

Labour reforms: No one knows the size of India's informal workforce, not even the govt

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Labour law reforms: In absence of reliable statistics on its size, distribution or contribution to the economy, the sector remains a poorly understood and a grossly neglected area.

Providing legal and social protection to the informal or unorganised sector workers — one of the key objectives of the labour law reforms being planned may be easier said than done. The challenges are many and the government seems least prepared.

For one, no one even knows the actual size of the informal workforce, least of all the government.

Size and contribution to GDP

The Economic Survey of 2018-19, released on July 4, 2019, says “almost 93%” of the total workforce is ‘informal’. But the Niti Aayog’s Strategy for New India at 75, released in November 2018, said: “by some estimates, India’s informal sector employs approximately 85% of all workers”.

What is the source of such information? The Economic Survey of 2018-19 does not mention it. The Niti Aayog does and cites a 2014 report, ‘OECD India Policy Brief: Education and Skills’, which, in turn is silent on its source of information.

There is yet another government report, ‘Report of the Committee on Unorganised Sector Statistics’ of the National Statistical Commission (NSC), 2012, which says the share of the informal workforce is “more than 90%” of the total. Again, there is no mention of the source.

So is the case with its contribution to the economy. The government does recognise that the informal sector and workers contribute significantly. The NSC’s 2012 report pegs it at “about 50% of the national product” without revealing how it arrived at such a conclusion.

It then goes on to describe the problem: “It is increasingly realised that lack of reliable statistics on the size, distribution and economic contribution of the sector has been a major constraint in providing a realistic understanding of the significance of the Indian economy, leading to its neglect in development planning”.

Working conditions and benefits

The sector being virtually out of legal protections, the working conditions and social security for informal workers are understandably poor.

The latest Periodic Labour Force Survey (PLFS) of 2017-18 released in May 2019, gives a glimpse of it. It says, even among the regular wage/salaried workers in the non-agriculture sector (of the informal sector), 71.1% had no written job contract, 54.2% were not eligible for paid leave and 49.6% were not eligible for any social security benefit.

The overall picture in the informal sector is far gloomier. The Ministry of Labour and Employment's Employment in Informal Sector and Condition of Informal Employment of 2015 shows that 82% of those employed in agriculture (minus crop and animal husbandry) and non-agriculture sector had no written job contract, 77.3% got no paid leave and 69% were not eligible for any social security benefits.

When it comes to wages, the situation is no different. The Minimum Wages Act of 1948 has not been effectively implemented in most parts of the country. The Economic Survey of 2018-19 says the law does not cover all wage workers and that "one in every three wage workers in India has fallen through the crack".

Commenting on the state of affairs, president of the Bharatiya Mazdoor Sangh (BMS) CK Sajinarayanan says it is a "shameful affair", adding, "They get no leave, no safety equipment, no medical facility or family welfare support and there is no limit to their working hours. Their wages are very low. Even after the Unorganised Workers' Social Security Act of 2008 came in, very few (about 5% to 6%) got enrolled for social security benefits".

Amarjeet Kaur, general secretary of the All India Trade Union Congress (AITUC), says this is because the informal workers have no legal protection and successive governments have ignored their cause.

Even the industry has a dim view of the situation. CII's MS Unnikrishnan, who heads its panel on industrial relations, says the informal workers are exploited in all parts of the country but expects the government's move to bring new labour codes would help to prevent it.

Challenges and way forward

The challenges are many. Prof Satyaki Roy of the Institute for Studies in Industrial Development (ISID), a think tank affiliated to the Indian Council of Social Science Research (ICSSR), says the proposed increase in the threshold limit to employment in the Factories Act of 1948 (from 10 workers if power is used to 20 and from 20 workers if power is not used to 40) and the Industrial Disputes Act of 1947 (from 100 to 300 workers for lay off, retrenchment and closure) poses a new challenge as this would push more workers into the unprotected segment.

He explains that if the employment in organised manufacturing has increased in recent times it is largely because of the rise in contract workers within the formal sector.

So, any such rise in the threshold would raise the share of unprotected workers. He also thinks that by proposing social security to the informal workers the government is relaxing the burden of providing benefits and entitlements on the employer.

The BMS lists three major challenges: identification of informal workers which is a herculean task, mobilisation of adequate funds to provide social security and setting up big official machinery, virtually at every village level, to implement the provisions of new labour codes.

He, however, expects progress as the government had already demonstrated its intentions by starting the Ayushman Bharat and a pension scheme for the unorganised sector.

When it comes to meeting the challenges, Unnikrishnan thinks the labour unions would be his best bet. "My recommendation is for the labour unions to shift focus and mobilise informal workers to ensure they get proper wages, social security and other protections", he says.

Both the BMS and AITUC say they have already started working in the informal sector in a big way,

despite many difficulties. Not only are these workers scattered over a large area, unlike factory workers, their migrations to other states and the temporary nature of their engagements also make it difficult to organise them.

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