importance, there are gaps in information relating to some of the informal activities. A major gap in the data base on priority sectors, particularly in favour of agriculture, concerns the absence of data on shortfalls and the consequential allocations under RIDF. The RBI should set out a full picture of these shortfalls and the operation of the RIDF arrangement. Further, from the year 2008 onwards, the RBI has received the BSR guidelines and introduced a new 'category of borrowers' covering the various sections of SMEs and farmers. The entire data set for these categories deserves to be disseminated by the RBI on a regular basis. Apart from credit extended by scheduled commercial banks, institutional credit advanced by (a) the co-operative sector, and (b) by SIDBI and SFCs, should also be covered in total credit flow and/or outstanding in favour of different categories of informal sectors. [Para: 5.5.11 (vi)]

7.7 Linkages between Informal and Formal Sectors

7.7.1 Committee recommends that a task force be constituted by NSO to examine and bring out an Input-Output Table for the unorganized sector, to begin with on the basis of the readily available data-sets, and then suggest measures to overcome problems faced in preparing the I-O table. The suggestions should aim at bringing out a comprehensive I-O table combining both the organized and unorganized sectors. [Para 5.9]

7.7.2 The importance of the informal sector in meeting the requirements of formal sector as a supplier of inputs and services is well acknowledged. The Committee recommends that the National Statistical Organisation (NSO) may formulate methodological studies for strengthening data base on such aspects of linkages of informal sector and formal sector as well as their relevance in activities like trade. [Para 5.10]

7.8 Sustainability and Risk

7.8.1 The Committee recognized the development concerns of unorganized sector in the wake of its vulnerability of operation, sustainability and risk arising out of factors such as suspension / stop of credit flows in terms of cash or raw materials, suspension / stop of access to markets and other non market factors such as absence of information, communication and connectivity but

noted that there are so many causes to affect the smooth entrepreneurial activities leading to death of such enterprises. The character of risk and its management for the sustainability are different for different industries and as such, the Committee recommends that it would be best to undertake case studies or type studies or pilot surveys to investigate the data needs for understanding vulnerabilities. [Para 5.8]

7.9 Institutional Issues

7.9.1 Statistics on informal sector are generated primarily through large scale sample surveys involving personal interview approach. Keeping this in view, the Committee recommends that the primary field workers should not only have minimum educational standard, but also working knowledge of English, proficiency in the language of the region, and basic knowledge of computers. To ensure sufficient number of field workers in NSSO in each region with knowledge of regional language, the Committee recommends for necessary amendment of the recruitment rules. [Para: 6.3.1.5]

7.9.2 The Committee recommends filling up all the vacant posts of investigators in FOD. In this regard care should be taken that appropriate 'language and culture' qualifications have been adopted for recruitment to regional offices. Supervisory officers should also know the local language to ensure proper inspection and scrutiny standards. [Para: 6.3.1.10]

7.9.3 The present recruitment procedures are to be streamlined to avoid undue delays in recruitment and a Committee may look into the matter. In the interim, a provision to be made for recruitment of field investigators with 30 percent induction through local recruitment and seventy percent through Staff Selection Commission. [Para: 6.3.1.5]

7.9.4 In the eventuality of hiring contract investigators in FOD and to minimise the loss of experienced staff and training expenses, the Committee recommends that contract workers with about two years' experience could be given an opportunity to enter regular service through Limited Departmental Examination. [Para: 6.3.1.9]

7.9.5 For improving the respondent's cooperation towards surveys, the Committee recommends for strengthening measures to sensitize the general public on the importance of data through publicity. Any large scale survey should be preceded with adequate publicity. [Para: 6.4]

7.9.6 The Committee felt that there were failures to initiate surveys in minor agricultural crops, horticulture crops, floriculture crops, aromatic and medicinal plants to provide information to compile basic data required for the National Accounts Statistics (NAS). This has resulted in adoption of roundabout estimation procedures by the NAD especially in agriculture and allied

activities and construction. The Committee recommends that these limitations should be rectified by initiating special type studies on priority basis. [Para: 6.3.5]

7.9.7 In view of the severe data gaps in the unorganised sector the Committee reiterates the recommendation of NSC (2001), that “State Forest Departments should be adequately supported by the establishment of appropriate statistical units to oversee the collection and compilation of forestry statistics from diverse sources on forest products.” [Para: 6.3.5.2]

7.10 Dissemination of Informal Sector Statistics

7.10.1 The Committee feels that effective dissemination of official statistics on informal sector should also be an important function of a desired system of statistics. The Committee recommends that regular and timely dissemination of informal sector statistics collected by the public agencies should form part and parcel of the national policy on dissemination of statistics.

[Para: 2.4]

F.No.8(64)/2010-NSC
Government of India
Ministry of Statistics and Programme Implementation
National statistical Commission Secretariat

II Floor, Sardar Patel Bhawan,
Sansad Marg, New Delhi-110001,
The 30th July 2010

ORDER

Sub: Constitution of Professional Committees by the NSC.

The issue of constituting professional Committees to assist it on various technical issues was under the consideration of the National Statistical Commission (NSC) for quite some time. It has now been decided by the NSC to constitute eight professional Committees. The details of composition and terms of reference of each Committee are given in the Annexure. The Committee on Statistics of Agriculture & Allied Sectors will have tenure of twelve months. All the remaining Committees will have tenure of six months. The Committees shall accordingly submit their reports to the NSC.

2. With the approval of the Chairman of the NSC, each of the Committees may also enlist the assistance of subject matter experts within and/or outside the Government and may co-opt them as members according to necessity.

3. The expenditure of TA /DA of the official members will be borne by their respective Ministries / Departments / Organizations. Each of the non-official Members would be entitled for a sitting fee of Rs. 1,000/- per day for attending meetings. They will be entitled to travel by air in executive class or by rail in air-conditioned first class while undertaking tours in connection with the meetings of the respective Committees. They will also be entitled to TA/ DA on tours as admissible to a Joint Secretary to the Government. Besides, they will also be

entitled to transport or transport charges for local travel for attending the meetings of the respective Committees.

4. Secretariat support to the Committees would be provided by the Central Statistical Organisation. The expenditure on conducting the meetings of the Committees and payments/ reimbursements made to the non-official Members will, under the relevant heads, be debitabale to the budget allocated to the NSC under the non-plan grant of the Ministry of Statistics & Programme Implementation (MOSPI).

5. This issue with the concurrence of IFD vide Dy. No. 514/ B& F dated 29th July 2010.

6. This order comes into effect from 1st August 2010.

Sd/-

(M.V.S. Ranganadham)

Dy. Director General

Telefax: 011-23367128

Mob: 919818878155

E-mail: nsc-secretariat@nic.in

Committee on unorganised sector statistics

Composition:

1.	Prof. R.Radhakrishna, Chairman, NSC E-Mail: rkrokkam@gmail.com	Chairman
2.	Prof. Sheila Bhalla, Former JNU Professor, Institute of Human Development, New Delhi, E-Mail: bhallasheila@gmail.com	Member
3.	Prof. Ravi Srivastava, JNU, New Delhi E-Mail: ravisriv@gmail.com	Member
4.	Prof. D. Narashimha Reddy, Former Dean, University of Hyderabad E-Mail: duvvurunarasimha@gmail.com	Member
5.	Dr. Srijit Mishra, IGIDR, Mumbai E-Mail: srijit@igidr.ac.in	Member

6.	Prof. Alakh N. Sharma, Institute of Human Development, New Delhi E-Mail: alakh.sharma@gmail.com	Member
7.	Representative of the Reserve Bank of India (RBI)	Member
8.	Representative of B&F Division, M/o Finance	Member
9.	Representative of Indian Statistical Institute	Member
10.	Addl. DG, CSO(ESD)	Member
11.	Addl. DG, CSO(NAD)	Member
12.	DDG, NSSO (FOD,Hqrs), New Delhi	Member
13.	DDG, DCSSI	Member
14.	Director, DES, Govt. of Punjab	Member
15.	Director, DES, Govt. of Karnataka	Member
16.	Director, DES, Govt. of Bihar	Member
17.	Director, DES, Govt. of Gujarat	Member
18.	Addl. DG, NSSO(SDRD)	Member Secretary

Terms of Reference:

1. To examine the existing definitions of unorganized / informal enterprises and employment and suggest appropriate modifications with specific objective of their amenability towards better measurement.
2. To identify major data gaps relating to unorganized enterprises and unorganized workers.
3. To review existing methodologies and arrangements for estimating unorganized / informal employment and income arising from unorganized / informal enterprises and suggest modifications.
4. To examine the existing databases for estimation of income and employment in unorganized /informal sector and suggest improvements.
5. To analyze the present system of data collection relating to unorganized / informal sector and suggest modifications needed in the coverage and content in the existing surveys or new surveys.

Constitution of sub-committees

In the first meeting of the NSC Committee on Unorganised Sector Statistics held on 16th September, 2010 at New Delhi under the chairmanship of Prof. R. Radhakrishna, Chairman, National Statistical Commission, 4 sub-committees were constituted as follows:

- i. **Sub-committee 1** comprising Professor(Mrs.) Sheila Bhalla, Prof. A. N. Sharma, Prof. D.N.Reddy, Dr, N,S. Sastry, Dr, Savita Sharma (facilitator) to look into what could be the ideal system for forming the desired data base
- ii. **Sub-committee 2** comprising Prof. Ravi Srivastava, Dr. Rajiv Mehta (facilitator) and Sri Servesh Kumar to have critical review of Employment and Unemployment Survey and qualitative dimensions.
- iii. **Sub-committee 3** comprising Dr. S.L.Shetty of EPW, Dr. Sandeep Sarkar of IHD, Dr. Srijit Misra, Adviser RBI and Sri Sajeewan (facilitator) to have a critical review of the existing data bases on unorganised enterprises in totality covering different dimensions of organisation, multiple sources of income, sustainability, risk management ,access to credit.factor and product markets,and linkages with organised and unorganised sectors and suggest improvements.
- iv. **Sub-committee 4** comprising Professor(Mrs.) Sheila Bhalla , Prof. A. N. Sharma, Prof. Ravi Srivastava , Sri Servesh Kumar (facilitator), DES representatives, to have an appraisal of present system of data collection

The committee co-opted Dr.SL Shetty of EPWRF as member of the committee on Unorganised Sector Statistics.

**Resolution concerning statistics of employment in the informal sector,
adopted by the Fifteenth International Conference of Labour Statisticians (January 1993)**

[Extract]

Concept

5 (1) The informal sector may be broadly characterized 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. These units typically operate at a low level of organization, with little or no division between labour and capital as factors of production and on a small scale. Labour relations - where they exist - are based mostly on casual employment, kinship or personal and social relations rather than contractual arrangements with formal guarantees.

(2) Production units of the informal sector have the characteristic features of household enterprises. The fixed and other assets used do not belong to the production units as such but to their owners. The units as such cannot engage in transactions or enter into contracts with other units, nor incur liabilities, on their own behalf. The owners have to raise the necessary finance at their own risk and are personally liable, without limit, for any debts or obligations incurred in the production process. Expenditure for production is often indistinguishable from household expenditure. Similarly, capital goods such as buildings or vehicles may be used indistinguishably for business and household purposes.

Operational definitions

Informal sector

6 (1) For statistical purposes, the informal sector is regarded as a group of production units which, according to the definitions and classifications provided in the United Nations System of National Accounts (Rev. 4), form part of the household sector as household enterprises or, equivalently, unincorporated enterprises owned by households as defined in paragraph 7.

(2) Within the household sector, the informal sector comprises (i) "informal own-account enterprises" as defined in paragraph 8; and (ii) the additional component consisting of "enterprises of informal employers" as defined in paragraph 9.

(3) The informal sector is defined irrespective of the kind of workplace where the productive activities are carried out, the extent of fixed capital assets used, the duration of the operation of the enterprise (perennial, seasonal or casual), and its operation as a main or secondary activity of the owner.

Household enterprises

7. According to the United Nations System of National Accounts (Rev. 4), household enterprises (or, equivalently, unincorporated enterprises owned by households) are distinguished from corporations and quasi-corporations on the basis of the legal organization of the units and the type of accounts kept for them. Household enterprises are units engaged in the production of goods or services which are not constituted as separate legal entities independently of the households or household members that own them, and for which no complete sets of accounts (including balance sheets of assets and liabilities) are available which would permit a clear distinction of the production activities of the enterprises from the other activities of their owners and the identification of any flows of income and capital between the enterprises and the owners. Household enterprises include unincorporated enterprises owned and operated by individual household members or by two or more members of the same household as well as unincorporated partnerships formed by members of different households.

Informal own-account enterprises

8 (1) Informal own-account enterprises are household enterprises (in the sense of paragraph 7) owned and operated by own-account workers, either alone or in partnership with members of the same or other households, which may employ contributing family workers and employees on an occasional basis, but do not employ employees on a continuous basis and which have the characteristics described in subparagraphs 5 (1) and (2).

(2) For operational purposes, informal own-account enterprises may comprise, depending on national circumstances, either all own-account enterprises or only those which are not registered under specific forms of national legislation.

(3) Registration may refer to registration under factories or commercial acts, tax or social security laws, professional groups' regulatory acts, or similar acts, laws, or regulations established by national legislative bodies.

Enterprises of informal employers

9 (1) Enterprises of informal employers are household enterprises (in the sense of paragraph 7) owned and operated by employers, either alone or in partnership with members of the same or other households, which employ one or more employees on a continuous basis and which have the characteristics described in subparagraphs 5 (1) and (2).

(2) For operational purposes, enterprises of informal employers may be defined, depending on national circumstances, in terms of one or more of the following criteria:

(i) size of the unit below a specified level of employment;

(ii) non-registration of the enterprise or its employees.

(3) While the size criterion should preferably refer to the number of employees employed on a continuous basis, in practice, it may also be specified in terms of the total number of employees or the number of persons engaged during the reference period.

(4) The upper size limit in the definition of enterprises of informal employers may vary between countries and branches of economic activity. It may be determined on the basis of minimum size

requirements as embodied in relevant national legislations, where they exist, or in terms of empirically determined norms. The choice of the upper size limit should take account of the coverage of statistical inquiries of larger units in the corresponding branches of economic activity, where they exist, in order to avoid an overlap.

(5) In the case of enterprises, which carry out their activities in more than one establishment, the size criterion should, in principle, refer to each of the establishments separately rather than to the enterprise as a whole. Accordingly, an enterprise should be considered to satisfy the size criterion if none of its establishments exceeds the specified upper size limit.

(6) Registration of the enterprise may refer to registration under specific forms of national legislation as specified in subparagraph 8 (3). Employees may be considered registered if they are employed on the basis of an employment or apprenticeship contract which commits the employer to pay relevant taxes and social security contributions on behalf of the employee or which makes the employment relationship subject to standard labour legislation.

10. For particular analytical purposes, more specific definitions of the informal sector may be developed at the national level by introducing further criteria on the basis of the data collected. Such definitions may vary according to the needs of different users of the statistics.

Population employed in the informal sector

11 (1) The population employed in the informal sector comprises all persons who, during a given reference period, were employed (in the sense of paragraph 9 of resolution I adopted by the Thirteenth International Conference of Labour Statisticians) in at least one informal sector unit as defined in paragraphs 8 and 9, irrespective of their status in employment and whether it is their main or a secondary job.

Treatment of particular cases

14. Household enterprises, which are exclusively engaged in non-market production, i.e. the production of goods or services for own final consumption or own fixed capital formation as defined by the United Nations System of National Accounts (Rev. 4), should be excluded from the scope of the informal sector for the purpose of statistics of employment in the informal sector. Depending on national circumstances, an exception may be made in respect of households employing domestic workers as referred to in paragraph 19.

16. For practical reasons, the scope of the informal sector may be limited to household enterprises engaged in non-agricultural activities. With account being taken of paragraph 14, all non-agricultural activities should be included in the scope of the informal sector, irrespective of whether the household enterprises carry them out as main or secondary activities. In particular, the informal sector should include secondary non-agricultural activities of household enterprises in the agricultural sector if they fulfil the requirements of paragraphs 8 or 9.

17. Units engaged in professional or technical activities carried out by self-employed persons, such as doctors, lawyers, accountants, architects or engineers, should be included in the informal sector if they fulfil the requirements of paragraphs 8 or 9.

18 (1) Outworkers are persons who agree to work for a particular enterprise, or to supply a certain quantity of goods or services to a particular enterprise, by prior arrangement or contract with that enterprise, but whose place of work is not within any of the establishments, which make up that enterprise.

(2) In order to facilitate data collection, all outworkers should be potentially included in the scope of informal sector surveys, irrespective of whether they constitute production units on their own (self-employed outworkers) or form part of the enterprise, which employs them (employee outworkers). On the basis of the information collected, self-employed and employee outworkers should be distinguished from each other by using the criteria recommended in the United Nations System of National Accounts (Rev. 4). Outworkers should be included in the informal sector, or in the population employed in the informal sector, if the production units, which they constitute as self-employed persons or for which they work as employees fulfil the requirements of paragraphs 8 or 9.

19. Domestic workers are persons exclusively engaged by households to render domestic services for payment in cash or in kind. Domestic workers should be included in or excluded from the informal sector depending upon national circumstances and the intended uses of the statistics. In either case, domestic workers should be identified as a separate sub-category in order to enhance international comparability of the statistics.

**Guidelines concerning a statistical definition of informal employment,
endorsed by the Seventeenth International Conference of Labour Statisticians (November-
December 2003)**

The Seventeenth International Conference of Labour Statisticians (ICLS),

Acknowledging that the relevance of informal employment varies among countries, and that a decision to develop statistics on it is therefore determined by national circumstances and priorities,

Noting that the term ‘informal economy’ is used by the ILO as including the informal sector as well as informal employment, and that as a supplement to the System of National Accounts 1993 an international conceptual framework for measurement of the non-observed economy already exists, which distinguishes the informal sector from underground production, illegal production, and household production for own final use,

Recalling the existing international standards on statistics of employment in the informal sector contained in the Resolution concerning statistics of employment in the informal sector adopted by the Fifteenth ICLS (January 1993),

Noting the recommendation made by the Expert Group on Informal Sector Statistics (Delhi Group), during its Fifth Meeting, that the definition and measurement of employment in the informal sector need to be complemented with a definition and measurement of informal employment,

Emphasizing the importance of consistency and coherence in relating the enterprise-based concept of employment in the informal sector to a broader, job-based concept of informal employment,

Considering the methodological work, which the International Labour Office and a number of countries have already undertaken in this area,

Supporting the request, which was made by the International Labour Conference in paragraph 37(n) of the Resolution concerning decent work and the informal economy adopted during its 90th Session (2002), that the International Labour Office should assist countries in the collection, analysis and dissemination of statistics on the informal economy,

Recognizing that the considerable diversity of informal employment situations poses limits to the extent to which statistics on informal employment can be harmonized across countries,

Realizing the usefulness of international guidelines in assisting countries in the development of national definitions of informal employment, and in enhancing the international comparability of the resulting statistics to the extent possible,

Endorses the following guidelines, which complement the Resolution concerning statistics of employment in the informal sector of the Fifteenth ICLS, and encourages countries to test the conceptual framework on which they are based.

1. The concept of informal sector refers to production units as observation units, while the concept of informal employment refers to jobs as observation units. Employment is defined in the sense of paragraph 9 of the Resolution concerning statistics of the economically active population, employment, unemployment and underemployment adopted by the Thirteenth ICLS.

2. *Informal sector enterprises* and *employment in the informal sector* are defined according to the Resolution concerning statistics of employment in the informal sector adopted by the Fifteenth ICLS. For the purpose of statistics on informal employment, paragraph 19 of the Resolution concerning statistics of employment in the informal sector adopted by the Fifteenth ICLS should be applied to exclude households employing paid domestic workers from informal sector enterprises, and to treat them separately as part of a category named 'households'.

3. (1) *Informal employment* comprises the total number of informal jobs as defined in subparagraphs (2) to (5) below, whether carried out in formal sector enterprises, informal sector enterprises, or households, during a given reference period.

(2) As shown in the attached matrix, informal employment includes the following types of jobs:

- (i) own-account workers employed in their own informal sector enterprises (cell 3);
- (ii) employers employed in their own informal sector enterprises (cell 4);
- (iii) contributing family workers, irrespective of whether they work in formal or informal sector enterprises (cells 1 and 5);
- (iv) members of informal producers' cooperatives (cell 8);
- (v) employees holding informal jobs (as defined in subparagraph (5) below) in formal sector enterprises, informal sector enterprises, or as paid domestic workers employed by households (cells 2, 6 and 10);
- (vi) own-account workers engaged in the production of goods exclusively for own final use by their household (cell 9), if considered employed according to paragraph 9 (6) of the Resolution concerning statistics of the economically active population, employment, unemployment and underemployment adopted by the Thirteenth ICLS.

(3) Own-account workers, employers, members of producers' cooperatives, contributing family workers, and employees are defined in accordance with the latest version of the International Classification of Status in Employment (ICSE).

(4) Producers' cooperatives are considered informal, if they are not formally established as legal entities and also meet the other criteria of informal sector enterprises specified in the Resolution concerning statistics of employment in the informal sector adopted by the Fifteenth ICLS.

(5) 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 the jobs or the employees; casual jobs or jobs of a limited short duration; jobs with hours of work or wages below a specified threshold (e.g. for social security contributions); 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 (e.g. outworkers without employment contract); or jobs, for which labour regulations are not applied, not enforced, or not complied with for any other reason. The operational criteria for defining informal jobs of employees are to be determined in accordance with national circumstances and data availability.

(6) For purposes of analysis and policy-making, it may be useful to disaggregate the different types of informal jobs listed in paragraph 3 (2) above, especially those held by employees. Such a typology and definitions should be developed as part of further work on classifications by status in employment at the international and national levels.

4. Where they exist, employees holding formal jobs in informal sector enterprises (cell 7 of the attached matrix) should be excluded from informal employment.

5. *Informal employment outside the informal sector* comprises the following types of jobs:

- (i) employees holding informal jobs (as defined in paragraph 3 (5) above) in formal sector enterprises (cell 2) or as paid domestic workers employed by households (cell 10);
- (ii) contributing family workers working in formal sector enterprises (cell 1);
- (iii) own-account workers engaged in the production of goods exclusively for own final use by their household (cell 9), if considered employed according to paragraph 9 (6) of the Resolution concerning statistics of the economically active population, employment, unemployment and underemployment adopted by the Thirteenth ICLS.

6. Countries, which do not have statistics on employment in the informal sector, or for which a classification of employment by type of production unit is not relevant, may develop statistics on informal employment, if desired, in specifying appropriate definitions of informal jobs of own-account workers, employers and members of producers' cooperatives. Alternatively, they may limit the measurement of informal employment to employee jobs.

7. Countries, which exclude agricultural activities from the scope of their informal sector statistics, should develop suitable definitions of informal jobs in agriculture, especially with respect to jobs held by own-account workers, employers and members of producers' cooperatives.

Conceptual Framework: Informal Employment

Production units by type	Jobs by status in employment								
	Own-account workers		Employers		Contributing family workers	Employees		Members of producers' cooperatives	
	Informal	Formal	Informal	Formal	Informal	Informal	Formal	Informal	Formal
Formal sector enterprises					1	2			
Informal sector enterprises ^(a)	3		4		5	6	7	8	
Households ^(b)	9					10			

(a) As defined by the Fifteenth International Conference of Labour Statisticians (excluding households employing paid domestic workers).

(b) Households producing goods exclusively for their own final use and households employing paid domestic workers.

Note: Cells shaded in dark grey refer to jobs, which, by definition, do not exist in the type of production unit in question. Cells shaded in light grey refer to formal jobs. Un-shaded cells represent the various types of informal jobs.

Informal employment: Cells 1 to 6 and 8 to 10.

Employment in the informal sector: Cells 3 to 8.

Informal employment outside the informal sector: Cells 1,2, 9 and 10.

Some Concepts Used in Employment – Unemployment Survey of NSSO

Economic activity: Any activity resulting in production of goods and services that add value to national product was considered as an economic activity. Such activities included production of all goods and services for market (market activities), i.e. production for pay or profit, and, the production of primary commodities for own consumption and own account production of fixed assets, among the non-market activities.

Usual activity status: The usual activity status relates to the activity status of a person during the reference period of 365 days preceding the date of survey. The activity status on which a person spent relatively longer time (i.e. major time criterion) during the 365 days preceding the date of survey is considered as the *principal usual activity status* of the person.

Subsidiary economic activity status: A person whose principal usual status was determined on the basis of the major time criterion could have pursued some economic activity *for a relatively shorter time* (minor time) during the reference period of 365 days preceding the date of survey. The status in which such economic activity was pursued was the subsidiary economic activity status of that person.

Own-account workers: Those self-employed persons who operated their enterprises on their own account or with one or a few partners and who, during the reference period, by and large, ran their enterprise without hiring any labour. They could, however, have had unpaid helpers to assist them in the activity of the enterprise.

Employers: Those self-employed persons who worked on their own account or with one or a few partners and, who, by and large, ran their enterprise by hiring labour

Helpers in household enterprise (Contributory family workers): Those self-employed persons (mostly family members) who were engaged in their household enterprises, working full or part time and did not receive any regular salary or wages in return for the work performed. They did not run the household enterprise on their own but assisted the related person living in the same household in running the household enterprise.

Regular salaried/wage employee: These were persons who worked in others' farm or non-farm enterprises (both household and non-household) and, in return, received salary or wages on a regular basis (i.e. not on the basis of daily or periodic renewal of work contract). This category included not only persons getting time wage but also persons receiving piece wage or salary and paid apprentices, both full time and part-time.

Casual wage labour: A person who was casually engaged in others' farm or non-farm enterprises (both household and non-household) and, in return, received wages according to the terms of the daily or periodic work contract, was a casual wage labour.

Enterprise type: The type of enterprise in which the household member was working was recorded in terms of codes as given below:

proprietary: male	1
female	2
partnership: with members from same hh.	3
with members from different hh.	4
public sector (govt. enterprises)	5
semi-public (semi-govt. enterprises)	6
others	7
(include co-operative society, public limited company, private limited company and other units covered under ASI)	
not known	9

Is there any union/association in your activity?: Union/association meant any registered/recognised body whose membership was open to a section of those engaged in a specific activity or trade and whose main objective is to look into the interests of its members.

Nature of employment: The nature of employment (i.e., whether permanent or temporary) was recorded in terms of code. Nature of employment was considered permanent if the person in normal course would likely to continue in the same employment.

Whether covered under Provident Fund: It was ascertained from the employees whether they were covered under any Provident Fund or not.

Whether engaged mostly in full time or part time work during last 365 days: For all those who are employed either in the principal or subsidiary status, it was be ascertained if the person was engaged mostly in full time work or part time work during last 365 days.

Whether keeps written accounts: Information on whether the enterprise, in which the person was working, keeps written accounts or not was collected.

Items of information of NSS 66th round (2009-10) Schedule 10 that can be used to identify workers in informal sector and informal employment	
srl no. of items	items in the schedule and detailed structure of the items
(i) Enterprise Type	Proprietary, Male
	Proprietary, Female
	Partnership with members from same household
	Partnership with members from different household
	Government/public sector
	Public/Private limited company
	Co-operative society/trust/other non-profit institutions
	Employer's households (i.e. private households)
	Employing maid servant, watchman, cook, etc.
	Others
(ii) Number of workers	Less than 6
	6 and above but less than 10
	10 and above but less than 20
	20 and above
	Not known
(iii) Whether uses electricity for production	Yes
	No
	Not known
(iv) Status of employment	Self-employed, own account worker
	Self-employed, employer
	Worked as helper in house hold enterprise (unpaid family worker)
	Worked as regular salaried/wage employee
	Worked as Casual wage labour in public works
	Worked as casual wage labour in other types of work
	Did not work but was seeking and/or available for work
	Attended educational institution
	Attended domestic duties only
	Attended domestic duties and was also engaged in free collection of goods, sewing, tailoring, weaving, etc. for household use
	Rentiers, pensioners, remittance recipients, etc.
	Not able to work due to disability
	Others

Introduction to BSR System

Basic Statistical Returns (BSR) system came into existence in the year 1972 to capture detailed information regarding Credit, Deposits, Investment, etc., of the scheduled commercial banks which are otherwise not captured for regulatory purpose. The main return under BSR system is BSR 1 and it captures granular level bank credit data. Each branch/office of bank is required to submit this return to the Reserve Bank of India as on 31st March of every year. It is divided into two parts viz. BSR 1A and BSR 1B. Under BSR 1A banks are submitting account wise information for Large Borrowal Accounts (LBA) whereas under BSR 1B data consolidated at different level (mainly occupation) for Small Borrowal Accounts (SBA) are submitted.

2. The bank credit data required to be reported in BSR 1 return comprise (i) bank credit including 'dues from banks' within the meaning of fortnightly return under Section 42(2) of the Reserve Bank of India Act, 1934 and (ii) bills rediscounted with the Reserve Bank of India and other financial institutions. This is referred as Gross Bank Credit.

3. As per the latest revision undertaken since March 2008 round of BSR survey, BSR 1A endeavors to gather account level information for accounts with credit limit more than 2 lakh. Various attributes of the credit accounts viz. place of utilization of credit (district and population group code), type of accounts, organization, occupation, category of borrowal accounts, asset classification, secured/unsecured, fixed/floating interest rate, interest rate, credit limit and amount outstanding are captured. In regard to organization classification we follow the following system, which is close alignment with NIC and NAS classification of occupation and economic activities.

Serial no.	Organisation	Code
	<u>II(b) Non-Financial Cooperative Sector</u> 2.4 Non-Financial Co-operative Sector (<i>Housing Co-operative Societies, Salary Earners Societies, Agricultural Co-operative Societies, Marketing & Trade Co-operative Societies, etc.</i>)	24
III.	<u>Private Corporate Sector</u> 3.1 Private Financial Corporations (<i>Private Banks, Foreign Banks having branches in India, Private Mutual Funds, Private Insurance Companies, Non-Banking Financial Companies, etc.</i>) 2 Private Non-Financial Corporations (<i>Private Companies, including Public and Private Limited companies, etc.</i>) <i>[Non-profit institutions (NPIs) serving business, like, FICCI, ASSOCHAM, CII, etc. and privately funded quasi - corporate institutions, like, large educational institutions which are funded privately, for serving specifically the private corporate sector should also be included here]</i>	31 32
V.	<u>Micro Finance Institutions (MFI)</u> 6.1 Self-Help Groups (SHGs)- Direct - Women 6.2 Self-Help Groups (SHGs)- Direct - Others 6.3 Self-Help Groups (SHGs)- Through NGOs - Women 6.4 Self-Help Groups (SHGs)- Through NGOs - Others 6.5 Self-Help Groups (SHGs)- Through MFIs – Women 6.6 Self-Help Groups (SHGs)- Through MFIs - Others 6.7 Other MFIs not engaged in promotion of SHGs	61 62 63 64 65 66 69
Serial No.	Organisation	Code
VI.	NPISH Non-Profit Institutions Serving Households (Non-Government) (<i>Charitable organisations- Religious Institutions, Health Institutions, Educational Institutions, Research & Development Institution; Associations- Professional, Consumer, Employee Associations, Political Parties, Social/ Cultural/ Recreational Clubs, etc.</i>)	71

Serial no.	Organisation	Code
VII.	<u>Non-Residents</u> Foreign Governments, Foreign Consulates, Embassies, Trade Missions, Non-resident companies/ Institutions/ Firms/ Societies/ Individuals <i>(Foreign Governments for turn-key projects under buyers' line of credit and Foreign banks under agency arrangements)</i>	81

4. Unorganised enterprises' accounts are, by and large, identifiable with a subset of Household Sector (BSR Organisation Codes: 41,42,51,52,53), suitably crossed by Category of Borrowers (codes introduced 2008 rounds onwards and data are yet to stabilise) and then classified according to Occupation Classification Codes. [Applicable to BSR 1 A (Cr. Limit more than RS. 2lakh) data].
