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# India's informal economy: contractual labour in the formal manufacturing sector

edited by Singh, B, New York, NY, Taylor &amp; Francis, 2023, 157 pp., #10,112.00 (hardcover), ISBN 978-1-032-37371-3

Mehak Majeed

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## BOOK REVIEW

**India's informal economy: contractual labour in the formal manufacturing sector**, edited by Singh, B, New York, NY, Taylor & Francis, 2023, 157 pp., ₹10,112.00 (hardcover), ISBN 978-1-032-37371-3

In realisation of the growing labour force within the Indian economy coupled with the stagnation of the formal segment of the economy, Professor Bir Singh has discussed some pressing facets of informalisation within the Indian manufacturing sector. The analysis is contextualised in the realisation of the paradoxical outcomes in the post-reforms 1991 period of the Indian economy. While, on the one hand, the aggregate outcomes of the Indian economy have been increasing, the informalisation has also been cumulating. The axioms of the study are validated for the last three decades (1991–2021) starting right at the onset of the post-reform period. The 'jobless growth' which is regarded as one of the predominant (negative) feature of the Indian economy has been validated as a post-reform period phenomenon. On opening-up to the international and globalised market, the Indian economy simultaneously got exposed to global volatility, shocks and uncertainties. Profit seeking businesses of diverse sizes fathomed the threat and, attempting to cushion themselves, undertook a number of changes including (a) increased capital use, (b) closure of the units that could not compete in the global market and (c) hiring of informal labour in whichever way possible. A cumulation of these factors along with the policy limitation of setting in place three simultaneous built-ups of social, physical and human capital have led to the stagnation of employment creation within the formal sector. On the contrary, the human instinct to survive and to find subsistence has pushed the ever-increasing work- and labour-force of the country in to either directly the informal sector.

Different reliable estimates average the contribution of the manufacturing segment of the Indian economy between 13% and 17% of India's Gross Domestic Product. The segment also employs more than 27.3 million Indian workers. However, three-fourth of this employment and a quarter of output in terms of Gross Value Added comes from the informal sub-segments of the Indian manufacturing sector. One of the main take-aways from the Book is the enquiry into the informal labour working within the formal manufacturing segment of the Indian economy. As such, the book establishes and empirically validates another key feature/another sub-categorisation of the Indian manufacturing segment, which is the semi-formal segment. The semi-formal segment can be defined as a segment within the Indian manufacturing sector, which is formal in its existence but considerably informal in its labour use. While it is usually understood that the labour in informal sector is unprotected and vulnerable, the book surfaces a segment of labour that despite being employed in the formal sector is not protected and safe.

The novel and empirically validated contributions of the book come in the form of informed policy recommendations. The major argument is centred around the policy interventions and realised policy lacuna over the period of time. While it is established robustly that the Micro, Small and Medium Enterprises (MSMEs/SSIs) form to be the major part of the Indian manufacturing, they are not its face. The planned policy intervention for more than half a century in India has favoured the large industry which essentially is capital-intensive. A strong case for a focal structural transformation within the Indian manufacturing sector is advocated to tackle the widespread labour crisis within the

Indian manufacturing sector. The formal segment of the Indian manufacturing needs to be more engaging in terms of increasing skilled and formal labour use and a simultaneous substitution of capital by labour wherever and whenever possible. It is only through the growth of the formal labour within the formal segment of the Indian manufacturing that an informed and required structural transformation of the sector is possible.

Extensive use of the Annual Surveys of Industries (ASI) Data is made to validate the hypothesis, axioms, and claims centring the main theme of the book. Limited use of the information from the National Sample Survey Office's (NSSO) Data Wave has also been made for the furtherance of the understanding of the nature and characteristics of the informal sector of the Indian economy. Major part of the book is based on an informed and systematic review of relevant literature, making it an easy and interesting read for a person from and outside the domain of academics. Considerable use of descriptive statistics along with a limited application of the Ordinary Least Square (OLS) regression adds to the empirical significance and precision of the book.

The theme of the book is of fundamental importance to the stakeholders and policy makers of the Indian Economy. A country with the largest youth bulge and work force of the contemporary works can not afford to go capital intensive in the formal sector of the economy. A direct consequence is the pushing down of labour in either the informal sector of the country or striding the otherwise formal labour into informal work arrangements within the formal sector itself. For a labour voluminous country, one of the necessity conditions for sustainable growth and development is an increase in the middle-class population with a decline in the poor people. The envisioned way for the sustainable development of the Indian economy being the growth of manufacturing sector necessities the growth of formal sector employment opportunities for young India.

The synthesis of the book lies in the realisation of the importance of initiating and speedily completing the process of structural transformation within the Indian manufacturing sector. To solve the dual problems of economic stagnation and labour market crisis in the country, it is essential that the share of organised manufacturing increases from current (approx.) 18% to 35%. Given the resource pool of the country, the way to structural transformation essentially needs to be through skill formation and informed innovation involving human capital formation. Both the factors need to be combined to form the apt synergy required for the sustainable development of the Indian labour force and the Indian economy. Though limited in scope of addressing the issues of formal manufacturing segment of the Indian economy, the book essentially contributes towards a holistic presentation and empirical validation of the core problems faced by this segment. The policy recommendations made hold a timely significance to enhance the overall outcomes of the Indian manufacturing sector and the labour involved therein. For any individual interested to know the Indian manufacturing segment in an informed and exhaustive manner, the book is recommended as a must-read.

Mehak Majeed

*Department of Economics, Islamic University of Science and Technology, Awantipora,  
Jammu and Kashmir, India,*

 [dhaarmehak.scholar@kashmiruniversity.net](mailto:dhaarmehak.scholar@kashmiruniversity.net)  <http://orcid.org/0000-0003-3160-1987>

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