

## Social Security for Unorganised Workers in India

Satyam Mishra

*Department of Geography, Delhi School of Economics, University of Delhi,  
Delhi 110 007, India*

*E-mail: satyammishra06@gmail.com*

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**ABSTRACT** The workers in the unorganised sector in India constitute about ninety-three percent of the total workforce of the country. The unorganised sector workers in India are facing serious problems ranging from the uncertainty of employment to hazardous conditions at work. The objectives are to discuss the term 'informal economy' and the situation of workers in unorganised sector as well as the steps taken by governments for workers welfare. This paper relies on secondary data from the National Sample Survey Office and other literature available. The inductive methodology has been used in this paper to accomplish the objectives. The observations reflect that the condition of workers in unorganised sector has been on the decline and the efforts done by the respective governments to change the scenario. Further, the paper examines the key initiatives of the Government of India, especially, The Unorganised Workers' Social Security Act, 2008. The paper also discusses some suggestions to ensure 'decent work' for unorganised sector workers.

### INTRODUCTION

The classical concepts of economic production tell us the three components that are necessary to achieve the paragons of value addition, economic growth, and profits are, land, capital, and labour. These ingredients are correlated, and one cannot perform without others contribution. In reality, however, the ownership of land and capital has traditionally been concentrated in the hands of relatively few people (India Exclusion Report 2013-14). The immense number of populations possess minimal amount of land or capital and selling off their labour is the only option left for livelihood.

Darbi et al. (2016) present a detailed account of literature on the theories and terminology, used to depict the informal economy in the academic realm. The authors write, "Early theorization described the informal sector as a transient economic phenomenon of less developed economies that was destined to disappear when de-

velopment 'catches up' with those economies" (Lewis 1958; Tokman 1978). The informal sector was variously labelled as 'underground', 'black', 'hidden', 'irregular', 'second' and 'criminal' (Gërxhani 2004; Henry and Sills 2006). The informal sector is not properly registered, recorded or enumerated like formal sector, with businesses operating 'off-the-books' and failing to pay taxes or obey labour and employment laws (Chen 2006; Gërxhani 2004). Atypical resources and management practices are also regarded as; defining characteristics of businesses operating in the informal sector (Blunch et al. 2001; Godfrey 2011).

Darbi et al. (2016) give a detailed account of informal economy by detailed quantitative inputs. They note that despite how the informal sector is usually framed, the industry has increased in size from about thirty-seven percent of gross domestic product (GDP) in the 1990s to approximately fifty percent by 2010 in developing economies (Charmes 2012). In these economies, the informal sector employs about forty-eighty percent of the working population (ILO 2004). The sector had a growing and disguised character in developed economies (Blunch et al. 2001; Chen 2006, 2012) and accounted for an average of about sixteen percent of GDP of developed countries in 2012 (Schneider 2012). In

*Address for correspondence:*

Satyam Mishra  
Room No. - 202, VKRV RAO Hostel,  
North Campus, University of Delhi,  
Delhi 110 007, India  
Telephone: +91 - 84474 88925  
E-mail: satyammishra06@gmail.com

advanced economies, the importance of the informal sector as an employment alternative is often highlighted during economic and financial crises when labour and businesses move between the informal and formal sectors (Biggs et al. 2015; Horn 2009; Schneider 2012).

The term “informal sector” was first coined to the literature by the anthropologist Hart (1973), as he identified economic activities in an urban slum in Accra, the capital city of Ghana. The main subject of the paper that Hart wrote in 1973 was that ‘Accra’s poor were not unemployed’ and they were working but more in a casual way, for erratic and lesser profits. Pursuing Weber, Hart argued that the capacity to stabilise economic activity within a bureaucratic form made returns more computable, steady and even for the workers and their hirers. That stability was ensured through the State’s laws, which only extended into the deepness of Ghana’s economy. Regulated economic activities were the source of ‘formal’ earnings and ‘informal’ incomes, legal and illegal both, remain out of the possibility of regulation (Hart 1973). Hart was not able to identify the informal economy with any place or class or even whole persons. Everyone in Accra, but especially the slum dwellers where Hart lived during his research project, practised combining the two sources of livelihood. As he noted the informal opportunities in Accra in variety from brewing and market gardening to all types of trading which involve gambling, theft and political corruption (Hart 2006).

The informal economy includes all types of market economic activity conceptually in the national accounts that are under-measured due to the informal business styles of vendors. Put another way; it includes all activity that is conceptually within the national income accounts definitions but not captured for lack of any adequate auditing trail (Smith 1987).

International Labour Organization (1993) defines informal enterprises as ‘private unincorporated enterprises’ controlled and run by ‘individuals or households’ those are not established as ‘separate legal entities’ independently of their owners. For them, no ‘complete accounts are available’ that would allow a financial detachment between production activities of the enterprise and the other events of its proprietor(s).

Since the 1990s, nevertheless, there have been attempts to widen the concept of informality from an ‘enterprise based’ approach moved

by International Labour Organization (1993), to a ‘worker or ‘employee based’ approach, centred on if or not the worker obtains certain predetermined and legally approved protections and perks from the employer. The differentiation has been made between the informal sector and the informal economy, the former on an ‘enterprise based’ definition, the latter on a ‘worker based’ definition, in Chen’s (2006) words, “... extend the focus to include not only enterprises that are not legally regulated but also employment relationships that are not legally controlled or protected. In brief, the new definition of ‘informal economy’ focuses on the nature of employment in addition to the characteristics of enterprises.”

Though there are debates and discourses on definitions and data available, there is a consensus that informal economy is huge in most of the developing countries which employ an overwhelming number of labour and workers in the non-agricultural sector. More than 900 million workers in developing countries are engaged in the informal sector (Jutting and de Laglesia 2009). This informal economy is huge not only regarding the employment but also by the number of enterprises. Many more new establishments are being created in the informal sector than in the formal sector.

The informal sector is an important but controversial part of the economy. It provides jobs, cutting down unemployment, but most of the jobs are low-paid, and the job security is either unavailable or negligible. It promotes entrepreneurial activities but at the cost of state the regulations compliance, especially related to taxation and labour laws. It helps alleviate poverty but increases the incidence of underemployment and job insecurity (Ghani and Kanbur 2013).

Kanbur (2011) explains the possible rationales behind the persistence of informal economy in many countries despite economic growth. Possible explanations are the dull implementation of laws, weaker regulations and technological changes which make more efficient than previously to avoid and escape from rules by working at a smaller scale. Changing gender composition of the labour force could be another additional factor (Ghani et al. 2011).

The statistical data from the International Labour Organization shows that about forty-eight percent of non-agricultural employment in North Africa, fifty-one percent in Latin America,

sixty-five percent in Asia and seventy percent in Sub-Saharan Africa, comes from the informal sector. In India's case, informal employment (including the agricultural sector) contribute more than ninety percent of the total jobs. The high level of poverty is one of the prime causes behind the expansion of the informal economy. It should be noted that primary constituent of economic growth in most of the developing nations is the informal sector. As a joint study of the International Labour Office and the Secretariat of the World Trade Organization, published in 2009, explains the informal sector jobs as an important livelihood strategy in the nations which do not have social security provisions like unemployment insurance, or where wages and pensions are small. The informal sector presents a tough challenge for the lawmakers, policy designers and executive machinery in the context of subjects like legal and social protection of the persons working in the informal sector or unorganised sector; better working conditions; improving the productivity of informal sector activities; training and skills development; organisation of informal sector workers and producers; establishment of suitable regulatory framework; reforms in governance; urban development, etc. As a large number of children and women are engaged in the informal sector activities, issues related to the contribution of women to the economy of the country and child labour can be resolved only by an in-depth study of the informal sector and by the successful implementation of Government initiatives. As the International Monetary Fund's Report (2015), shows the principles of "trickle-down" economic policies are not working as they were expected to perform in the eradication of poverty and inequality. An increase in the income share of the wealthiest people leads to a decrease in GDP growth. Therefore, it's high time that academics and policymakers should come out with "bottom-up" approach and start focusing on the policies and schemes beneficial to those at the bottom of the pyramid.

### Objectives

The objectives of the paper are to elaborate the notion of 'informal economy', 'unorganised economy' and 'decent work' for unorganised sector. It also attempts to portray the condition of unorganised workers in the context of social

security, wages, and work conditions as well. It discusses the key initiatives of the Government of India for unorganised sector workers, particularly the implementation of "The Unorganised Workers' Social Security Act", 2008.

### METHODOLOGY

This paper is based on secondary data that comes from the Ministry of Labour and Employment, National Sample Survey Office and literature available on particular topics as well. The analysis in this paper has been done in the form of discourse, focusing on the condition of unorganised workers in India with appropriate quantitative inputs. Findings of the paper suggest that measures taken by the Government of India are not yielding enough impacts in mitigating the hardships faced by the labourers in the unorganised sector. Therefore, some further steps at the level of lawmakers and executive are required.

### RESULTS AND DISCUSSION

Chattopadhyay and Mondal (2017) present a detailed statistical account of the informal sector in India. They write, "In India, the size of the informal sector (a significant part of which is agriculture) is large, both regarding employment and value added (Kannan 2008; Chandrasekhar and Ghosh 2013). Manifestly, total jobs in the informal sector have increased. Fixed assets and wages have also shown positive growth during 1995-2011 (Marjit and Kar 2011). Therefore, India's informal sector is large and growing, although such a huge informal economy is yet to be studied and assessed properly (Marjit and Kar 2009; Kaushik 2014). There has been a renewed emphasis on the role of the informal sector in growth after the economic crisis of 2008. The informal sector of India has played a pivot role in maintaining a steady growth rate of GDP in the post-crisis recovery period. However, the average growth rate of GDP came down to 4.6 percent during 2012-2014 from 8.3 percent during 2004-2011. Falling aggregate investment is found to be the cause for deceleration in the GDP growth rate (RBI 2011-12; Economic Survey 2014-15)."

### Unorganised Sector in India

In National Sample Survey 68<sup>th</sup> round during July 2011 - June 2012, for the usual status work-

ers working in the industry groups/divisions 014, 016, 017, 02-99 of NIC-2008, information on different characteristics of the enterprises (type of enterprise, the number of workers in the enterprise, whether enterprise uses electricity or not etc.) in which they were working were collected and different working environment, regular or salaried jobs and casual workers were also focussed upon. Among these industries, the industry groups/divisions 014, 016, 017, 02 and 03 (referred to as AGEGC sector) are in the agriculture sector excluding growing of crops, plant propagation, cumulative crop production and animals rearing without the proper production of crops or animals (NSSO 2014).

### Share in Net Domestic Product

“The contribution of unorganised sector in Net Domestic Product was 56.7 percent in comparison to organised sector’s 43.3 percent in 2002-03”, write Sharma and Chitkara (2006). Thus, the significant fraction of NDP is provided by the unorganised sector. The Net Domestic Product (NDP) of a nation is equal to the Gross Domestic Product (GDP) minus depreciation on the country’s capital goods. The total amount spent over the period of a year in the form of housing, vehicle and machinery deterioration is accounted as a net domestic product.

### Condition of Informal Sector Workers

As per the data from 68<sup>th</sup> round National Sample Survey, the temporal change in the conditions of informal workers between 2004-05 to 2011-12 shows that the share of ‘Workers with no job contract and ineligible for paid leave’ declined from 68.8 percent of 2004-05 to 63 percent of 2011-12 while share of ‘Workers with no social security benefits’ increased 1 percent from 71 percent of 2004-05 to 72 percent of 2011-12. Share of ‘Casual labourers involved in trade union activities’ saw the sharpest rise during 2004-05 to 2011-12 and reached to 87 percent from 79 percent.

Another dataset from the same source (NSSO 2014) shows the widening gap between ‘average daily earning of informal sector workers’ reached to 173 in 2011-12 from 2004-05, similarly ‘average daily income for all workers’ reached 194 to 322 during the similar period. While considering the percentage of ‘flexible

employment (share of workers outside crop production) in India, among workers in AGEGC and non-agriculture sectors, approximately 72 percent were working in the informal sector and the proportion was 75 percent in rural areas as compared to 69 percent of urban areas. Data related to the employees in the AGEGC and non-agriculture sectors suggests about 79 percent had no written job contract, the proportion was nearly 85 percent in rural areas (81% for males and 86% for females) and about 73 percent in the urban areas (73% for males and 72% for females).

The abovementioned data shows that the percentage of workers with no job contract and ineligible for paid leave is increasing from past decade simultaneously increasing the number of workers with no social security benefits. The illuminating part of the picture is, growing number of workers in union activities and increasing average daily income of informal workers but still, it remains far less than the average daily income of all workers. As the abovementioned data shows, there is a sharp increase in the numbers of workers with the ‘flexible employment’. It also indicates that these workers with ‘flexible employment’ are highly vulnerable regarding job security and social security as well. Thus, it is the urgent need of the hour to address these problems with appropriate efforts considering ‘decent work for all’ as the focal point.

### Decent Work: An Inevitable Right of Workers

Without labour, land and capital cannot bear fruit. But for labour to prosper, it needs to be healthy and fit. A happy worker is a productive worker. At present, this social contract can be understood better through the concept of ‘decent work’, adopted in 1999 by the member countries of the International Labour Organization (ILO). Decent work is defined as ‘productive work by men and women, in conditions of freedom, equity, safety and dignity’, where productive work is that which benefits people by enabling the generation of an adequate income (India Exclusion Report 2013-14). Decent work guarantees sufficient work that is safe, with enough social protection in cases where work is not possible or not available. In period of economic laxity or in personal crises, workers should be able to depend on some form of social security.

According to United Nations, the key role of decent work for all in achieving sustainable de-

velopment is highlighted by Sustainable Development Goal (SDG) 8<sup>th</sup> which aims to “encourage sustained and inclusive economic growth, complete and productive employment and decent work for all.” Under its mandate of providing ‘decent work’ to all its citizens, the state has three major responsibilities: to stimulate job growth, uphold rights at work and put minimum social security in place. The government’s performance in all three areas has been extremely poor. “India’s labour market is predominantly socially organised, in which equality is not a relevant concept. Labour laws form a regime of pseudo-laws, and subsequently the poor have no power. In case the state remains absent, and does not correct the distribution of wealth, which is also generated by labour, the risk of rising social Darwinism is genuine” (India Exclusion Report 2013-14).

According to National Sample Survey Office survey conducted in the year 2011-12, in both organised and unorganised sector in the country, the total employment was of the order of 47 crores. Out of this about 39 crores were in unorganised sector and the balance of the eight crores in the organised sector. The workers in the unorganised sector constitute more than ninety percent of the total employment in the country and a significant number of unorganised workers are home based and engaged in jobs like *agarbatti* making, *papad* making, *beedi* rolling, tailoring, and embroidery work.

The informal and unorganised sector workers suffer from periods of excessive seasonality of work/employment, lack of formal employer-employee relationship and absence of social security protection. Several legislations such as the Employee’s Compensation Act, 1923; the Minimum Wages Act, 1948; the Maternity Benefit, 1961; the Contract Labour (Abolition and Prohibition) Act, 1970; and the Building and Other Construction Workers (Regulation and Employment of conditions of Service) Act, 1966 and the Building and Other Construction Workers Welfare (Cess) Act, 1966 etc. are directly or indirectly applicable to the workers in the unorganised sector also (Ministry of Labour and Employment, Annual Report 2015-16).

Laws for Indian labourers, to provide the status of ‘decent work’, are of an elevated requirement on the paper however indeed, the record for execution has been extremely poor. Bearings on giving better working conditions have turned

out to be exceptionally hard to execute with the new routine concerning sub-contracting, where the fundamental business is difficult to distinguish, and responsibility is hard to settle. Exploitative types of work, for example, bonded and child labour keep on increasing.

### **The Unorganised Workers’ Social Security Act, 2008: An Institutional Effort**

The government attempts to change the scenario with the introduction of the Unorganised Workers’ Social Security Act of 2008. India Exclusion Report 2013-14 explains the act as “Enacted to benefit the working poor and targeting people with little or no means of their own, like the landless and land-poor, this piece of legislation was aimed at reaching out to these citizens in need of public support, to secure their survival. It has, however, largely resulted in the culmination of the sum of existing pieces of social welfare schemes. These welfare schemes do not, conversely, share the act’s rights-based approach”.

There are some key steps, yet to be taken (some of them are already on progress), to improve the condition of unorganised workers as proposed in the Unorganised Workers’ Social Security Act of 2008:

Chapter 1 of the Act is related to the definition and its area of extension. Social Security Benefits, chapter 2 of the Act, covers the issues of life and disability cover, health and maternity benefits, old age protection, any other benefit as may be notified by the central government for the workers in unorganised sector. National Social Security Board for Unorganised Workers, chapter 3 of the Act is related to the formation of a national level board for the unorganised workers. State Social Security Board for Unorganised Workers, chapter 4 of the Act mandates states governments regarding the formation of state level board for social security of unorganised sector workers. Registration of Unorganised Workers, chapter 5 of the Act that is the last chapter also, focuses on the registration of the unorganised workers to avail the benefits of the schemes for them.

An estimated 2,700 welfare schemes are operated in India for the welfare of the unorganised and socio-economically deprived citizens, keeping the concern of social security in mind. Enactment of this law was propelled by the motive to institutionalize the efforts being done by

the states and central governments and to monitor the schemes and benefit at the individual level. The act has worked as pushing force to some long time ignored labour issues, but it has yet to be applied with its full potential.

### CONCLUSION

As unorganised workers play a vital role to advance the competency and smooth functioning of the nation's economy without receiving the equitable share of benefits. It's high time to adopt new policy framework for the betterment of majority of the citizens as the policies with 'trickle-down approach' are unable to meet their objectives. The future policies and regulations for unorganized workers must consider the hardships and livelihood challenges being faced by the workers in informal/unorganized sector. The further action should be spreading of awareness about this act and rights of informal workers in rural areas and hinterland. The social security mechanism meant for informal workers needs to be expanded effectively in remote areas and places far away from administrative centres. Thus, we can achieve and secure the rights as well as preserve the dignity of nation's hardworking citizens, those are very backbone of this expanding and thriving economy.

### RECOMMENDATIONS

Though the Unorganised Workers' Social Security Act was enacted in 2008, there has been dismal progress on the ground level. The Act itself has been criticised due to the lack of a definite minimum social security floor that could be enforced by law. Another reason for the criticism is, not providing the institutional powers to ensure effective monitoring and execution of the law. Constituted in August 2009, the National Social Security Board for unorganised Workers' role is confined to an advisory body, and it does not possess substantial powers to execute, monitor or enforce social security regulations. Apart from a few states such as West Bengal, Chhattisgarh, and Karnataka, Andhra Pradesh, Odisha, many of the states have not even set up their state-level welfare boards.

The registration of unorganised workers as mentioned in Chapter - 5 of the Act, has started only in the state of Gujarat, that too as a pilot project. There must be an explicit reference of

migrant workers, women workers, and disadvantaged groups in the initial coverage for informal workers. The sections dealing with the registration and delivery must be focused on the hardships faced by these workers and it should address these challenges appropriately.

The Act should have a specific section focused on the existence, nature and legal authority of the National Social Security Fund and an appropriate mechanism at the state level to ensure that there's clear financing support with an enforceable timeline. Welfare boards at state level should attempt to achieve financial independence by institutional framework like cess (a kind of tax) from the hirers, levy on export duty, and budgetary allocation from governments. Some part of this contributions should be for the unorganised workers too.

The Act needs to incorporate some changes in it especially a transparent mechanism to grievances redressal and powers to penalize the law-breakers. Another improvement could be an all-party model for dispute settlement, involving workers, employers and official representatives from concerned Governments; this development will save the resources of all parties being wasted due to unnecessary litigation. One further but kind of utopian action could be to set up the worker help centres equipped with modern facilities to provide the recent update regarding labour laws and rights of informal workers as well as to take care of their needs in the times of hardship.

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