



INFORMAL LABOUR AND CONTRACT WORK: A TALE OF EXPLOITATION AND EXCLUSION

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ABSTRACT

By the late 20th century, informal labour had become a widespread global phenomenon, drawing increasing attention from policymakers and labour rights advocates. However, this issue had been developing over decades in many countries—most notably in India—even before the onset of globalisation. The inability to address informal labour at its roots contributed significantly to its global spread. Today, it stands as one of the most serious threats to workers' rights worldwide, and no global labour policy can be truly effective without confronting the informal sector head-on. This paper focuses on contract labour as a lens through which the broader challenges of informal work in India can be understood and addressed. This paper is based on secondary sources.



KEYWORDS: *Informal Labour, Contract Labour, Globalisation.*

INTRODUCTION

The 'informal sector' (described in India as the unorganized sector) consists of enterprises that are not regulated by the state. In 1993, the Fifteenth international conference of labour Statisticians (ICLS) agreed on a definition of the informal sector, which was adopted in the new system of National Accounting. It included both small enterprises characterized by self-employment and those having employer-employee relations. The latter were distinguished from formal sector enterprises by either the size of unit, below a specified level of employment, non-registration of the enterprise or its employees. (Unni and Rani 2003:42-43).

However, informal workers are not confined to the informal sector. Many are found in the formal sector, while others – domestic workers for example – are not employed by enterprises at all. In fact, there is considerable diversity within both sectors (Sethuraman1998). The term informal economy was proposed to capture the diversity of informal employment arrangements, but it is hard to see how this is any improvement on the term 'informal sectors,' since it suggests an even sharper boundary between formal and informal economies.

Conceptually, a primary attribute of informal employment is the absence of regular or written contracts (Sudarshan and Unni 2003: 27). Critics of the notion that the informal sector is a stepping stone from rural labour to the formal sector, or that it consists primarily of the self-employment, are now well established (Bremar 1996:6-7). If informal workers in India ever had any hope of moving into formal employment, that hope was all but extinguished by the new industrial policy of 1977-1980 after which the traffic in the opposite direction - from formal to informal employment increased significantly. While it is true that there are self-employed workers in the informal sector – the vast majority are

employees. Most of them are rural but a large number are also found in urban areas and some migrant workers are keep moving between the two. (Rohini Hensman 2011:165). The distinction between employees and self-employed workers is not always easy to establish, especially in the case of women home-based workers.

Issues and challenges before Contract Labour:

The word 'contract' derived from the word 'consensus,' it means having valid agreement between two or more parties, there must be consensus of mind among them and understand each other at the same level. The most of the contract labour from the unorganised sector has gone through a lot of hardship, and not recognized by society. The unorganized contract labour has not been able to organize the common objective as their limits to:

- Casual and temporary nature of employment
- Ignorance and illiteracy due to economic imbalance
- Small scale and scattered nature of establishments which operates manually and low capital investment
- Superior strength of the employer operating individually or in combination of business partner (T. Narayana Reddy, S. Sowjanya 2019).

The closing decades of the twentieth century witnessed the increasing informalization and the increase in precarious forms of work. These forms of employment deviate from the standard form of employment in significant ways: regular, full-time work has often been replaced with part-time, casual work, the place of work might no longer be the premises of the employer, instead the place of work could be the home of the worker or user enterprise/brand, direct employment by an employer could now be mediated by agencies or intermediaries which makes it difficult to pin ultimate liability for social protection or occupational health and safety concerns on a distinct entity.

Contract labour is significant component of informal labour. The labour contractor recruits a gang of workers takes them to the principal employer. They work on site under the supervision of the contractor, who is paid a lump sum for their labour and in turn distributes wages - or does not, as the case may be -to the workers. Many work in the large-scale formal enterprises in both private and public sectors. Others are migrant workers, labouring in both urban and rural areas, moving on when the work is over.

Contract workers are quite deliberately used in hazardous work with the high incidents of serious and fatal accidents - construction, chemical plants, nuclear plants, and so on - because the employer is not held liable for accidents. For e.g., the construction industry is second-largest employer in the country, employing over 32 million workers, but working conditions are deplorable. Employers make no attempts to eliminate or even minimized hazards, and consequently the number of fatal accidents is extremely high (Menon 1999). At the Union Carbide plant at Bhopal, one of the complaints of workers prior to the disaster was that untrained contract workers were being employed in the chemical plant, which was a hazard to themselves and others.

The bulk of the rural poor engage in informal labour, since even if they own a small plot of land, it cannot sustain their families for more than a few months of the year. Therefore, at least some members of the family are wage labourers, either in the vicinity or some distance away and sometimes the whole family migrates for work. The majority are *Dalits* and *Adivasis* who are oppressed socially and economically (Hensman - 2011).

Workers receive less than the minimum wage and are often cheated even of that small amount. Payment for the work of a couple is given to the man: the work done by women and children is not recognized separately (Bremner - 1990). Extreme poverty and insecurity of employment become means by which employers can enforce forms of bondage, by advancing to workers sums of money that they and in some cases their children have to repay many times over. Bonded child labour is wide spread in the informal sector, especially but not exclusively in rural areas (Karunanithi 1998).

Informal workers in the formal sector may be casual, temporary, migrant, or seasonal workers. Some may have been working for the same employer for several years, but they are never put on the

payroll of the firm or given appointment letters or pay slips, and they may be subjected to periodic breaks in employment to prevent them from working 240 days in a year, which would legally entitle them to the status of permanent employee. Complicated procedures may be used to account for the work they do without acknowledging their existence or presence in the workplace. Payments of benefits were shown as having been made to these workers while the actual workers, whose names were not in the employment registers, did not get anything (Das 2003: 88-89). Lack of formal employment status has often been associated with sexual harassment, since women workers who might lose their jobs are afraid of complaining about it.

Homework and contract labour are combined where homeworkers, instead of getting their work directly from an employer, get it through a contractor. In such cases they usually have no idea who their employer is. The system can tempt workers to become subcontractors (Rao and Hussain 1987: 60).

Wage workers in informal units are another subcategory of informal labour. Many of the small units that employ them subcontract production from large-scale formal units. Subcontracting has been defined as a situation in which a parent firm, instead of doing work itself, requests another independent firm to undertake the whole or part of an order it has received while assuming full responsibility for the work vis-à-vis the customer (Baud 1987: 69). In such cases, workers in the informal sector may be doing exactly the same work as those in the formal unit, but being paid a fraction of the wages and working longer hours under much worse conditions.

Subcontracting has become almost universal in Indian manufacturing, and sometimes the chains have two or more links, with subcontractors in turn subcontracting to even smaller units. Here, too there is a temptation for workers to become subcontractor and some companies encourage this, helping to setup formal employees as subcontractors carrying out part or all of the labour process that was formerly carried out in the factory but not all small firms subcontract, some including many that produce for the large domestic market, are unregistered firms or registered small firms employing few or no regular workers even though they do not take or give jobs on contract (Das 2003: 89)

There are large numbers of informal workers- including children – in the service sector, working to deliver tea, fruits, or vegetables to customers; the security guards, cleaners or scavengers; plying handcarts or rikshaws; or in domestic service. The dividing line between self-employed workers and employees is even hard to draw here, and the consequences of this ambiguity in their status can be devastating for workers.

CONCLUSION

Informal labour is not only pervasive but deeply embedded in the country's economic and social systems. Addressing it requires a coordinated and sustained national effort. Indian informal workers have long been subjected to harsh and exploitative working conditions, often resembling forced or bonded labour. Among the various forms of informal employment, contract labour is a key component, reflecting broader issues of insecurity, lack of rights, and institutional neglect. Urgent action is needed to recognize their labour, clarify their status, and ensure they receive the dignity, rights, and safeguards every worker deserves.

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