



# Social Security of the Workers in the Unorganised sector: An Analysis

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## Abstract:

An extremely high percentage of India's workforce is estimated to be employed in the unorganized sector; according to the NCEUS report (2007) 422.6 million workers or 92 percent of the total workforce are part of the unorganized sector. According to some experts they contribute 62% of the GDP, 50% of the gross national savings and 40% of national exports. As they are the contributors towards the growth of the economy they should have the privilege of social security as labour right but, unlike their counterparts in the organized sector, they have little or no social security, little negotiating power in terms of choice of work, are often 'unskilled' and work in poor conditions. Of late, the issue of provision of social security to the growing segment of unorganized sector workers gained enhanced significance in the development discourse in India. Although, various efforts of the Government of India in the recent years, such as designing of new social security schemes, recasting of earlier schemes, introduction of innovative methods towards ensuring social protection for unorganised workers were analyzed. There is a need of understanding the social security issues of the unorganised workers where the labour markets have been undergoing tremendous transformations. Hence, this paper attempts to have a closer analysis regarding the social security of the workers in the growing informalisation of labour markets in the country and discussing its implications.

Keywords labour market, labour right, social security, unorganized sector

## I. INTRODUCTION

The urban informal sector comprises an overwhelming majority of workers in the country. Unlike workers in the organised sector, unorganised sector workers do not have steady employment, and secured or sustainable income, and are not covered by social security protection. Deprivation and vulnerability to vagaries of the life are the major threats faced by the workers in the urban informal sector. With the changing modes of productions and increasing rates of industrialisation, and a steady exodus of workers from rural areas to urban centres, the informal sector is swelling in size. The concept of an informal or unorganized sector began to receive world-wide attention in the early 1970's, when the International Labour Organisation initiated series efforts to identify and study the area through its World Employment Programme Missions in Kenya, Columbia, Sri Lanka and Philippines primarily underlined the development strategy based on economic growth in which employment was considered as the prime objective of development (Tiwari, 2005). The term often is defined by indicating the absence of characteristics that belonging to the organized sector. The unorganized sector is often termed as residual sector but, it has its own merits as there is consistent growth rate in employment. The unorganized sector is known by different names such as informal sector, unregulated sector etc. This implies that informal workers are beyond any regulation or legislations passed by the Government. Hence, their working status is rarely covered by the legal status.

## II. REVIEW OF LITERATURE

The literature relating to the conventional type of social security and social insurance schemes analyses the impact of such

schemes on savings and consumption. A number of studies from developed countries discuss the inter-generational transfers of income caused by social security taxes and social security benefits. A tiny number of workers in informal sector (IS) have hardly heard the name and concept of social security schemes available for them that have been opened by the Central and State Governments for them. Not only that, the entrepreneurs of the informal units also intentionally abstained from providing the correct information about the social security umbrella to their workers. So, this is one of the main problem plaguing the IS in the regional area economy. Kar (2011), tries to track down these problems that beset the workers in the informal sector and the cause of their poor economic condition. There is an increasing awareness that the goal of development has to be social justice and not just economic growth alone. To put it differently, economic growth is worthwhile only if it leads to social justice in the form of equitable distribution, reduction in poverty, reasonable incomes, meets basic security such as health and education and promotes political, cultural and economic freedom. P. Madhava Rao, makes us understand the social security as "Provision of benefits to households and individuals through public or collective arrangements to protect against low or declining standard of living raising from a number of basic risks and needs. For clearer understanding we may enlist the social security measures or programmes for income sustenance income maintenance end for medical as:

- 1) Provident Funds/Gratuity,
- 2) Old age survivor. Widow and disability pension,
- 3) Medical care of all sorts and
- 4) Protection from all kinds of risks life and non life affecting the social existence of individual.

In developing economies with a large informal segment in the labour force, the notion of social justice would require social

protection measure to cover both basic needs and economic security. Poor quality of employment on a large scale would mean that economic growth would not cater to the needs of many workers. The original concept of social security that covered only contingencies is not sufficient. Unni and Rani (2002), defines social protection to include both basic and economic security. A conceptual framework is put forward in which to analyze the causes of insecurities of informal workers, to identify the core needs of social protection, and to develop instruments and visualize the institutional mechanisms that can address those needs. Das, Das and Mohanty(2012), makes an effort to explain that Social Security means the overall security for a person in the family, work place and society. Social Security is a system to meet the basic needs as well as contingencies of life in order to maintain an adequate standard of living. It is not a charity rather a right. But everywhere they are deprived of various social security measures which are available in organized sector. The constitution guarantees rights including the right to life, equality, health, food, education, water, work and livelihood to all its citizens. These rights ensure to its citizens to lead a dignified life for themselves and for their families. Decent, dignified and safe work is a precondition for actual social security which is only possible if the workers' rights are recognized and employment is regulated. The growing concern in social security issues of unorganised labour, in recent times, needs to be understood as a historical juncture in the trajectory of development planning in India, where the labour markets have been undergoing tremendous transformations, which include: growth of informal sector activities; deterioration in the quality of employment (in terms of job security, terms and conditions at work); weakening of worker organisations and collective bargaining institutions; marked decline in social security and so on. To a greater extent, these transformations could be related to the ongoing globalisation process and the resultant efforts on the part of employers to minimize the cost of production to the lowest levels. It is also evident that most of these outcomes are highly correlated and mutually reinforcing. A closer analysis suggests that the growing informalisation of labour market has been central to most of these transformations, which *inter alia* highlights the utility of understanding the growth of unorganised sector in the country and discussing its implications. Naagarjan (2010), attempts to analyze the social protection measures available to Informal sector workers. The problem is approached with the objective of studying the working conditions, the security of employment and income, the health status and health security of workers, the nature of relationship between employer and employees, and the willingness of workers to participate in a contributory insurance scheme. The workers have nobody to turn to, the government is indifferent, the casual mechanism is tardy, and there is a major dilemma about the unions. Due to the unhealthy and unhygienic nature of the production process, around two-fifths of the workers are affected by occupational health hazards. No specific healthcare protection is made available to these workers either by the government or by the employers. Such insecurity is further pronounced through the following factors: long waiting period; high labour turnover; informal employer-employee relationships; and rising unemployment and under-employment. Muthusamy and Ibrahim (2016), attempt to analyse the issues and challenges faced by the informal workers in different sectors in India. Major part of the workforce in the developing countries

especially in India is arrived from unorganized sector. The informal labour market is very important sector of the Indian Economy. Unorganized workers including agricultural workers, home-based works like rolling beedis, self-employment programs like selling vegetables, employment in household enterprises and small units, labour on construction sites, domestic work, handicrafts, khadi and village industries, handloom weaving and sericulture etc. Even though the Unorganised Workers Social Security Act, 2008 enacted to provide the social security and welfare, the unorganized workers are living below the minimum accepted standards without adequate facilities and having very lower income that did not meet their daily needs of life. Mohanaj (2013), narrates the fact that the unorganised sector plays an essential role in India as it employs 400 million people, which is 85 per cent of the workforce in the country. Its contribution to the net domestic product at present rates is above 60 per cent. It is a well-known fact that the organised sector is not able to provide sufficient employment opportunities to accommodate the country's large workforce and the unorganised sector provides the opportunity for their existence. John , explains Social security is one of the pillars on which the structure of a welfare state rests, and it constitutes the hard core of social policy in most countries. It is through social security measures that the state attempts to maintain every citizen at a certain prescribed level below which no one is allowed to fall. It is the security that society furnishes through appropriate organisation, against certain risks to which its members are exposed (ILO, 1942). Social security system comprises health and unemployment insurance, family allowances, provident funds, pensions and gratuity schemes, and widows' and survivors' allowances. The essential characteristics of social insurance schemes include their compulsory and contributory nature; the members must first subscribe to a fund from which benefits could be drawn later. On the other hand, social assistance is a method according to which benefits are given to the needy persons, fulfilling the prescribed conditions, by the government out of its own resources. The present section reviews labour welfare activities in India with particular emphasis on the unorganised sector. Kannan (2007), reports while India has embarked on a high growth path that has received considerable international attention, the plight of the working poor continues to be a heated subject in public debates within the country. Two major and recent initiatives or providing social security to the workers in the informal economy, as a legally guaranteed right marks an important turnaround in the emerging development policy in the country. This note briefly discusses these two initiatives. The first is the National Rural Employment Guarantee (NREG) and the second elates to the Social Security for Unorganised (Informal) Sector Workers. Both these were promises made in the election manifesto of the current United Progressive Alliance Government. The NREG has already been enacted by the Indian Parliament and the second one is in the initial stages of enactment.

### III. RESEARCH QUESTIONS

The present paper will discuss about the Social Security of the workers in the Informal Sector. Social Security is defined as labour right as it is originated from work and is claimed out of the income towards which the labour has contributed. The main research questions that would be addressed through this study are as follows:

1. How far the constraints faced by the workers in the informal sector have been identified?
2. Is the Social Security system available for the workers in the Informal Sector reviewed?
3. Are the arrangements for the estimating employment and unemployment in the informal/unorganised sector examined ?
4. What kinds of innovative legal and financing instruments have been identified to promote the growth of the informal sector?

#### IV. RESEARCH OBJECTIVES

It is generally believed that unorganised workers do not contribute to the national income. But according to some experts unorganised workers contribute 62% of the GDP, 50% of the gross national savings and 40% of national exports. As they are the contributors towards the growth of the economy they should have the privilege of social security as labour right.

##### **The objective of this study is as follows:**

1. To review the status of unorganised/informal sector in India
2. To offer valuable suggestions for the improvement of informal workers in India.
3. Examine the range of existing programmes that relate to employment generation in the informal/unorganized sector and suggest improvement for their redesign.
4. Review the social security system available for labour in the informal sector, and make recommendations for expanding their coverage.

#### V. RESEARCH METHODOLOGY AND DATABASE

The proposed study would mainly be built upon the information collected from the reports and journals related to the Labour issues. The research study thus draws upon several sources of data, published as well as unpublished, available at the District as well as the State levels. The preceding secondary study will be supported by economic and statistical information contained in official reports and records, journals and other literature sources. The data thus collected will be subjected to suitable statistical analysis to draw conclusions through proper processing and tabulation. Editing, coding and decoding of the collected data will also be done simultaneously, avoiding irrelevant and unreliable information. The tabulated data will be analyzed and described according to the aims and objectives of the study, using simple statistical techniques.

#### VI. DISCUSSION

The economy of India is known for the presence of informal or unorganised labour employment to a greater extent. About 85 per cent of the working people (400 million) in India are working in the unorganised sectors, of which, 120 million are females. The Ministry of Labour and Employment, Government of India has classified the unorganised labour force into four groups based on their occupation, nature of job, specially distressed categories and service categories:

**In terms of occupation:** It includes small and marginal farmers, sharecroppers, fishermen, fisherwomen, beedi rollers, landless agricultural workers, animal husbandry workers, labeling and packing workers, leather workers, weavers, workers in brick-

kilns and stone quarries, building and construction workers, artisans, salt workers, workers in Saw mills and oil mills, etc.

**In terms of nature of job:** It includes attached agricultural labourers, migrant workers, bonded labourers, contract and casual labourers.

**In terms of specially distressed categories:** It includes toddy tappers, scavengers, head load carriers, drivers of animal-driven vehicles, loaders and un-loaders.

**In terms of service categories:** It includes midwives, domestic workers, fishermen, barbers, newspaper vendors, vegetable and fruit vendors, etc. Along with these four categories, there is also a large population of unorganised labour workforce like cobblers, auto drivers, sericulture workers, handicraft artisans, hamals, power loom workers, handloom weavers, physically handicapped self-employed persons, lady tailors, rickshaw pullers, carpenters, tannery workers and urban poor. The Indian Economy is characterized by the existence of a vast majority of informal or unorganized labour employment. As per the Economic Survey 2007-08, 93% of India's workforce include the self employed and employed in unorganized sector. Kalyani (2016), states about 370 million workers constituting 92% of the total workforce in a country were employed in the unorganised sector as per NSS Survey 1999-2000. It plays a fundamental role in terms of providing employment opportunity to a large segment of the working force in the country and constitutes to the national product significantly. The contribution of the unorganized sector to the net domestic product and its share in the total NDP at current prices has been over 60%. In the matter of savings the share of household sector in the total gross domestic saving mainly unorganised sector is about three fourth. The term 'unorganised worker' has been defined under the Unorganised Workers' Social Security Act, 2008, as a home based worker, self-employed worker or a wage worker in the unorganized sector and includes a worker in the organised sector who is not covered by any of the Acts mentioned i.e. The Employee's Compensation Act, 1923, The Industrial Disputes Act, 1947, The Employees' State Insurance Act, 1948, The Employees Provident Funds and Miscellaneous Provisions Act, 1952, The Maternity Benefit Act, 1961 and The Payment of Gratuity Act, 1972. The survey carried out by the National Sample Survey Organisation in the year 2009-10, the total employment in other organised and unorganized sector in the country was of the order of 46.5 crore. Out of this, about 2.8 crore were in the organized sector and the balance 43.7 crore in the unorganized sector. Out of 43.7 crore workers in the unorganised sector, 24.6 crore workers were employed in agriculture sector, 4.4 crore in construction, and remaining were in manufacturing activities, trade and transport, communication & services. A large number of unorganized workers are home based and are engaged in occupations such as beedi rolling, agarbatti making, paper making tailoring, and embroidery work. The unorganised workers suffer from cycles of excessive seasonality of employment, lack of a 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 Act, 1961; the Contract Labour (Abolition and Prohibition) Act, 1970; Building and Other Construction Workers (Regulation of Employment & Conditions of Service) Act, 1996; and the Building and Other Construction Workers Welfare (Cess) Act, 1996 etc. are directly

or indirectly applicable to the works in the unorganised sector also. The Ministry of Labour is also operating Welfare Funds for some specific categories of workers in the unorganized sector like beedi workers, cine workers and certain non-coal mine works. The funds are used to provide various kind of welfare activities to the workers in the field of health care, housing, education assistance for children, water supply etc. The Government has launched Group Insurance Scheme, **Aam Adadmi Bima Yojana** for landless rural households which also include workers in the unorganized sector. **(Ministry of Finance, Government of India has approved the merger of Social Security Schemes viz., Aam Adadmi Bima Yojana (AABY) and Janashee Bima Yojana (JBY). The merged scheme is renamed “Aam Adadmi Bima Yojana” and has come into effect from 01.01.2013).**

## VII. FINDINGS AND CONCLUSIONS

The unorganised sector plays an essential role by providing job opportunities to a large proportion of workforce and contributing to national product significantly. Its contribution to the net domestic product at present rates is above 60 per cent. The share of household sector in the savings with respect to total gross domestic saving, in particular unorganised sector, is about three fourth. Currently, Indian economy is passing through a process of economic reforms and liberalisation during which, to compete in the world market, merger of various industries and technology upgradation and innovation take place to improvise the output in terms of cost and quality. The less efficient units either move out of business or merge with the better performers. Informal sector accounts for a sizeable number of workers in India across different industry groups and states. The concept of informal sector and informal workers proposed by NCEUS is more appropriate in the context of Indian statistical system and it better compatible with international definition of informal sector. The growth rate of urban informal sector is higher than formal sector workers. The proportion of informal sector workers in the agriculture sector is high over the other sectors. With the rising unemployment in the country and the apparent failure of the formal economy to generate employment for the ever increasing urban and youth population many have been left with little choice but to look for innovative ways of making ends meet. Rough as it may be, for most people, informal trade has become a way of surviving the vicissitudes of capitalist economy. Most importantly, governments across the world have are Beginning to recognize the informal sector as more than just a survival sector but a potential engine of growth and have taken steps to nurture the sector. As in most developing countries, existing social security arrangements to meet contingencies and eventualities (e.g. health, accidents, death and old age) in India have legal backing only to those employed in the formal sector of the economy, which has been estimated at around 8 percent of the total workforce. Although there are some state-assisted and/or promoted schemes for social security for workers in the informal sector the coverage has not been more than 6 percent of the total. Realising this as well as the developmental issues of the informal sector, the Government of India constituted a National Commission for Enterprises in the Unorganised Sector (NCEUS) to examine a number of issues including the agenda of social security. The first report of the NCEUS submitted to the government in May 2006 was on social security with a detailed

scheme. The scheme will be implemented by a National Social Security Board with a National Social Security Fund responsible for policies, technical assistance and allocation of funds to states. At the state level there will be similar state-level boards and funds. Each state will have its administrative mechanism with organisations at the local level (village and townships) designated as Workers Facilitation Centers to assist workers for registration, etc. Workers who register will be issued Social Security Cards with unique identification numbers. The central government may raise the financial resources through imposing cess on trades or commodities or through a social security tax or a combination of these or any other means as it deems appropriate. As per the estimate of the NCEUS, the cost of financing the scheme for the government would be equivalent to

0.5 percent of the GDP when all the 300 million workers are covered in the fifth year. In this scenario, the interests of the workers have to be taken care in particular, by providing them training, skill upgradation and various measures that will enable them to find new jobs, productivity improvement in the current field of work, quality and cost-wise enhancement of their product to be competitive in the market which would improve their income thus their socio-economic status. It is a well-known fact that the formal sectors are not able to provide sufficient employment opportunities to fit in the countries workforce and the informal sector provides the opportunity for their existence. As per the current economic situation, the unorganized sector will further enlarge in the following years. Thus, it should be fortified and activated by which it can act as an employment provider and social developer. Both the central and state governments have formulated certain specific schemes to support unorganized workers but which fail in meeting the real needs and requirements of the unorganized labour force. The government should make efforts to improve their working conditions in terms of occupational safety, working hours, payment of adequate wages to them so that the informal workers engaged in unorganized sector of employment may have mandatory decent and dignified work .

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