Vastness of Informality and Unprotected Risk in Indian Labour Markets

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INFORMAL SECTOR IN INDIA[1]

This chapter documents the growing informalization of India's labour force and the consequences of this phenomenon for the state of social protection in India. COVID-19 offers an especially effective context for examining these issues, and we draw on our work during the pandemic and lockdown months, as well as that of others, to present evidence for the growing lack of risk protection that informal sector workers and households are subject to.

Having laid out the scope of the problem in this section, we then turn to the question of how to address this problem in the second section.

'Informalization' of Workers in the Formal Sector

The growing informalization of the formal workforce is the result of a number of distinct but related forces shaping the Indian economy. On the one hand, the distress caused by the persistent uncertainty of agricultural incomes in the last two decades has produced a steady and protracted movement of labour out of the sector and, on the other hand, the capacity of the manufacturing sector to absorb this surplus labour has been greatly limited by the absence of any significant and sustained corporate investments in the sector. Indeed, large corporations and industries have moved towards cost- and labour-saving technologies, owing to the increasing complexity of navigating state and central labour laws.

Jobs for these workers have appeared in the small-scale business sector, mostly at the micro-end of the scale (solo, nano, etc.). This sector remains unorganized, though growing rapidly.[2] Over the last 15 years, there has been a 34 per cent increase in the size of the informal sector, considering only non-farm employment (Table 3.1). While there is a mild decrease in the share of informal sector employment in the last decade, evidence suggests that informality in the labour force continues to persist, if not increase. This is a problem from the social insurance perspective, since employers in this sector (when they can be identified clearly) do not bear any responsibility for providing social security to their workers. Therefore, the growing informalization of India's workforce has also meant a growing proportion of its population having no access to employer-provided social insurance.

Table 3.1: Size and Share of Informal Sector Employment in India[3,4]

Type of Employment: Formal and Informal	Formal			Informal		
	2004–005	2011–012	2017–018	2004–005	2011–012	2017–018
Total non-farm employment (in million)	28.3	34.8	42.8	162.4	207.5	217.0
Total non-farm employment (in %)	14.8	14.4	16.5	85.2	85.6	83.5

Source: Mehrotra (2019).

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According to the Periodic Labour Force Survey 2017–2018, only 22.8 per cent of Indian workers are employed on a regular or salaried basis, while the rest are employed in the informal sector. Even among those in regular employment, 49.6 per cent were not eligible for any form of social security.[5]

The COVID-19 pandemic and the economic consequences of the mandated 'lockdown' have had a seismic impact on the labour landscape in India. A particularly significant consequence has been an even further increase in informal sector employment. As the pandemic increased formal sector unemployment, there has been a significant transition of the formal labour force into the informal sector.

A World Bank report,[6] working with data from the Consumer Pyramids Household Survey (CPHS) conducted by the Centre for Monitoring the Indian Economy (CMIE), found that more than 80 per cent of the labour force that could be categorized as formal in August 2019 remained formal in December 2019, but, thereafter, the formal labour market underwent a dramatic turn. More than 30 per cent of the labour force that could be categorized as formal in December 2019 had transitioned to informal status by April 2020.

Features of Informal Sector Employment and the Need for Risk Protection

Volatility in Income

Informal sector work is mostly based on casual employment, structured through personal and social relations, rather than on contractual arrangements with formal guarantees. Such a relationship leaves a labourer vulnerable because of (a) the lack of steady and assured employment and income, and (b) the lack of any insurance to deal with external shocks. Collins et al.[7] highlight the irregularity and unpredictability of income as one of the main factors characterizing the lives of low-income households in India. This is the main reason that the bottom of the income distribution in India is still occupied by informal sector households.[8]

Recent work by Sahasranaman and Kumar[9] shows that over 86 per cent of the bottom decile between 2014 and 2019 is composed of households employed primarily in the informal sector. Even worse, these households have experienced a decline in real income during that period, making them the most economically vulnerable workers in the Indian income distribution.

Recent data from the CPHS round conducted in 2020 show up the disparity in income regularity very clearly. As can be seen from Figure 3.1, almost the entire informal sector is dependent on the erratic, daily or weekly payment of wages, as opposed to the formal sector that pays out wages at a fixed monthly rate.

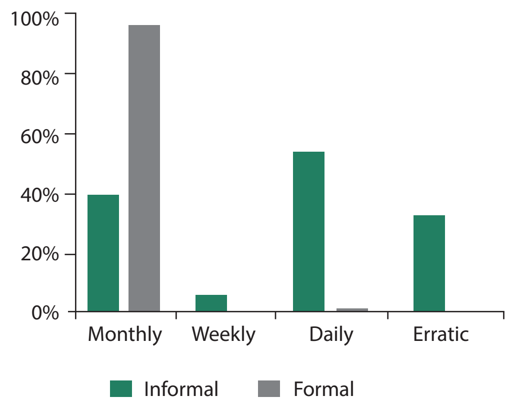

Figure 3.1: Income Frequency of Informal and Formal Sector Workforce

Source: CMIE CPHS May–August 2020.

The COVID-19 crisis has had consequences across different income segments. Early reports in May showed that 84 per cent of households reported a fall in income due to the lockdown. The unemployment rate, on the other hand, had increased from 7 per cent in March to about 25 per cent in early May.[10]

Data collected between May and August, and presented in Figure 3.2, show that informal labourers were also most likely to suffer a pay cut. The left-hand panel of Figure 3.2 indicates that about 90 per cent of daily and weekly wage labourers that were still employed experienced a decline in wages. The right-hand panel indicates that even formal sector workers on regular salaries (about 50% of them) experienced pay cuts in the lockdown months.

Using the data from CPHS, we construct the distribution of monthly surplus of households for the month of May[11] in years 2019 and 2020. Figure 3.3 plots these distributions.

We see from Figure 3.3 that, in May 2019, a majority of formal and informal households were carrying positive surpluses, with the distribution of formal household surpluses having a thicker tail at the positive end owing to the presence of middle- and high-income households. By May 2020, however, both distributions had shifted to the left, and the majority of informal sector households were now showing negative surpluses.

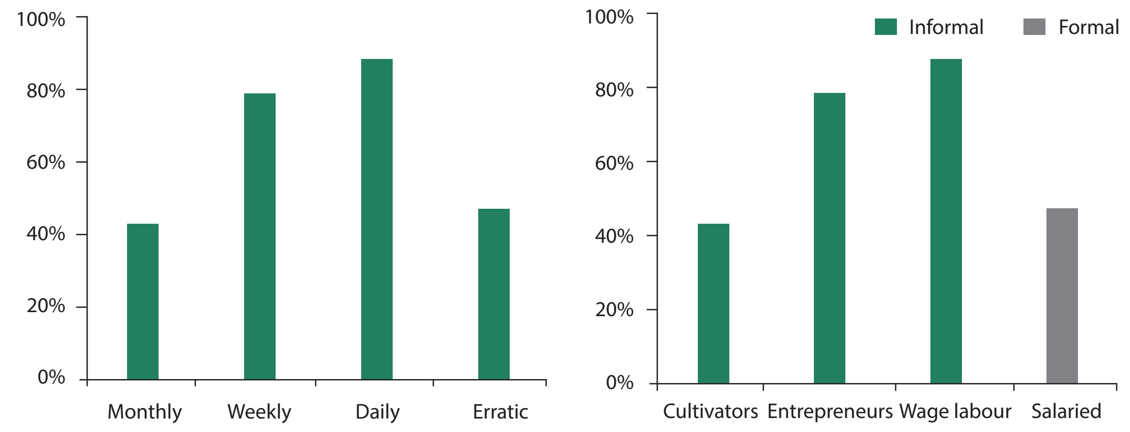

Figure 3.2: Pay Cuts during Lockdown across Formal and Informal Sectors

Source: CMIE CPHS, May–August 2020.

We see in Figure 3.3 that a very large proportion of the formal sector households also showed negative surpluses in May 2020. This can be attributed to the job and income losses for formal sector workers illustrated in Figure 3.2. Further, this also points to a possible increase in the informalization of the workforce itself, as discussed in earlier section and explains some of the worsening of the surplus distribution for informal sector workers.

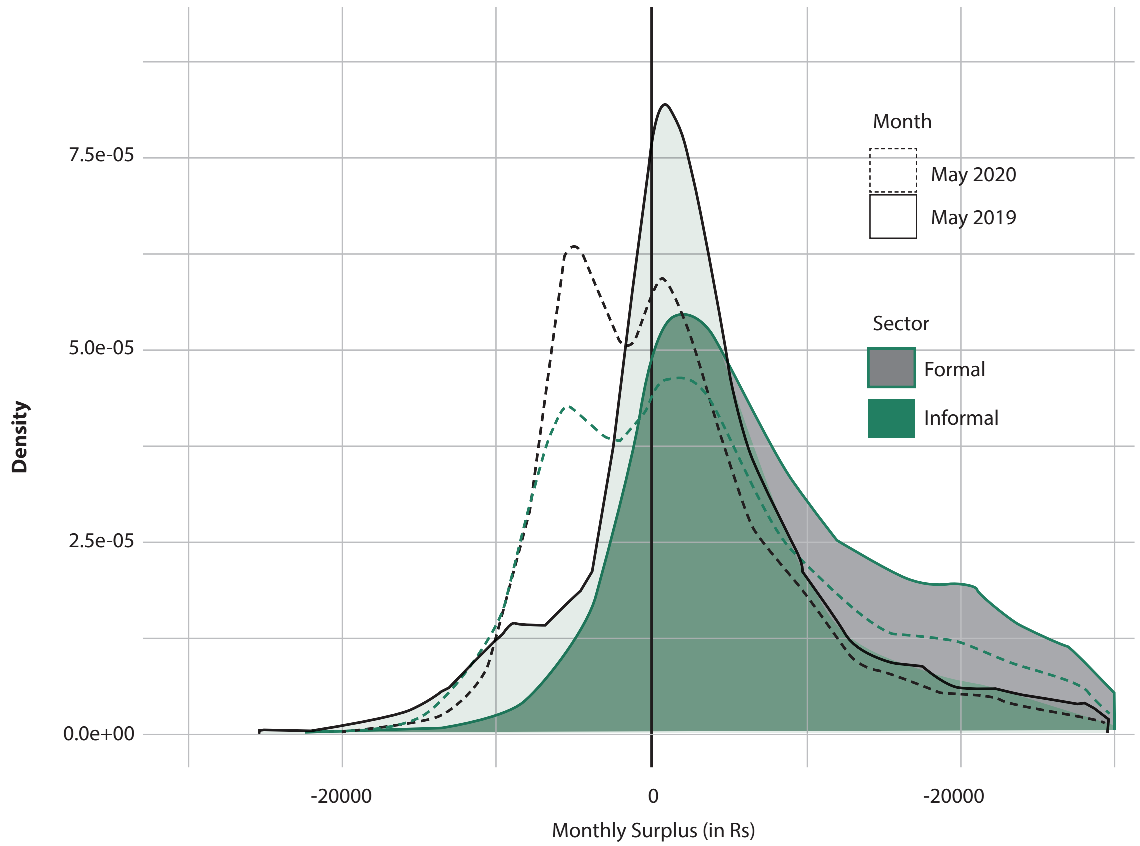

Figure 3.3: Surplus Distribution of Formal and Informal Households, May 2019 versus May 2020

Source: CMIE CPHS, 2019–2020.

We learn more about the dynamics of poverty transitions by looking at the income and expense distributions separately, which we plot in Figure 3.4.

The dotted line in the panels of Figure 3.4 represents the national poverty line as defined by the Rangarajan Expert Committee on poverty measurement in 2014.[12] The top two panels in Figure 3.4 indicate a clear shift across both formal and informal sector households to incomes below the poverty line. Overall, our estimates suggest that about 9 per cent more households have moved below this conservative poverty line. For the informal sector alone, households below the poverty line increased from 13 per cent (of all informal sector households) to 15 per cent between May 2019 and May 2020.

We might expect that these numbers have recovered back to above the poverty line quickly with the removal of the lockdown restrictions and the opening up of the economy. Indeed, various reports indicate that the recovery of employment has been quite rapid. The unemployment rate reached a maximum of 23.5 per cent in April before declining to 8.3 per cent at the end of August 2020.[13] Yet the sharp drops in income levels during those early months of lockdown will likely have a long-term effect on household finances and well-being. As the bottom panels of Figure 3.4 show, the recurring and essential nature of consumption expenditures limited the sacrifices that households could make on their total expenditure. In order to support those expenditures, households most likely improvised various coping strategies to 'farm for liquidity' as characterized by Mas.[14]

Illiquidity of Assets

According to Mas, one of the strategies that low-income households typically use to generate liquidity is selling assets. We may ask what capacity low-income households in India might have to employ this kind of strategy. Badarinza et al.[15] recently reviewed the state of Indian household balance sheets, using data from the decadal All India Debt and Investment Survey conducted by the National Sample Survey Organisation. They find that most Indian households do hold assets, but majority of these asset holdings are not financial in nature—

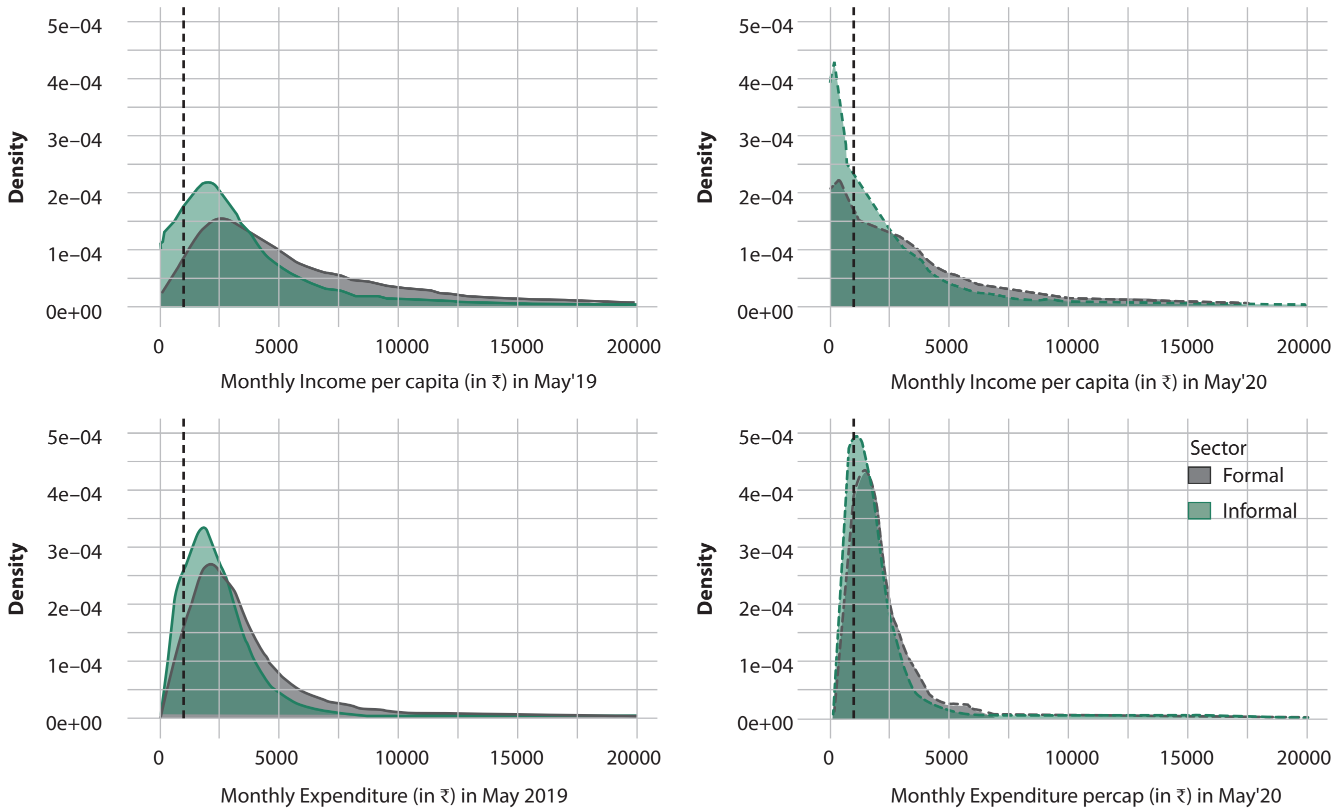

Figure 3.4: Monthly Income and Expenditures of Workers, May 2019 versus May 2020

Source: CMIE CPHS, 2019–2020.

more than 85 per cent of Indian households hold real estate assets and, in this respect, India stands out among developing countries. Similarly, Kumar et. al[16] show that though Indian households employed in the informal sector have experienced a significant increase in their net worth over the last decade, this increase is to be attributed primarily to increases in the value of real estate. The market for real estate in rural India is anything but liquid. Therefore, without any real increase in the holdings of financial assets, informal sector households are ill-equipped to manage the volatility in their incomes and cannot really farm for liquidity by selling assets.

It is worth mentioning that gold and jewellery feature prominently among the physical assets held by Indian households. This is particularly true for rural households in the last two quintiles of income distribution—between 2003 and 2013, the share of gold and jewellery in physical assets increased from less than 10 per cent to almost 20 per cent among rural households in the bottom quintile of income distribution.

The importance of gold as a store of value and risk hedge becomes especially apparent in the aftermath of COVID-19, as borne out by the experience of Dvara SmartGold, which markets a 'phygital' gold-based micro-savings product to rural households in the form of a systematic investment plan. Dvara Research used administrative data sets from sales of Dvara SmartGold to analyse customer investment patterns before and after the outbreak of COVID-19.[18] In the pre-COVID months (October 2019 to February 2020), most customers consistently invested ₹250 per month (which was equivalent to 0.061 g of gold). During this period, the customer base grew at an average monthly rate of 150 per cent (approximately), showing a steady demand for a digital gold-based micro-savings product.[19]

In the months after COVID-19 forced lockdowns across India, a majority of customers, who were investing in a regular, disciplined manner before, briefly opted for the flexibility option, particularly in the months that coincided with the first phase of loan moratoriums announced by the Reserve Bank of India (March–May 2020). However, most customers who had skipped instalments during this period were able to meet their saving targets by investing additional instalments in subsequent months. This prima facie indicates that some segments of customers have shown a commitment to investing in this product even during an adversity as severe as the COVID-19 pandemic. The analysis also indicated that, prior to the pandemic, investors who owned a business, were salaried and had family members working abroad invested higher amounts than investors from other occupational backgrounds. However, post-pandemic, higher investments were made by wage labourers, gig-economy employees and agricultural workers, signalling that lower income segments may be looking to gold as a strategy for building precautionary savings for the future.

Lack of Health Insurance and Risk Protection Mechanisms

If we consider the most basic risk protection mechanisms, such as life insurance, health insurance and pensions (income during retirement), there remains a large gap in coverage in India. The data from the CPHS (as of December 2019) show that less than half of the informal sector workers have access to any of the aforementioned forms of risk protection. While there has been some increase in access to mortality and health risk protection through social insurance schemes, the proportion of the population vulnerable to economic shocks continues to be alarmingly high. Figure 3.5 provides the coverage

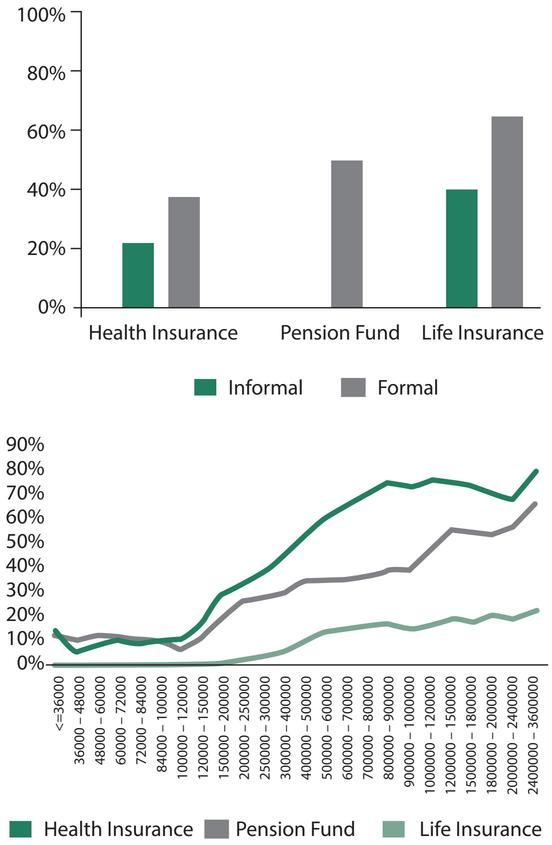

Figure 3.5: Access to Health Insurance of Informal Sector Workforce

Source: CMIE CPHS, December 2019.

of basic risk protection mechanisms (such as life insurance, health insurance and pensions) across the income distribution (right-hand panel) and across the formal and informal sectors (left-hand panel). It is evident that these products are not suitably available to low-income households.

Finally, risk protection mechanisms, such as life insurance and health insurance, are particularly relevant for informal sector workers, as these workers are often employed amid the most hazardous working conditions. The death of the primary income earner in an informal sector household, or serious injury to that earner, making it impossible for him/her to earn an income, are two of the most common reasons for such a household to slide into poverty. More than 75 per cent of all Indians are not covered by any form of life insurance, and an Indian is assured of only 8 per cent of what may be required to protect a family from financial shock following the death of an earning member.[20]

Coping Strategies during Lockdown

In most parts of the country, a complete lockdown was effective till June and, over the course of the next few months, different states gradually restarted their economic activity. In order to understand how households were coping with the effects of the lockdown, a few questions were added to the CMIE CPHS survey of May–August 2020.[21] Our survey uncovered, in accordance with the incidence of income losses, a sudden surge in the number of households with members actively looking for additional sources of income (EA) with more than 10 per cent of all households reporting so. Other coping strategies included borrowing in kind from social networks (BF), reducing consumption (CR) and using households savings (US) to manage liquidity crises. Figure 3.6 depicts these data across the income distribution for the months of April–July 2020 (the May wave of the survey would have asked questions about household experiences in April and so on).

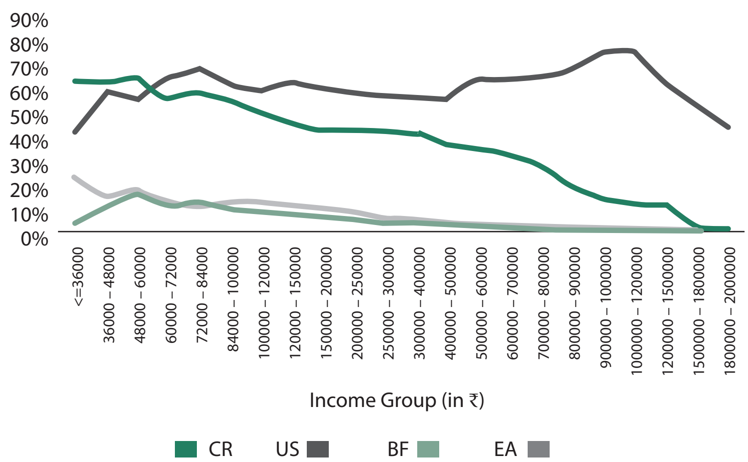

Figure 3.6: Coping Strategies Employed by Households along the Income Distribution

Source: CMIE CPHS, April–July 2020.

Figure 3.6 clearly illustrates the level of distress faced by low-income households, particularly during the pandemic. While the use of savings to tide over a crisis would be regarded as only appropriate, the widespread reduction in consumption among these households (with incidence rates of 60% or more) points to hardships that could well impose long-term costs on household health (and, therefore, household finances), as both quantity and quality of food intake were most likely compromised. Evidently, the worst month was April. Figure 3.7 compares the use of different types of coping strategies across either side of the lockdown (our survey questions also asked how households coped with liquidity shortages in the months of January–March). Here, the CR component is disaggregated into lesser expenditure on consumption per meal (LE) and reduced number of meals (RM).

The largest changes in household behaviour post lockdown was with respect to uses of LE and BF as coping strategies. We note that BF represents non-financial borrowing, and this stands to reason since the availability of financial lenders (whether formal or informal) was virtually zero during the month of April.

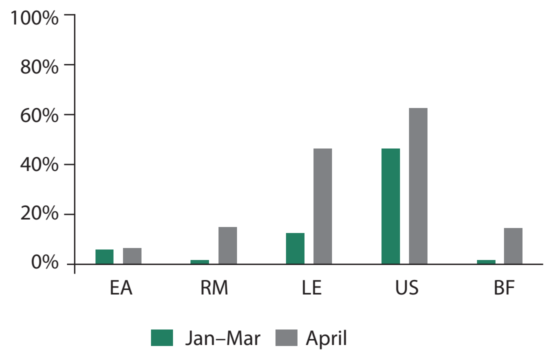

Figure 3.7: Use of Coping Strategies before and after Lockdown

Source: CMIE CPHS, January–April 2020.

Access to Essential Services and Special Schemes Announced

The announcement of a nationwide lockdown on 24 March 2020 was followed two days later by a slew of measures under the Pradhan Mantri Garib

Kalyan Yojana (PMGKY) to alleviate the anticipated financial hardships that the pandemic and lockdown would create for low-income households. These measures mostly took the form of direct benefit transfers (DBTs) of both cash and kind.[22]

On 14 May 2020, further welfare measures were announced.[23] The government also acknowledged the necessity of allowing certain 'essential services' to continue undisrupted during the lockdown periods, including banking facilities (BC agents) and shops (ration shops) that the poor were likely to use, in particular, to make use of the PMGKY scheme.

Here, we present some survey results from DVARA Research's work and from a large-scale survey conducted by Dalberg to understand if these welfare measures actually reached their intended beneficiaries, most of whom were informal sector workers and households.

In the months of April through July, Dvara Research partnered with 12 microfinance institutions (MFIs) to conduct surveys of 347 households, their customers, in 47 districts across nine states. Households were asked whether they were able to access essential services, especially banking, and whether they were able to avail the benefits promised by welfare schemes.

The survey tracked households every two weeks and was conducted in three waves: 23 April–7 May, 15–27 May and 19 June–6 July. Even though the sample size is small, we believe that the results from the survey are useful because of the way in which our survey questionnaire was able to identify the different reasons for beneficiary exclusion. These different reasons also provide a more nuanced perspective on the survey results, as we are able to understand why the numbers in a later round of the survey might wrongly indicate a worsening situation, given that the lockdown conditions had been alleviated. In a similar vein, our survey results allow us to differentiate our story about exclusion from Dalberg's story, even if the overall rates of exclusion identified by these two very differently sized surveys remain quite similar.

In Figure 3.8, we find that ration shops and *kirana* stores remained highly accessible even during the most stringent periods of lockdown (Rounds 1 and 2), but this was not true of banking facilities, which remained mostly unavailable even in early July, despite the fact that many of the cash transfer schemes were being administered through banking channels.

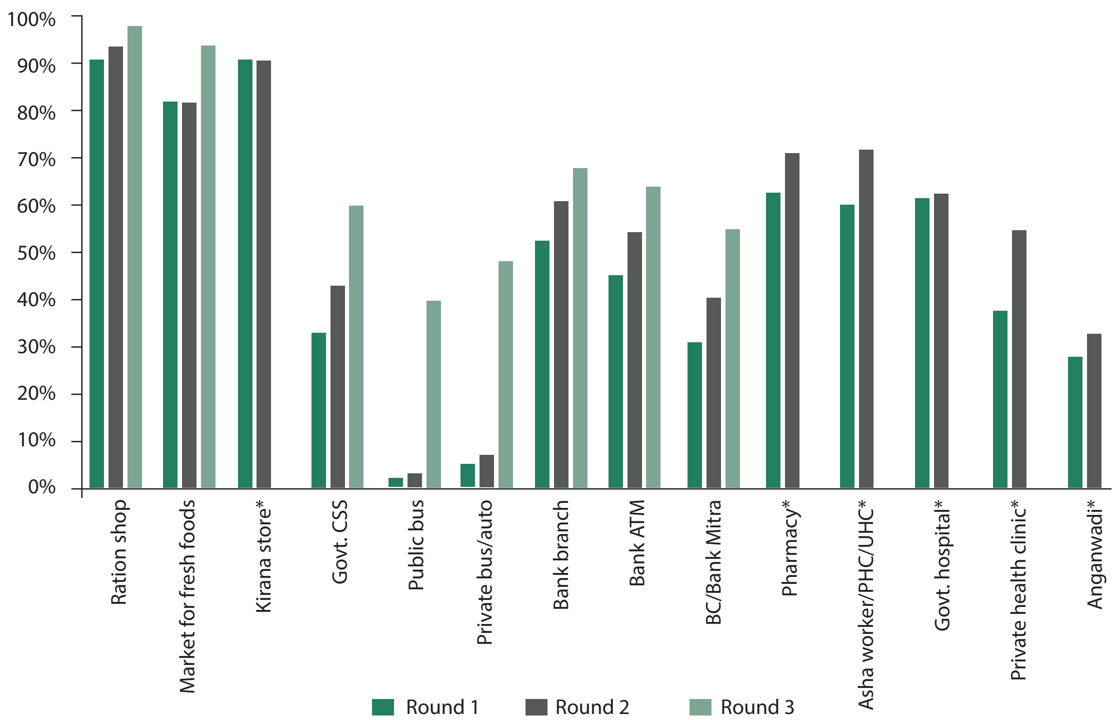

Figure 3.8: Access to Essential Services during Lockdown

Source: Dvara Research MFI Survey, April–June 2020.

Note: *Question posed only in Rounds 1 and 2.

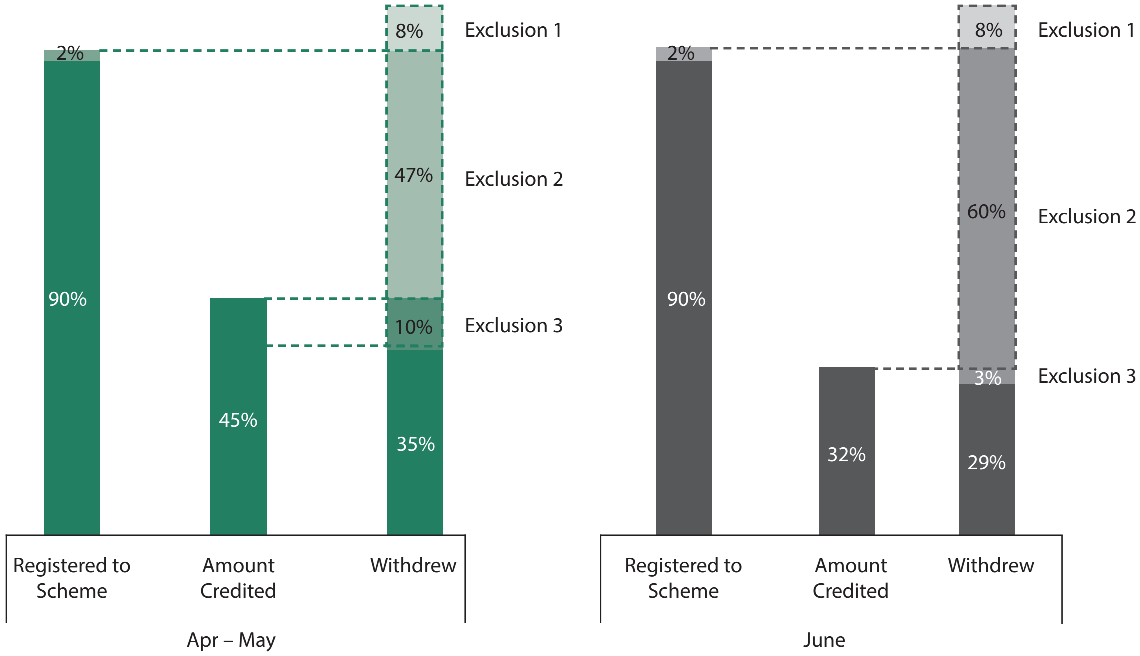

Figure 3.9: Exclusion in Cash Transfers during Lockdown

Source: Dvara Research MFI Survey, April–June 2020.

The situation of a beneficiary being excluded from cash transfers can, however, arise even if the banking facilities are accessible. Figure 3.9, again based on the MFI customer survey conducted by Dvara Research, presents data for cash transfers in April and May (Rounds 1 and 2 combined) against those in June for a balanced sample of 219 households participating in all three rounds. Here, the 2 per cent number refers to respondents who were not registered through regular channels but were offered ad hoc registrations by their respective states' exception-handling mechanisms and were therefore able to be included in the cash transfers programmes.

All of these households (2%) are therefore included in 45 per cent whose accounts were credited, and 35 per cent of those who were able to withdraw from their accounts in April–May. We notice from the left-hand panel of Figure 3.9 that 8 per cent of respondents were unable to make use of PMGKY (or any other) cash transfers in April–May; 47 per cent of respondents were registered but did not receive a credit into their accounts, while only 10 per cent of respondents were unable to withdraw from their accounts even after receiving a credit.

In fact, things may have worsened in June relative to previous months. But there are at least two other possible explanations for what we see: (a) the MFIs conducted the survey in June during the time of the month that it was convenient for them to do so and, therefore, it is possible that some households were surveyed early in the month and had not received the June transfer credited to their account by that time, (b) households needed to travel to their banks in order to even learn whether their accounts had been credited and, therefore, it is possible that the transfers in April and May were so small (relative to the cost of traveling to the bank) that many households did not even bother to make the journey.

Turning next to the Dalberg survey,[24] which covered 47,000 households across 15 states conducted in two rounds between 5 April 2020 and 3 June 2020, about 15 per cent of respondents in May were found not to be covered under any of the cash schemes announced by the government. This roughly compares to the 8 per cent exclusion of Type 1 identified by Dvara's survey (Figure 3.9), if one allows for the fact that Dvara's survey did not include West Bengal or Kerala, both of which according to the Dalberg survey were found to have much higher rates of exclusion due to lack of coverage (more than 20%) than states like Rajasthan (less than 3%) that were included by Dvara. With regard to the success of receiving cash transfers, the Dalberg survey recorded much more favourable numbers than the Dvara survey—in May, only 14 per cent of the covered households had not received any cash transfers.

It is not clear, however, from reading the Dalberg report if receipt of cash transfers is to be equated with households actually having the cash in their hands—most likely not because 43 per cent or respondents in May had still not withdrawn their cash receipts, so that the actual success rate of cash reaching the hands of beneficiaries was recorded at 48 per cent in May, not so much higher than the 35 per cent success rate recorded by the Dvara survey. There is, however, an important qualitative difference between the two numbers. The bulk of the exclusion identified by the Dalberg survey happened at the point of withdrawal, whereas the exclusion identified by the Dvara survey happened in equal parts at the point of crediting accounts and at the point of withdrawal from those accounts.

THE STATE OF SOCIAL SECURITY IN INDIA

In this section, we take up the question of what can be done to improve the state of social security in India. First, we take into consideration the existing framework for social security in India and ask what can be done to minimize the exclusion errors. Second, we take up the legal architecture supporting social protection in India and argue that it makes no specific allowance for social protection to the informal sector. It is a failure of the statutory omission, and this error has sought to be rectified by policymakers through the ad hoc introduction of various schemes. We show that the gaps in social protection for informal sector workers, of which several examples have already been cited earlier in this chapter, are to be primarily sourced in this maladapted structure, and we argue for its overhaul.

Minimizing Exclusion

Cash transfers through digitized modes have come to dominate social protection delivery systems across states in the country, especially in the wake of COVID-19. This is the new face of the DBTs, where cash entitlements under welfare schemes are transferred directly into the bank accounts of registered beneficiaries. Our assessment of the 'pipelines' that deliver these DBTs reveals a fundamental truth. India's social protection system is designed to reduce inclusion errors (i.e., benefits being delivered to an ineligible citizen) rather than exclusion errors (i.e., benefits not being delivered to an eligible citizen). The existing infrastructure instated under DBT has been built to tackle inclusion errors through its various and stringent identity verification protocols. Although some realized gains have resulted from the DBT system in the form of savings of administrative costs[25] and standardization of processes under welfare schemes, they are not without their own set of disadvantages. The problem is that mechanisms that seek to reduce inclusion errors may also result in exclusion of deserving recipients of welfare transfers.

There are various layers to these exclusionary mechanisms. The most fundamental exclusionary factor is the 'financial inclusion' prerequisite. The DBT system automatically precludes the unbanked and the underbanked since it relies upon the banking infrastructure to deliver cash. Some of the prerequisite design features for the DBT system to work seamlessly include end-to-end digitization of records, error-free seeding of Aadhaar with beneficiaries' bank accounts, efficient back-end processing of transfers in the banking system, responsive grievance redressal and a fully working cash-out architecture. These features continue to remain inadequate in many regions, especially those which lack basic electric or digital connectivity in the first place or those which are more likely to be populated by households in need of welfare transfers.

Dvara Research has developed a working framework to map points of exclusion across the various processes of the DBT system, namely targeting, enrolment, back-end processing and cash-out,[26] to understand the various forms of exclusion. The framework guides the exercise of the end-to-end tracing of documented and possible points of exclusion across the DBT cash flow mechanism. It highlights different factors that may cause deserving citizens to fall through cracks. These factors, albeit applicable universally for welfare beneficiaries across time frames, may get further exacerbated due to the pandemic and even more so for the informal sector as characterized in later section of this chapter.

> *First layer of exclusion:* The first point of exclusion within the DBT system is the targeting methodology for identifying beneficiaries. In the context of the DBT framework, although a few schemes allow for self-registration,[27] most of them depend on the below poverty line (BPL) and Socio-Economic Caste Census (SECC) lists for identifying beneficiaries. The reliability of proxy means testing, as seen in the case of identifying deprived households in SECC, has been called into question multiple times in the past. Although SECC is an improvement over the BPL approach, concerns related to its data have emerged.

Vested interest to overstate the extent of deprivation by respondents and the errors in enumeration leading to undercounting of the poorest sections are some of the major concerns associated with SECC (2011).[28] Lastly, SECC was conducted in 2011, almost 10 years ago and is therefore not up to date.

Second layer of exclusion: Given the targeted nature of most DBT schemes, the process of enrolment consists of stringent eligibility checks which require the beneficiary to submit a number of documents to prove his/her eligibility. Prospective beneficiaries have to incur significant costs, for instance, foregoing a day's wage, because they have had to make multiple visits to finish the enrolment process or to procure necessary documents. Second, given the digitized formats under DBT, database/spelling errors during the application processing stage might lead to the failure of validation checks during the onboarding of beneficiaries onto the public financial management system. Such errors may take an inordinately high time to get corrected, given the fragmentation of enrolment points under DBT.

Third layer of exclusion: Back-end processing involves the transfer of funds in the form of payment files from the relevant Ministry/Department to beneficiary accounts via the National Payments Corporation of India's (NPCI's) digital infrastructure. Most DBT transactions rely on the digital infrastructure of the Aadhaar Payment Bridge (APB) and are routed using the Aadhaar-enabled Payment System (AePS).[30] This stage may be characterized by transaction failures, that is, failure of crediting a beneficiary's account, which may occur due to a variety of reasons. These include improper Aadhaar seeding, invalidity of account status (blocked/frozen/dormant), pending know your customer (KYC), etc.

Fourth layer of exclusion: Assuming the beneficiary did not fall through any of the aforesaid fractures in the DBT pipeline and his/her account was credited successfully, he/she may still face issues while withdrawing the benefit amount. This issue might sometimes be the very unavailability of a cash-out point (especially exacerbated during the COVID-19 lockdown) or even when cash-out facilities may be present, operational issues such as network failures, biometric failures and, in some cases, overcharging/fraud can interfere with proper last-mile delivery of DBTs.

Since the COVID-19 lockdown, many of these issues have been exacerbated and require immediate attention in order to provide timely relief to citizens whose livelihoods have been adversely affected. In Table 3.2, we provide broad recommendations that would help policymakers and service providers to

Table 3.2: Recommendations to eliminate exclusion in DBTs

DBT Process	Key Recommendations
Cash withdrawal	Increasing access point density (number of cash-out points per capita).
	Increase uptake of National Bank for Agriculture and Rural Development's (NABARD) PoS devices subsidy by rural and cooperative banks.
	Design alternative authentication protocols in case of device or network failure.
	Monitor access points and set up a complaints management system.
	Revise incentive structures in favour of individual agents.
Back-end mechanisms	Reporting of AePS transaction failures by NPCI and periodic auditing of DBT transactions at all banking points.
	Commission agents specifically with the task of correcting database errors.
Enrolment procedures	Increase the functional capacity of enrolment points to include record corrections in scheme databases, issuance of certificates required as proof of eligibility, corrections in Aadhaar details, etc.
Targeting methodologies	Adopt mixed identification strategies as in the case of PDS, where states have the discretion to develop additional categories of eligibility.
General	Accountability mechanisms must be instated for all entities involved in DBT—delivery, including CSCs and BC network managers. Social audits proposed[31] by Comptroller and Auditor General for PM Kisan and PM Ayushman Bharat must cover such functionaries in their scope.

Source: https://msme.gov.in/faq. Accessed on 24 July 2018.

close the gaps that beneficiaries might fall through in the welfare system. The recommendations in this table are drawn from our extensive research of exclusion in DBTs.

Structural Issues

The various statutes which deal with issues of social protection typically refer to the formal and informal sectors as organized and unorganized, respectively. In this section, therefore, we follow this usage as much as possible. These statutes point to a clear distinction between social security for workers in the organized sector and its absence (by omission) for all other workers in any specific terms. The Code on Social Security, 2020, provides that an establishment is in the organized sector if it has 10 or more employees.[32] This Code consolidates a number of earlier enactments, including the Employees' Provident Funds and Miscellaneous Provisions Act, 1952; the Employees State Insurance Act, 1948; the Payment of Gratuity Act, 1972, and several others.[33] These enactments provided specific benefits to employees in the organized sector but, as has already been described, this accounts for only a small part of the Indian workforce (additionally, because a large percentage of enterprises fall far short of the 10-person threshold).[34]

The Unorganised Workers' Social Security Act, 2008 (UWSSA), provided for the registration of unorganized workers, but did not make specific provision for social security measures.[35] Instead, Section 3 of the UWSSA provided that the central and state governments were to frame schemes for the benefit of informal sector workers on subjects such as life and disability coverage, maternity benefits, provident funds, old-age benefits and housing. The UWSSA did not provide for minimum benefit floors or any specific requirements for social security. While the UWSSA has been replaced by the Code on Social Security, 2020, Section 109 of the Code retains the language of Section 3, UWSSA. Thus, presently, there is no comprehensive set of social security measures for workers in the informal sector.[36]

In place of a statute or set of statutes, there are several ad hoc schemes in operation to provide social security for those outside formal employment, that is, for the general population (and informal workers are covered in so far as they are part of the general population). Several states also operate welfare schemes on several subjects.[37] The following features are common to schemes framed for the benefit of informal workers.

First, as has been noted already, schemes are rarely designed solely for workers as workers, but rather for any person outside the scope of organized sector employment. Any person who satisfies the income targeting criteria may receive benefits under the NSAP or JSY, for instance, while APY and PMSYM are available to any person who otherwise does not receive benefits in the formal sector.[38]

Second, while there are several schemes in operation, they do not form a comprehensive social security network. There are several important gaps in coverage. For instance, the Ayushman Bharat scheme provides insurance of ₹ 5 lakh per household for the bottom 40 per cent of India's households for in-patient hospital care.[39] It does not, however, address the disparity in the availability of secondary and tertiary care between states in India, nor does it address concerns that the sum assured is insufficient for certain kinds of illnesses.[40] Similarly, while there are several pension schemes available to persons outside formal employment, these provide very limited protection in old age. Pension amounts under the NSAP fall far short of the minimum per capita expenditure,[41] while those under the Atal Pension Yojana and PM Shram Yogi Maandhan are not indexed for inflation. There have been attempts to rationalize the present system of schemes by the Planning Commission[42] and the NITI Aayog,[43] but these efforts have concentrated on converging existing schemes and preventing replication, rather than providing comprehensive coverage against risks or income loss.[44]

Third, many schemes are made by executive order rather than by statute,[45] and are frequently withdrawn and then modified and reinstated.[46] While schemes such as the Ayushman Bharat Yojana and Atal Pension Yojana did provide for automatic migration from the older to the newer scheme, changes in schemes were not always to the advantage of beneficiaries. The Atal Pension Yojana, for instance, does not make use of the network of aggregators under the Swavalamban scheme.

The present system of social security is fragmented across multiple agencies and entities. Different ministries and departments are responsible for different schemes, and many of the schemes have overlapping functions. The lack of ownership is further complicated by the burdensome process of enrolment. Presently, beneficiaries are required to register separately into each scheme.[47] There have been some attempts to enable beneficiaries to register for schemes at the last mile, through CSCs and e-Seva Kendras.[48] While these provide the important service of registration, the burden still remains on the beneficiary to determine which schemes they are eligible for and to ensure that they meet the requirements of registration for them.[49]

There is an urgent need for comprehensive and universal social security, comprising a set of robust floor-level statutory provisions to be made available to all persons in India. The availability of social security measures should not depend on a person's status as a worker or on the type of employment.[50] There is also a need for clarity on the content on the benefits available to workers in the unorganized sector. Presently, there is little guidance on the content of the social safety net for unorganized sector workers. The ILO Recommendation No. 202 provides some guidance on the content of a minimum social security floor. Clause 4 calls for member nations to provide universal social security, while Clause 9 refers to benefits including basic income security and access to a defined set of goods and services for all.[51]

At the very least, social security in India must provide for inflation-adjusted income security to those in the informal sector, as well as access to health, disability, maternity, sickness and death benefits.[52] It is hoped that these measures will come into effect at the earliest.

NOTES AND REFERENCES

1 It is important to start with a caveat. The definition of the 'informal sector' in India is not fixed or constant, even across different official pronouncements. For a full discussion of this issue, see Anupama Kumar, *Designing a Universal and Comprehensive Social Security Floor for Informal Sector Workers* (Dvara Research Policy Brief, 2020). Available at https://www.dvara.com/research/wp-content/uploads/2020/03/Designing-a-Universal-and-Comprehensive-Social-Security-Floor-for-Informal-Sector-Workers.pdf (accessed on 23 November 2020). Given the proliferation of definitions, we will not work with a single definition of the informal sector in this chapter, but rather use multiple overlapping definitions on the basis of the data that we are sourcing to make our arguments, and we will appropriately clarify these definitions as and when they appear.

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3 Santosh Mehrotra, *Informal Employment Trends in the Indian Economy: Persistent Informality, but Growing Positive Development* (Geneva: ILO, 2019).

4 For Table 3.1, the informal sector consists of all unincorporated private enterprises owned by individuals or households engaged in the sale and production of goods and services operated on a proprietary or partnership basis and with less than 10 total workers.

5 Government of India, *Periodic Labour Force Survey 2017–18, India* (2019). Available at http://www.mospi.gov.in/sites/default/files/publication_reports/Annual%20Report%2C%20PLFS%202017-18_31052019.pdf (accessed on 23 November 2020).

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8 This is based on Dvara Research's with the CMIE CPHS data, which distinguishes between formal and informal sectors using the occupational categories present in the CPHS. Households are categorized as informal if their primary occupation is one that does not provide a regular salaried income. For more details, see under household groups here (https://consumerpyramidsdx.cmie.com/kommon/bin/sr.php?kall=wkb [accessed on 23 November 2020]). Presumably, the World Bank (2020) analysis cited in the last paragraph of the first section also uses a similar definition to distinguish between the two categories, since it also works with the CMIE CPHS data.

9 Anand Sahasranaman and Nishanth Kumar, *Income Distribution and Inequality in India: 2014–19* (2020). Available at https://arxiv.org/abs/2010.03602 (accessed on 23 November 2020). This chapter also works with the CMIE CPHS data and uses a similar definition of the informal sector as we do when we work with that data.

10 Marianne Bertrand, Kaushik Krishnan, and Heather Scofield, *How Are Indian Households Coping under the COVID-19 Lockdown?* (Chicago, IL: Chicago Booth, 2020). Available at https://www.chicagobooth.edu/research/rustandy/blog/2020/how-are-indian-households-coping-under-the-covid19-lockdown (accessed on 23 November 2020).

11 To take into account the effect of seasonality in income, especially for those employed in the informal sector, we compare the months of May in 2019 and 2020.

12 The poverty line estimate used here is the one defined for rural regions (₹ 972 per capita per month), which is lower than that for urban regions. Second, this number has not been inflation adjusted. These two qualifiers indicate that the actual transitions into poverty might be even greater than the ones shown in Figure 3.4.

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[15] Cristian Badarinza, Vimal Balasubramaniam, and Tarun Ramadorai, 'The Indian Household Financing Landscape', *India Policy Forum* 13, no. 1 (2017): 1–71. Available at https://econpapers.repec.org/article/ncancaerj/v_3a13_3ay_3a2017_3ai_3a2017-1_3ap_3a1-71.htm (accessed on 23 November 2020).

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