

Sansad TV Perspective: The Informal Economy - Challenges and Opportunities

In the series Sansad TV Perspective, we bring you an analysis of the discussion featured on the insightful programme 'Perspective' on Sansad TV, on various important topics affecting India and also the world. This analysis will help you immensely for the [IAS exam](#), especially the mains exam, where a well-rounded understanding of topics is a prerequisite for writing answers that fetch good marks.

In this article, we feature the discussion on the topic 'The Informal Economy: Challenges and Opportunities'.

<https://youtu.be/6QTseEwobOs>

Anchor: Vishal Dahiya

Participants:

1. V. Anantha Nageswaran, Economist and former member of EAC, PMO
2. A.K. Bhattacharya, Editorial Director, Business Standard
3. Shankar Agarwal, Former Secretary, Ministry of Labour & Employment, GOI

Context:

The rise of the informal economy is always in the news and it is considered an essential part of an advanced economy. The onset of the COVID-19 pandemic has added more to the growth of the informal sector in an irregular manner. Therefore the emerging informal economy has created an alarming sense of insecurity among the workers and this subject needs a precise discussion involving a group of experts to render sustainable solutions.

Important Facts:

- The [International Labour Organisation](#) provides an estimation that 60% of the world's population is engaged in the informal sector. In a country like India, a large share of the population is dependent on the informal economy.
- The Periodic Labour Force Survey estimates that 90% of workers in India belong to the informal sector. It is further categorised into the Rural informal sector (about 298 million workers) and the Urban informal sector (about 121 million workers).
- India accounts for 475 million workers out of which 42% of workers are engaged in the agriculture sector.
- In recent times it can be witnessed that many people moved away from the formal sector and started small businesses, dairy farms, and small tourism outfits.

Challenges of Informal Economy:

- The experts see major challenges in the urban informal sector comprising a bucket of 95 million. This segment becomes a key focus area.
- It was pointed out that the problem of the informal sector lies with respect to three major security concerns such as:
 - Wage Security
 - Job Security
 - Social Security
- Inadequate social security regulations are prevalent and make the informal sector prone to risks as witnessed during the pandemic. In addition to this, there is difficulty in the exercise of rights.
- Child and forced labour and discrimination are major concerns.
- A large number of the urban workforce in the informal sector poses a threat as the victimised workers don't get support from society to access resources, education and health facilities. This is why some experts believe that the rural informal sector is comparatively safer than the informal sector in urban areas.

Government Initiatives to mitigate the challenges of Informal Economy:

Social Security Codes:

Parliament got together to rationalise 44 labour codes including four labour codes on wages, industrial relations code, social security code and code on occupational safety. This will address the issues faced by the workers of the informal sector. Therefore, the implementation of such codes will create a safety net for the people associated with the unorganized sector.

Also Read:

Social Security Code	Code on Wages Bill
Occupational Safety, Health and Working Conditions Code 2020	Four Labour Codes

e- Shram Portal:

The Ministry of Labour and Employment has come up with a new database to bring all the informal sector workers together under a single platform. This initiative will ensure the last-mile delivery of the welfare schemes to numerous workers. About 38 crore workers would benefit. This also aims to provide Accidental Insurance coverage to the unorganised workers registered on the portal. The beneficiaries will be given an eSHRAM card to access various welfare schemes. Read more on the [e-Shram portal](#) in the linked article.

Way Forward:

The risks and insecurities involved in the informal economy can be addressed by the proper channelling of the available welfare schemes. For instance, a further boost to the 'vocal for local' campaign will assist several small businesses and promote their products. Expanding the ambit of production linked incentive schemes can widen the safety net in the informal sector. The experts emphasized more funding in social infrastructure apart from the existing measures to offer a safeguard to the entire informal sector.

