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Research Paper

Unorganised Sectors in India: Trends and Challenges with Special Reference to West Bengal

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ABSTRACT

As part of India, West Bengal is one of its largest economies and thus has distinctive, informal labour market conditions. The agricultural nature of the economy, coupled with low levels of formal manufacturing activity, results in a relatively low productivity level for workers compared to other states within India. The low level of productivity of workers in West Bengal's informal labour market has also resulted in ongoing informalisation and an additional large wage gap between those workers employed in the formal (organised) sector and unorganised-sector workers. The report provides a comprehensive summary of key fundamental policy issues and provides a framework for a more holistic approach, including government-enabled regulatory reforms to improve the conditions, benefits, and training opportunities of unorganised workers, thereby improving their overall welfare and productivity.

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1. INTRODUCTION

India has two separate economies: One is the formal one that is fully regulated and grows much quicker than the informal economy. The majority of the population in India works in the informal economy that is outside the government and is not formally regulated in any way. Therefore, there is no record of the businesses or any of their employees. Most people (lack documentation) that work do not have any benefits (such as retirement) provided by their employer. Approximately 44 crore (440 million) out of India's 494 million workers fall into the Informal economy, as reported by the 2019-2020 Economic Survey. The International Labour Organisation (ILO) believes

that informality within an economy, is an important part of that economy's growth. The majority of jobs (workers) in the informal economy in India can be found in either agricultural, construction or small businesses. Even though there are millions of informal jobs created by the informal economy, especially in rural areas of India, there is less pay, productivity are lower, and workers also have fewer promotions/advancement within their companies. An example of this change is the state of West Bengal. West Bengal used to be a major centre for industry and manufacturing (before independence), but has now transitioned to a majority of informal sector jobs after independence. West

Bengal's incomes (incomes/traditional way of measuring standard of living) have dropped below the national average as a result of the existence of informal jobs that go unreported.

2. SIGNIFICANCE AND RATIONALE OF THE STUDY

The role of the informal economy acts as a major source of living for many Indians. As reported in PLFS 2022-23, 70 per cent of individuals employed outside agriculture work in unorganised sectors such as small-scale enterprises. Though the informal sector works outside formal structures, its contribution cannot be overlooked as it ensures survival for most Indians.

Economically, India's informal economy constitutes 50 per cent of national production, increasing from ₹11.52 trillion 7 years ago to ₹15.42 trillion in 2022-23 as per ASUSE. Such growth implies the growing presence of small enterprises in rural and urban contexts, which remain unorganised despite being important sources of income.

Socially, eShram shows that more than 94 per cent of the income of informal workers stays under ₹10,000 every month, mostly being members of the Scheduled Castes, Tribes, or Other Backwards Class. Thus, we can observe a strong correlation between low income, social isolation, and economic vulnerability among female workers in rural regions without any maternity protection or pension.

In West Bengal, no more than 52 per cent of manufactured goods come from formal enterprises, leaving room for informal and small-scale enterprises in manufacturing production. The increasing tendency of working on temporary terms in the West Bengal job market adds to the stress for most Indian workers.

With policy measures such as the creation of the eShram Portal in 2021 and the adoption of the code on social security in 2020, the government has started recognising informal employment. Nevertheless, its efficiency depends upon practical issues related to the informal sector.

3. OBJECTIVES OF THE STUDY

The study is guided by the following specific objectives:

1. Examine the structure and size of unorganised informal sector in India and West Bengal.
2. Measure changes in working individuals, wages, and business participation rates (2017-18 to 2023-24).
3. Calculate total number of unorganised industry workers in West Bengal by sex and social status.
4. Identify issues faced by unorganised workers related to their economic or structural condition in West Bengal.
5. Evaluate effectiveness of government assistance and scheme policies for unorganised workers.
6. Provide evidence-based recommendations to improve welfare and productivity of unorganised workers.

4. METHODOLOGY

The research paper is categorized as descriptive and analytical, focusing on employment trends and characteristics in the unorganized sector through secondary data analysis. Key data sources include the Periodic Labour Force Survey (PLFS) Annual Reports (2017-2024), the Annual Survey of Unincorporated Sector Enterprises (ASUSE), the Economic

Survey of India, eShram Portal Registration Data, and various reports from the National Sample Survey Office (NSSO) and NITI Aayog. The analytical framework employs descriptive statistics, trend analysis, and comparison tables, assessing employment under Usual Status (Principal and Subsidiary) as per the PLFS methodology, and contrasting West Bengal data with national and other state figures. The study's scope covers the years 2017-2024, primarily focusing on India and West Bengal at both national and sub-national levels. It relies solely on secondary data, lacking primary micro-level data collection, which may affect result comparisons, particularly among different PLFS rounds due to changes in sampling schemes anticipated in the 2025 PLFS. Overall, the research aims to elucidate employment dynamics while acknowledging potential limitations arising from data collection methodologies and comparative analysis.

5. FINDINGS

5.1 Size and Composition of the Unorganised Sector in India

The Economic Survey 2021-22 highlights that India had 53.53 crores employed in 2019-20, with 82% in the unorganized sector and 43.19 crores in informal jobs. From 2018-19 to 2019-20, over 98% of new labor force entrants were in the unorganized sector, with around 91% being informal workers.

Table 1: Formal–Informal Employment (ps+ss) Across Organised and Unorganised Sector in India (in Crores)

Type of Employment	2017-18	2018-19	2019-20	Sector
Formal (Organized)	4.43	4.91	5.09	Organized
Informal (Organized)	4.62	4.55	4.46	Organized
Formal (Unorganized)	0.28	0.45	0.80	Unorganized
Informal (Unorganized)	37.79	38.87	43.19	Unorganized
Total Workers (Crores)	47.13	48.78	53.53	All India

Source: Economic Survey 2021-22; Estimated using PLFS 2017-18, 2018-19, and 2019-20 Surveys

Table 1 shows a worrying trend as nearly all new jobs are in unorganized-informal labor; organized sector employment increased from 4.43 crore to 5.09 crore, while unorganized informal labor surged from 37.79 crore to 43.19 crore over the same period.

5.2 Labour Force Participation and Unemployment Trends (National Level)

From 2017-18 to 2023-24, Labour Force Participation Rate (LFPR) in rural areas of India increased significantly from 50.7% to 62.4%. Female labour force participation saw notable growth from 23.3% in 2017-18 to 41.7% in 2023-24, marking a substantial uplift from previous stagnant levels. Urban LFPR rose from 47.6% to 52.0% during the same period.

Table 2: Key PLFS Labour Market Indicators All India (2017-18 to 2023-24)

Indicator	2017-18	2019-20	2021-22	2022-23	2023-24
LFPR – Rural (%)	50.7	53.0	57.5	60.8	62.4
LFPR – Urban (%)	47.6	47.2	48.5	50.4	52.0
WPR – Male (%)	71.2	71.9	74.0	76.0	76.3
WPR – Female (%)	22.0	24.6	32.8	35.9	40.3
Unemployment Rate (%)	6.0	5.8	4.2	3.1	3.2
Self-Employed (%)	52.2	52.6	55.8	57.3	57.5
Casual Labour (%)	24.9	22.8	20.1	19.8	18.9

Source: PLFS Annual Reports 2017-18 to 2023-24; Ministry of Statistics and Programme Implementation (MoSPI), Government of India

Male Worker Participation Rate (WPR) improved from 71.2% to 76.3%, while female WPR increased from 22.0% to 40.3%. The unemployment rate fluctuated slightly, ending at 3.2% in 2023-24, down from 6.0% in 2017-18. Self-employment remained predominant at 57.5%, closely associated with the informal sector. Casual labour, the most vulnerable group, declined from 24.9% to 18.9%. Despite this, over 75% of informal workers remained in casual or self-employment, with their income typically lower than salaried workers. The data highlights the

evolving landscape of employment and participation within India's labor market, particularly for women.

5.3 Unincorporated Enterprises: ASUSE 2022-23 vis-à-vis NSS 73rd Round

The Annual Survey of Unincorporated Enterprises (ASUSE) from October 2022 to September 2023 shows a rise in India's informal non-agricultural enterprises from 63.05 million in 2015-16 to 65.04 million. However, employee numbers have declined to 109.6 million from 111.3 million pre-COVID. The Gross Value Added (GVA) surged from ₹11.52 trillion to ₹15.42 trillion.

Table 3: Unincorporated Non-Agricultural Sector Enterprises — Key Statistics, India

Indicator	NSS 73rd Round (2015-16)	ASUSE (Oct 2022 – Sep 2023)
No. of Unincorporated Enterprises (millions)	63.05	65.04
Total Workers Employed (millions)	111.3	109.6
GVA by Enterprises (₹ Trillion)	11.52	15.42
Avg. Annual Earnings – Informal Workers (₹ Lakh)	~0.80	1.11
Informal Workers as % of Non-Agri. workforce	>90%	>90%

Source: ASUSE (Oct 2022 – Sep 2023) and NSS 73rd Round (2015-16); National Statistical Office (NSO), Government of India

Average annual earnings for informal workers increased from ₹0.80 lakh to ₹1.11 lakh, slightly surpassing inflation. The non-agricultural workforce remains over 90% informal. Significant growth was recorded in other services (13.42%) and manufacturing (6.34%), although the sector's vulnerability to economic shocks persists.

5.4 West Bengal: Labour Market Indicators and Structural Features

The labour market in West Bengal exhibits high absorption but low employment quality, with a male worker population ratio of 73.4%, ranking second after Gujarat's 75.7%. However, most jobs are low-paid and unorganised.

Table 4: West Bengal vs All-India Labour Market Indicators Selected Parameters

Indicator	West Bengal	India	Source
WPR (Men, Age 15+, Apr–Jun 2023)	73.4%	69.2%	PLFS Q-Bulletin 2023
Rural Unemployment Rate (2018-19)	3.6%	6.0%	PLFS 2018-19
Organized Mfg. Share in Manufacturing GSDP	~52%	~69%	IIM Calcutta / NITI
Manufacturing share in GSDP (2011-12)	9.7%	~16.7%	IIM Calcutta Report
Services share in GSVA (2021-22)	54.9%	~54%	NITI Aayog, 2023
Per Capita Income vs National Average (2021-22)	~20% below	Baseline	NITI Aayog, 2023
Female Workers mainly Self-Employed in Rural WB	Majority	~52%	PLFS 2022-23

Source: PLFS 2022-23; PLFS Quarterly Bulletin April–June 2023; NITI Aayog (2023); IIM Calcutta Research Report; Economy of West Bengal, Wikipedia/RBI

Key indicators show that rural unemployment stood at 3.6% in 2018-19, lower than the all-India rate of 6.0%. The state has a 52% share of organized manufacturing in Gross State Domestic Product (GSDP), compared to the national average of 69%. GSDP growth from 2012-22 was 4.3%, below the national average of 5.6%, with per capita income 20% less than the national figure. The share of services in Gross State Value Added is 54.9%. Rural unemployment increased from 2.5% in 2011-12 to 3.6% in 2018-19, with 8.3 lakh people unemployed. Women's labour participation in rural areas declined by six

percentage points from 2011 to 2019, attributed to discouragement from demand shortfalls and underemployment.

5.5 Sectoral Composition of West Bengal's Economy and Informal Employment

The economy of West Bengal in 2023-24 is primarily service-oriented, contributing 54.13% to the GSDP, followed by the secondary sector at 27.87%, and the primary sector at 18%. All segments are largely informal, especially agriculture, handloom, and handicrafts.

Table 5: Sectoral Composition of West Bengal GSDP and Informal Employment Intensity (2023-24)

Sector	Share in GSVA (%)	Informal Employment Intensity	Key Sub-Sectors
Primary (Agriculture, Forestry, Fishing)	18.0%	Very High (>90%)	Rice, Jute, Fish, Tea
Secondary (Industry & Manufacturing)	27.87%	High (~52% unorganized)	Handloom, Pottery, Zari, MSMEs
Tertiary (Services)	54.13%	Moderate-High	Trade, Transport, Domestic Service
Total GSDP (2022-23, Current Prices)	₹13.97 Lakh Crore	—	6th Largest State Economy

Source: Economy of West Bengal (Wikipedia/RBI 2023-24); NITI Aayog Macro & Fiscal Landscape, West Bengal 2023; IIM Calcutta Report

The primary sector (agriculture, forestry, fishing) has very high informal employment (>90%), prominent in rice, jute, fish, and tea. The secondary sector has a high informal intensity (~52%), with handloom and MSMEs. The tertiary sector shows moderate-high informal employment, notably in trade and real estate. The state's organized manufacturing is limited, hindering formal job creation. Total GSDP is ₹13.97 lakh crore.

Table 6: Socio-Economic Profile of Unorganised Workers Registered on eShram Portal All India (as of July 2023)

Category	Share (%)	Remarks
Monthly income ≤ ₹10,000	94.11%	Near-poverty income level
Agriculture sector workers	52.11%	Largest occupational group
Domestic & household workers	9.93%	Second largest group
Construction workers	9.13%	Third largest group
SC/ST/OBC workers	74.44%	Socially marginalised majority
Workers aged 18–40 years	61.72%	Predominantly youth workforce
Total registrations (as of July 2023)	28.96 Crore	National aggregate (eShram portal)

Source: Ministry of Labour and Employment, Government of India; eShram Portal Data (July 2023); Drishti IAS Analysis (2023)

The e-Shram portal, launched in 2021, has registered over 28.96 crore unorganised workers in India as of July 2023, indicating their high vulnerability. Notably, 94.11% earn less than ₹10,000 monthly, highlighting a near-poverty income level. The agricultural sector dominates, with 52.11% of workers, followed by domestic/household (9.93%) and construction (9.13%). A significant 74.44% belong to socially marginalised groups like SC, ST, and OBC, while youth aged 18–40 years make up 61.72% of the workforce. Highest enrolments are seen in West Bengal, Uttar Pradesh, Bihar, Madhya Pradesh, and Odisha, reflecting a concentration of unorganised workers in poorer states. Social security coverage is critically low at just 9.7%.

5.7 Key Challenges Facing the Unorganised Sector

A multifaceted nature of problems faced by both informal sector employees and firms is observed through this analysis. Those include:

- **Low Wages & Income Poverty:** Informal workers earn ₹1.11 lakh per annum on average, which is considerably lower compared to those in the formal economy, with women and Schedule Tribes/Castes being disproportionately affected.
- **Absence of Social Security Benefits:** Just 9.7% of employees have social security benefits, causing significant economic insecurity concerning their future pensions and health.
- **Lack of Employment Security and Casualisation:** Rising casualisation of employment in the rural informal sector of West Bengal causes unpredictable salaries for employees due to the absence of a written contract.
- **Gender-based Discrimination:** Females in informal jobs receive low wages and engage in unpaid household chores, doing agricultural work without any rights.
- **GST Compliance Costs Hindering Formalisation:** High compliance costs under GST prevent MSMEs from formalising themselves, benefiting large companies but hurting informal firms.

5.6 Socio-Economic Profile of Unorganised Workers: eShram Data

The e-Shram portal, introduced in 2021 for developing a database of unorganised labourers, had enlisted over 28.96 crore workers in India by July 2023.

- **Large skill deficits and low human capital:** Skill deficit and low levels of education play a crucial role in explaining informal employment in India.
- **Vulnerability to economic crisis:** The number of informal workers fell from 111.3 million in 2015-16 to 109.6 million in 2022-23.
- **Failure to implement laws:** Failure to implement laws like the Inter-State Migrant Workmen Act, especially in West Bengal.

6. CONCLUSION AND POLICY RECOMMENDATIONS

India's unorganised sector represents over 90 percent of its labour force, and contributes almost 50 percent to GDP. Hence, integrating the sector into the framework of economic planning becomes imperative to ensure inclusive growth and development, and requires specific measures. West Bengal, being an important example of the sector in question, shows high levels of employment along with low productivity rates, wide-ranging involvement among its workers alongside their lack of protection, as well as high contribution to GSDP amid the poor living standards of those who participate in it.

Accordingly, the following measures may prove effective:

1. The implementation of the Code on Social Security (2020) and the consequent introduction of universal coverage of benefits among unorganised workers, taking into account the special position of West Bengal regarding social issues.
2. Linking the data of the eShram database to the programmes aimed at helping vulnerable groups.
3. The simplification of GST regulations for MSMEs, as well as introducing presumptive taxation that varies depending on the scale of business.
4. Developing the skills of workers in state-specific sectors such as handloom, jute, and pottery.
5. Enforcing gender-responsive policies, namely providing creche facilities and paying attention to equal remuneration.
6. Re-establishing industries and developing MSMEs via job-oriented investments.

7. Providing access to PLFS data continuously.

Thus, overcoming all obstacles associated with the unorganised sector in India in general, and in West Bengal, in particular, requires fundamental changes to the labour market, making respect and safety of workers the central theme of this process. As long as hundreds of thousands of people continue to remain invisible within the informal sector, India's hopes of achieving Viksit Bharat become mere fantasies.

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