



## IMPACTS OF COVID-19 ON THE INFORMAL SECTOR OF INDIA

Simranjeet Kaur

**ABSTRACT** The Indian economy is comprised of both the formal or organized sector and the informal or unorganized sector. Both these sectors were severely harmed during the Covid-19 pandemic. The government of India announced an abrupt and sudden lockdown without any prior steps of combating the drawbacks of such an abrupt action. This left the informal sector completely stranded amidst the pandemic. Taking this into consideration, the paper tries to discuss the impacts of the lockdown on the informal sector. While stressing on the adversities faced by the labourers, the paper addresses the negative impacts of the lockdown on the female workers in the informal sector. Followed by this contextual discussion, the paper attempts to discuss the steps and schemes promulgated by the government for combating this crisis and its limitations. Finally, the paper concludes with an attempt on briefly analyzing the contingencies and suggesting ways forward to meet the exigencies.

**KEYWORDS :** Covid-19 pandemic, Informal sector, Women Informal sector workers

**INTRODUCTION**

The informal sector in India constitutes a significant proportion of the economy, employing 92.4% of the total workforce in India which accounts for more than 400 million labourers and 85% of rural labor pool. This sector contributes more than 50% of the gross national product of Indian economy. The labor pool of the informal sector has been observed to have linkages with the formal sector as well.

The Informal sector is dynamically linked to the formal sector by providing 10% share of the workforce in form of employment of labor in supply chains marketing retail infrastructure and other services. The informal sector needs to be carefully considered while policy making due to its increasing share in providing employment which searched at the rate of 3.6% as compared to only 0.9% in the formal sector in 2017-18. The informalization increased after the liberation of the Indian economy in 1990s. The employment on contractual basis increased and led to expansion of the informal sector giving birth to MSMEs.

The Informal sector already suffered a massive setback post the demonetization drive in 2016. The exercise was aimed at formalization of the informal sector however its dependency on cash affected the sector critically. GST further worsened the scenario by decreasing demand, consumption, henceforth contraction of informal economy. Economists argued that there were 35 to 45% job losses of the labourers in the informal economy.

**ISSUES FACED BY INFORMAL SECTOR**

According to the Indian National Commission on labour (1966-69), unorganised sector workforce can be defined as "Those workers who have not been able to organise themselves in pursuit of their common interests due to certain constraints like casual nature of employment ignorance and illiteracy small and scattered size and establishment." These comprise of household sector as household service providers such as enterprises owned by individuals or households with less than 10 workers. The 90% workforce employed in India comprised of labourers. Many of these labourers are migrant labourers. These constitute approximately 1000 million labourers. After the sudden announcement of lockdown, the public transport was banned and many of these Michael labourers had to walk hundreds of kilometres from their place of work to their homes according to the government, 10.6 million people undertook long journey on foot out of these 24% were casual labourers and 24% were regular wage Salary labourers.

Around 8700 of migrant workers died on the railway tracks in 2020. The labourers believed that the railways would not be working due to the nationwide lockdown. This led to the unfortunate accidents as they undertook the journey of passing the railway tracks on foot. There were cases where pregnant women have given birth on the roads (27 women). According to CMIE, 91.2 million in formal jobs such as small traders, hawkers, daily wage labourers were lost.

Around 50 million workers were walking home on foot with their families under 40-degree Celsius heat during summers. The daily wage labourers employed at the factories, construction sites, hawkers, vendors, household workers suffered huge losses.

Another problem was the unavailability of capital. The lower-class labourers had limited savings which did not provide any safeguard to the labourers. They had no use but to utilise their bare minimum business capital for consumption. With the capital being consumed for survival, there were no resources remaining for businesses, which led to their temporary or permanent closure on a large scale. Another problem was employment on contractual basis 70% of workers in rural sector and more than 60% in urban sector, employed on contractual basis. This indicates that the workforce is simply employed on either oral contracts or informal contracts this suggests that the liberals were first at the mercy of employee who held the right to either dismiss the labours or cut down their wages as/ and after the lockdown, activities resume due to the issue of lockdown.

Secondly, the labourers being employed on informal contracts did not have any social protection or security aids during the lockdown. Moreover, they lacked legal recognition this made situation even worse for them they were suffering from COVID virus, job loss, poverty common no savings to combat hunger, psychological and emotional insecurity, and were not recipients of any security aid as well.

Furthermore, as a result of lack of systematic establishment of a channel of communication between the labourers and the government, the aids and help sanctioned by the government in many cases did not reach the labourers and even if it did the time lag in reaching the labourers led to several of them dying due to hunger.

According to a survey conducted 90% of these workers we're walking to their homes did not receive food help from regional authorities and approximately 89% complaint that their employees did not pay them anymore.

Sudden unemployment pushed the informal workers to the verge of hunger and starvation due to lack of savings question. The low national minimum wage recommendations had already been kept at such a minimum that it did not leave any room for prior savings. The shortage in demand of labour with an increased supply of jobless workers led to decreased wages. The dismissed level facing employment in securities agreed to willingly work for lower wages. As the pandemic hit the sudden lockdown was announced, a vast majority of population panicked and started stockpiling the essential commodities, fearing scarcity. This led to soaring of prices of essential commodities due to sudden increase in demand and lagging supply it further made it difficult for the poor class and labourers to afford essential commodities due to high prices. This put further pressure on their necks. The consumer price index as of December 2020 was 161.6 and d CPI combined of All India general index was 162.5 as of July 2021.

To meet their needs and their soaring prices and inflation rates many relied on borrowing money. As many of these workers couldn't avail institutional credit loan, they relied on uninstal situational credit agencies for loan which provided loans at high Rates of interest, winning the poor in the vicious cycle of indebtedness.

The distress increased to such high levels that the poor could not afford

to avail healthcare during COVID-19. Discovering prices of medicines and the lack of savings to afford them worsened the situation.

### NEGATIVE IMPACTS ON WOMEN WORKERS

The sector that was dominated by women workers suffered a hard hit. The moment lockdown was announced, many of the urban households dismissed housemaids and helpers one due to fear of virus spread and second, due to lockdown. To this contributed the lack of availability of public transport which made it difficult for domestic workers to travel for work as they did not possess any personal means of transportation. This led to joblessness of women workers and increased the existing gender employment gap between earning of men and women increased thrice by mid-2021.

According to official numbers, the domestic workers accounted to 4.2 million, however in reality the numbers soar higher than 50 million. Out of these, two-third worked in Urban areas and faced extreme distress during the lockdown and 75 percent of these workers were women. The women labourers suffered in both the public and private sphere of their life.

In case of Public Sphere women labourers suffered from joblessness like men. The sudden job loss exposed them to economic precarity, as a consequence, their contribution in the financial affairs of the family decreased and they became dependant on the male members to meet the exigencies of the family. Another problem faced by them was of wage theft and lowered wages. During the covid pandemic, many domestic helpers were either not paid or were paid far less compared to the pre-pandemic times. The domestic workers battled with sexual and physical abuse at the workplace either at the hands of the employer, co-workers or male members of the family. This was a result their dependency and the pandemic that exposed their vulnerabilities. Many of the domestic help providers lost their jobs due to the stigma of Covid virus. With the announcement of the lockdown, the entire system of public transportation came to a sudden halt. Due to this, the domestic workers were not able to travel to the place of their work and either adopted to walk or lost their jobs.

During the survey, domestic worker Asha, said that the domestic workers do not possess any vehicle of their own and completely rely on public transportation such as the buses to reach to their place of work. These women in groups boarded buses in the morning and came to a common area to provide domestic work assistance at the places of their employers, and after culmination of their work, either opted a common rickshaw at the charge of ₹.5 per head to reach back home in pre-pandemic times. A single rickshaw transported 4 such workers back to their homes as they mostly lived in a common area near a colony where they all provided help to different households. As the pandemic hit, the morning buses were not available and same was the case with the rickshaws. This made it difficult for the domestic help providers to travel and they eventually lost their jobs.

In such cases, different households had different time preferences. In the areas where there is shortage of water the domestic helpers were normally required to reach as per the availability of municipal water. Another domestic worker, Pooja claimed that the domestic workers were required to reach for providing services before 7 or 8 in the morning. With a shutdown of public transportation, this early travel became difficult for the workers and they instead lost their jobs.

On the other hand, the environment was not supportive even in the private or domestic sphere for women. Women workers faced brutalities and were victims of domestic violence and abuse inside the walls of their homes. The women were victims of domestic abuse and recipients of violent behaviour. This is not a recent behavioural change, however, with the lockdown and joblessness, the incidences of domestic violent abuses increased manifold. According to sociologist Marianne Hester, the cases of domestic violence increase whenever the family members "spend more time together". Similar incidents were observed in India. The situation is worse in case of Dalit women in India.

During the pandemic, the male labourers attempted to find respite in alcohol and many suffered from addiction. Alcoholism culminated with incidences of violent behaviour, including verbal and/or physical abuse on part of intimate partner. Due to persistence of patriarchy, women are usually on the receiving end of abuse from either relatives or husband.

Many domestic helpers claimed that their husbands left home either due to stress or under influence of alcohol or both. These women were left stranded alone to take care of their family and children. Multiple such cases have been observed. A domestic worker, named Ruby, complained that the public sector help did not reach them timely, to combat stress, hunger, lack of finances, and domestic predicaments.

"Women are being subjected to physical, mental, and sexual assault but are failing to ask for help because they think all services are closed and there is nobody to listen to them," says Rekha Sharma, the NCW chairperson.

The government announced various schemes, established institutions and introduced helpline numbers to ensure safety of women however, these provisions were not able to provide timely intervention or failed at taking appropriate measures. The women workers firstly, were not allowed access to mobile phones, so these women could not reach out the authorities for help. Apart from this, many institutions were not even working due to the lockdown. This denied access and timely intervention to the women in distress. The failure of government authorities in providing help is not a recent development. Since promulgation till recently, there have been multiple incidences of police simply trying to reconcile and not launch a complaint, or were bribed. Due to such incidences, women have lost faith in the legal framework and feel hesitant at approaching system with their plea. The government laws prove to be useless at several levels.

It is important to mention that there had been a 26 percent cut in the gender budget of India in spite of the ill effects of Covid-19 lockdown. Apart from shrinking of the gender budget size, the funds had only been allocated to 5 departments which inadequate according to the population size. This put women in a precarious position. This lack of economic security and governmental aid exposed women to increasing domestic abuse. Along with this, the widened the gender wage gap pushed women deeper down in the social hierarchy.

### Government reforms and its impact

The government promulgated various reforms during the pandemic to ensure safety and security of the labourers. There were many schemes that were promulgated to reach out to the workers however, they had certain drawbacks and limitations as elucidated below:

1. Money transfers: The government announced money transfers to the daily wage labourers to help them tide through the pandemic. However only few were available to get access to it the state government also announced direct money transfer to daily wage labourers however these direct money transfers either did not reach the labourers or were delayed.
2. Providing food grains: The government announced to provide 7 kg of food grains. Deep Pradhan Mantri Garib Kalyan Yojana aimed to provide food and cash amounting to 24 billion dollars, for the welfare of people, below the poverty line that is 80,00,00,000 families under NFSA. The Delhi government had put up hunger relief centres to provide food for the daily wage labourers. The government also increased MNREGA wage from Rs 1822 ₹202 in order to provide relief to the labourers. One nation one ration card scheme was also introduced in order to provide food grains to workers from fare price shops in India.
3. Transportation: The Indian Railways operated special Shramik trains for the stranded migrant labourers. These trains were set up to help workers reach their native homes after shutdown of all the public transportation in lieu of COVID-19 pandemic.
4. Insurance: insurance schemes were proposed to cover health workers who were involved in health sector during COVID-19. The scheme provided ₹50,00,000, in case of death while serving. The scheme was extended to 22,00,000 workers.

Government undertook several measures and promulgated schemes to benefit the workers however, reasons such as lack of communication made it difficult to spread awareness regarding these schemes.

Another issue was the scattered nature of labourers around the huge landscape. This made it difficult for the government agencies to penetrate deeper into villages for providing food grains or cash.

Moreover, many laborers did not have Rashan cards, because of which

they could not get benefit of the one nation one ration card scheme. Even without ration card they could not avail grains for more than 2 months the authorities work close so they could not even avail new ration card in order to benefit from these schemes. The sudden decision of lockdown created panic amongst labourers who tries to reach their native homes as soon as possible. So, the relatively late decision of operating ceramic trains did not cater to the significant number of labourers who were migrating on foot right after the announcement.

### CONCLUSION:

The informal sector faced a hard hit during the lockdown. With a complete ban on travel, the labourers travelled on foot to reach their homes to avoid unfavourable conditions at their urban shelters, as a consequence of job loss and lack of capital savings cushion. The male labourers suffered from job loss, wage abuse, physical abuse and increased pressure of rising prices during the pandemic. The subsequent lockdowns added to their suffering. Moreover, due to restrictions on travel and work, women workers also suffered from job losses. They were subjected to wage abuse, physical abuse and sexual abuse by the employers. However, the women were not only exploited at workplace environment but also suppressed in the domestic sphere evident in increased cases of intimate partner violence. During the lockdown, alcohol addiction became an escape route for the male members of the family which was followed by domestic violence. Due to job losses, the already existing gender wage gap widened even further. There were government support schemes introduced to provide aid and to resolve any such issues. However, in most cases the government help either reached late or did not reach at all. It is conclusive from the contextual discussion that the informal economy were undoubtedly damaged.

### SUGGESTION:

1. There is an urgent need for government schemes aimed at providing post trauma savings cushion and aid.
2. The government needs to bring together institutional establishments or small centres in cities with labour clusters, aimed at providing social, economic and psychological help to the workers.
3. The government authorities should introduce centres for upskilling of the workers by teaching them new skills, in order to ensure financial growth and security to the workers in the informal sector.
4. Apart from this, there should an emphasis on absorption of workers from the informal sector into the formal sector. Introduction of quotas in the formal sector can be one way of ensuring job availability.
5. The grievance mechanism, police and NGOs should be encouraged towards spreading awareness about rights of an individual in order to ensure security and safety of both male and female workers in both workplace and domestic sphere.

### Acknowledgement

The author feels grateful to the workers who provided useful information during interactions. Their patience during discussions widened the scope of my understanding. This study would not have possible without the knowledge they offered regarding their lives.

### REFERENCES

1. Basu, S. (2020, 4 20). A parallel pandemic as domestic abuse victims trapped with their abusers. *The Hindu*.
2. Bhattacharya, S. (2010). Need for Domestic Workers in Households in the Current Economic Scenario. *Labour File*, 31-34.
3. Chandramouli, K. (2018). Women domestic workers in India: An analysis. *International Journal of Innovative Technology and Exploring Engineering*, 1-5.
4. Engage., E. (2020). COVID-19, Domestic Abuse and Violence: Where Do Indian Women Stand? *Economic and Political Weekly (Engage)*, 1-6.
5. Gokhroo, S. (2021). India's Informal workers under the lockdown: A snapshot. *SPRF*.
6. Griffin, M. e. (2020). Relief for Informal Workers falling through cracks in Covid-19. *CGAP Research and Analysis*.
7. Mehta Kapur, A. (2020). Union Budget 2020-21: A Critical Analysis from the Gender Perspective. *Economic and Political Weekly*, 55.
8. Mishra, S. K. (n.d.). Covid-19 and Informal labor in India. *Visisting Scholars Opinion Paper*.
9. National Statistical Office. (2020). CONSUMER PRICE INDEX NUMBERS ON BASE 2012=100 FOR RURAL, URBAN AND COMBINED FOR THE MONTH OF NOVEMBER 2020. *MINISTRY OF STATISTICS AND PROGRAMME IMPLEMENTATION*.
10. P Sharma., M. G. (2021). Un-accounted Violence: Women Domestic Workers during COVID- 19. *International Journal of Social Sciences*.
11. PTI. (2021, June 02). Over 8,700 people died on tracks in 2020 lockdown — many of them were migrants. *The Indian Express*.
12. White, B. H. (2020, May 20). The Modi Sarkar's Project for India's Informal Economy. *The Wire*.