

REVIEW PAPER

# Issues and Difficulties Encountered by Unorganized Sectors: An Indian Perspective

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## ABSTRACT

The unorganized sector of the economy encompasses household-based production processes as well as modest and minor sectors of industry. An unstructured sector refers to an economic sector characterized by a lack of consistency in terms of profits or gains. The manufacture of this item is restricted and it can only be produced to a specific geographical location. It necessitates a reduced workforce and capital expenditure. In the unorganised sector of the Indian economy, one can see arts and crafts, artisan jobs, *khadi* and rural sectors, including the handcrafted industry, beehive honey production, incense stick manufacturing, handmade paper creation, and matchbox businesses. The Indian government established the National Commission for Enterprises in the Unorganised Sector (NCEUS) to act as a hub for resources for the unorganised sector. The primary goal is to improve the efficiency of small enterprises to provide a substantial amount of sustainable employment opportunities, particularly in rural regions. The Indian government has enacted laws and initiatives to support the growth of informal companies and enhance the welfare of workers in these industries. The Unorganised Workers Social Security Act of 2008 and the Unorganised Workers Social Security Rule of 2008, the *Aam Admi Bheema Yojana*, and the *Rastriya Swasthya Bheema Yojana* are the important aspects of this paper.

## HIGHLIGHTS

- ① Encompasses production activities carried out within households and small-scale industries.
- ② Marked by inconsistent profitability or gains.
- ③ Demands a decrease in labour force and capital investment.
- ④ Government policies and initiatives are designed to support unorganized firms and increase working conditions for workers.

**Keywords:** Unorganised sector, enterprises, expenditure, sectors

The Indian economy is mainly considered by a substantial component of informal and unlicensed labour activity. In 2009-10, a survey by the National Sample Poll Organization (NSSO) reported a total employment of 46.5 crore in the country as a whole, with 2.8 crore in the business community and 43.7 crore in the private region. Among the workforces in the informal workforce, there are approximately 24.6 crore individuals working for the farming industry, with around 4.4 crore engaged in building-related labour, and the rest are involved in business

operations. The informal part of the economy can be defined as the household-based production process and the small-scale businesses and tiny sector of the industry. An unorganized arena refers to an industry or economic sector characterized by a lack of consistency in terms of profits or gains.

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The manufacture of this item is not permitted and its production is confined to a specific geographical location. It requires less labour and financial backing. Handicrafts, khadi production, cottage industries, handmade goods, honey production, manual papermaking, and matchbox manufacturing are all part of the informal sector of the Indian economy. The Government of India established the National Commission for Enterprises in the Unorganised Sector (NCEUS), a consultancy with an emphasis on the unorganised business community. Further this commission is abundantly working for the development and welfare of registered companies & their staff members.

The main objective of NCEUS is to enhance the profitability of unofficial businesses in order to create substantial job opportunities, especially in countryside regions, in an environmentally sound way. The Commission was tasked with proposing appropriate initiatives to improve the competition of the black market in the worldwide market and to establish connections between the sector and the system of institutions in areas including loans, supply chain infrastructures electronic devices upgrading, training for workers, and promotional activities.

### Challenges of India's informal sectors

India's informal sector has several challenges that affect the lives and welfare of a substantial part of the country's citizens. These some of the salient aspects from an Indian viewpoint:

- ♦ **Job insecurity:** Employees in the informal sector often experience a lack of employment stability. They are involved in casual and short-term work, which exposes people to abrupt job cuts without legal safeguards.
- ♦ **Substandard pay and abuse:** The informal sector is defined by inadequate pay, unfavourable working environments, and abuse. A lot of employees, particularly in industries such as gardening, building, and household work, get little compensation for their efforts.
- ♦ **Lack in social security:** Professionals in the informal sector often lack utilization of government protections like insurance for health care, retirement savings accounts,

or annuity systems. The absence of safety measures heightens the likelihood of injury during crises or in later life.

- ♦ **Restricted access to official credit:** People employed in the informal economy may have difficulties in obtaining official credit services. This hinders their capacity to engage in income-generating endeavours or manage their finances.
- ♦ **Lack of skill advancement:** Numerous workers in the unregulated economy lack sufficient abilities or formal schooling. This restricts their chances of accessing higher-paying employment and advancing in social status.
- ♦ **Unsafe Work Environment:** People in the unregulated industry often encounter dangerous working environments without adequate safety precautions. This is especially true in sectors such as building and producing goods.
- ♦ **Gender Inequalities:** Women in the informal sector have extra obstacles such as gender bias, restricted employment options, and inadequate amenities such as daycare.
- ♦ **Administrative underrepresentation:** The lack of robust workers' unions or groups in the informal economy hinders workers from negotiating collectively for improved salaries, working environments, and amenities.
- ♦ **Informal communication and absence of legislation:** Many enterprises in the unofficial economy operate without regulation or control due to their unstructured nature. This complicates the enforcement of labour laws and the effective protection of the rights of employees.
- ♦ **Restricted utilization of school and medical care:** Individuals in the unofficial economy often face challenges in obtaining high-quality training and medical care, which not only affects their own welfare but also impedes the progress of those closest to them.

To tackle these difficulties, a comprehensive strategy is needed, which includes regulatory changes, enhanced police of labour regulations, programs for improving skills, and attempts to provide access to cash and social protection in the informal economy.



Source. Unorganized work force of India - Google Search. (n.d.).

Fig. 1: Unorganized sectors in India

### Classification of the unorganized workforce

The unregulated worker population in India has been classified into four divisions by the Ministries of Labor, Government of India. The classification is based on occupation, kind of work, particularly distress types, and business categories.

#### *Conditions of employment*

This category includes individuals such as marginal and small-scale farmers, impoverished agricultural labourers, share growers, fishers, veterinary workers, beedi rollers, labellers and packers, building and building-related workers, leather staff members, spinners, makers, salt workers, workers in kilns for bricks and rocks quarrying operations, and personnel in saw gristmills and oil textile factories.

#### *Conditions of the contract of employment*

This group encompasses linked labourers in agriculture, contractual artisans, migrant workers, contract artisans, etc casual labour.

#### *Conditions of the Particularly Affected class*

Individuals engaged in toddy tapping, scavenging, carrying heavy weights on their heads, steering animal-drawn cars, and loading and unloading goods fall into this classification.

#### *Within the scope of Conditions and Services*

This category consists of midwives during this

individuals, fishermen, hair stylists, fruit and veggie providers, news dealers, and many more.

#### *Social welfare initiatives for the unregulated industry*

The Indian Ministry of Labor and Economic Affairs has enforced the Disorganized Employee Welfare Act, 2008 to protect the well-being of those who work in the unorganized economy, including spinners, hangs staff, fishers, fisher-women, toddy tappers, suede staff, cultivation employees, and dough staff. The Act establishes the National Social Security Board, which is tasked with recommending the development of social security systems. The programs include the life & disability insurance, health & maternity benefits, retirement security, and additional benefits provided by the governing body for unaffiliated personnel. However, the Ministry has no permanent set up a National Social Security Board.

#### *Challenges faced by employees in the shadowy industry*

The quantity of informal labourers in India has greatly increased since gaining freedom. Over half, around 52%, of the University of Washington's students participate in the agricultural and associated industries, comprising more than 90% of the labour power. According to the National Commission for Enterprises in the Unorganised Sector (NCEUS), 50% of the GDP is generated by the Unorganised Sector.



It is essential to carefully analyse the situation of this poor and neglected socioeconomic group in India. The unorganized industry, as defined by the Ministry of Labor or Employment, consists of firms owned by individuals or freelancers who are engaged in the manufacture, sale of commodities, or supply of certain services. When these enterprises have workers, the overall number usually less than one-tenth. An “unorganized worker” (UW) is a person who does labour either from their residence, as a consultant, or as someone who works in the unregulated industry. This term refers to employees in the regulated economy who are not covered by any of the laws listed in Schedule II of the Unorganised Workers Social Act of 2008. The Ministry of Agriculture, not the Ministry of Labour and Employment, is in charge of the Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA). MNREGA is outside the purview of LEM.

### **Problems Identified**

- ♦ Inadequate labour legislation
- ♦ Absence of social security benefits
- ♦ Absence of assured minimum wage standards
- ♦ Indentured servitude (victims refrain from voicing their grievances due to fear of retribution from their employers) due to their lack of knowledge)
- ♦ Exploitation of minors (they are the most vulnerable group subjected to this)
- ♦ Female workforce - problem of workplace harassment
- ♦ They have a low level of literacy.
- ♦ They have low earnings, yet they do not express dissatisfaction.
- ♦ They are susceptible to diseases.

### **Enforcement of the Social Security Act for Unorganized Sector Workers in 2008**

There is recognition of the necessity of offering insurance to non-unionized workers, according to Secretary of Labour and Employment Shri Mallikarjun Kharge, who addressed the Rajya Sabha. Enacted by the federal government in 2008, the Unorganised Workers’ Social Security Act. The

Act establishes the National Social Security Board at the federal level to recommend the creation of welfare programmes that cover life and disability insurance, health care and benefits for pregnant women, aged protection, and other public help for people with disorganisation. In response to this Act, the National Social Security Board was established on August 18, 2009. According to this law the provisions are extended to insurance programmes like the Old Age Pension, the *Janshree Bima Yojana*, and the *Rastriya Swasthya Bima Yojana* to specific groups of informal labourers. The aforementioned *Rastriya Swasthya Bima* (RSBY) initiative commenced on October 1, 2007, with the aim of offering cashless insurance for medical expenses of ₹ 30000 to families living below the poverty line (BPL) in the informal sector. The coverage is provided through smart cards. As of February 29, 2012, about 2.79 crore families below the poverty line have been included.

The *Aam Admi Bima Yojana* (AABY) has been initiated by the government in order to offer insurance coverage for death and disability to people living in rural areas without land. A total of 1.98 crore individuals have been included in the AABY program as of February 29, 2012. The expansion of the Indira Gandhi National Old Age Pension System (IGNOAPS) was brought about by revisions to its qualifying standards. Individuals who satisfy specific requirements, such as being elderly and below the poverty level, are entitled to a 200-rupee monthly retirement benefit. Pension payments have been increased to Rs. 500 per month for individuals who are 80 years of age or beyond.

As of February 29, 2012, 1.90 crore individuals were part of the IGNOAPS programme. Additionally, a Social Security Board at the state level will be proven to replicate the current board. Based on available data, the states of West Bengal, Assam, Karnataka, and Chhattisgarh have set up Regional Social Insurance Boards and made laws in compliance with the Disorganised Persons’ Human Welfare Act, 2008. Only four states—Gujarat, Orissa, Kerala, and Tripura—have put in place certain laws. The Tamil Nadu government claims that since it already runs several aid programmes for unorganised labourers, there is no need to create a State Social Security Board.

## Evaluation of unorganized Industries under the Social Security Act of 2008

### *Advantages*

The Union Minister for Labour and Employment is in charge of forming a National Social Security Board, and the Director General of Labour Welfare serves as the ex-officio Member-Secretary recommends the establishment of a State Social Security Board at the state level, to be supervised by each state's Minister for Labour and Employment. The Principal Secretary or Secretary (Labour) will serve as the Member-secretary ex officio.

### *Drawback*

- ♦ Lack of specific provisions for workers in the informal sector.
- ♦ Includes exclusively the currently accessible social security programs inside the nation.
- ♦ There is no legal obligation for the government or employers.
- ♦ The act does not include any requirements for eligibility, specifics of benefits, minimum wages, etc.
- ♦ The act has significant deficiencies in terms of legislation and intention.
- ♦ In essence, eyewash has failed to both acknowledge the issues and provide any resolutions.

### *Social security*

Social Security involves providing payments to individuals and families via public or communal institutions to protect against a decline in living standards due to different risks and needs.

Here are a few instances of social security measures:

1. Comprehensive medical treatment in several fields
2. Retirement Funds/Severance Pay
3. Comprehensive medical care

Informal labourers in the country lack distinct social safety nets, in addition to facing inadequate medical services and outmoded pension plans offering minimal perks of roughly ₹ 100 to 200 per month. The regulated industry rewards from many welfare measures, which raises the question

of why equivalent benefits cannot be provided to unstructured personnel. Social safety net legislation in the United States of America mostly pertain to cities and unionized staff members.

1. The Gratuity Act of 1971 governs the payment of gratuity to employees.
2. The Workmen Compensation Act of 1923 deals with compensation for work-related injuries and disabilities.
3. The Maternity Benefit Act of 1971.
4. The Employees' State Insurance Act of 1948.
5. The Employees' Provident Fund and Miscellaneous Provisions Act of 1952.

### **Significant constraints of the act**

Agricultural labourers were not included by the Act, and a separate law for agricultural labor has not been introduced. The deputy secretary of state claims therefore these individuals are also encompassed. NCEUS has prepared two legislations, one concerning Medicare and Medicaid and the other being about employee treatment. The latter was ultimately rejected, and the one that was passed Bill now centres only on a diluted kind of insurance.

The 2008 Act seems to have omitted various categories of unorganized workforces, such as growers, irregular labourers in regulated businesses (including contract labourers), infrequent employees in the recognized sector, its member's workforces, para staff members like ASHA workers and Para teachers, and individuals in the cooperatives. This exclusion reveals the true essence of the UPA's "The State of Diversity." The Act pertains only to a certain group of unlicensed craftsmen, that income level is expected to be formally disclosed by the U.S. government. The next revelation is likely to involve measures to exclude a substantial percentage of undocumented employees from the legislation and programmes.

Construction staff members are exempt from making payments because of a levy that finances health care along with additional perks. There is currently no established system to assemble a compulsory fee from workers in different sectors. Only persons classified as Below Poverty Line (BPL) are excused from paying premiums, although the exception

is exclusive to the 'Rastriya Swasthya Bima Yojana' program. This policy provides limited wellness protection of up to thirty thousand rupees for a household of five members. Therefore, workforces in various segments would need to pay for the premium. The Act cannot practically require the establishment of a Central Welfare fund. The Act lacks mechanisms for disciplining corporations that breach it.

Just ten insufficient benefits plans are available for workers who are not organized under the notion of "Social Security." Most of the aforementioned schemes, like as retirement income or maternity gain, like the *Bima Yojana*, are existing and continual plans without any newness. The rejection of the law recommended by the Arjun Sengupta Commission will leave the daily life of informal employees, including time off, mandatory getaways, workplace safety, job security, laws governing labour, holding freedoms, and the execution of hourly rates and incentives, unregulated and insecure.

The authorities do not acknowledge the notion of unemployment benefits for informal workers or any assurance of a livelihood in case of job termination. A payout of Rs.500 every month for registered manufacturing employees in circumstances involving job loss was implemented under NREGA scheme and by the local authorities of Tamil Nadu & West Bengal. An extensive unemployment/job-loss benefit system, like to those in Western countries, has not been implemented in India yet. What would be the meaning of social protection in the nonexistence of joblessness rewards? The centre and state associations created by the Act to act for labour organizations function as advisory organizations. Like the National Labor Commissioners, these organizations do not have the authority to implement the suggestions they make. The district administration holds responsibility for enforcing rules and ordinances, but there are no independent compliance or oversight body which incorporates union representation. Furthermore, there's no superior entity to which anyone may request a review.

Defaulting enterprises and officials that fail to identify informal workers in the proposed initiatives face no penalties. The Act has ignored the unique difficulties experienced by migratory employees, specifically those who must move

among states, as well as unregistered labourers. Safety concerns have been entirely ignored. The Bill fails to deal with the problem of women who work as unregistered workers. Safety and Security, personal misbehaviour, accommodations, migrant women staff members, work-related conditions & protection, wage gap, pay check absence, and in person daycare facilities were all ignored.

### *Aam Aadmi Bima Yojana scheme (AABY)*

The Aam Admi Bima Yojana, a scheme of social insurance, was launched on October 2, 2007 in Shimla by the previous Finance Minister. It is aimed at delivering financial security to rural residents who do not own land. The program provides coverage for the head of a family or the primary earner in homes of this kind. Each person's yearly premium of Rs.200 is split equally between the Government of India and the state's Governments. The qualifying person must be between 18 and 59 years old.

#### *Advantages*

For deaths resulting from natural causes, the compensation amount is ₹ 30,000. In the case of death caused by a mishap or total and permanent disablement resulting from an accident (such as the loss of two eyes or two limbs), the compensation amount is also ₹ 30,000.

The amount is INR 75,000. This is applicable in cases of partly permanent blindness resulting from an accident, specifically the loss of one eye or one leg. The amount is INR 37,500.

The Central Government has established a distinct fund known as the "Aam Admi Bima Yojana Premium Fund" to cover the government's contributions. The fund is administered by LIC. The Scheme also offers a complimentary additional benefit in the form of scholarships for children.

### *Rastriya Swasthya Beema Yojana scheme*

The *Rastriya Swasthya Bima Yojana* was started on April 1<sup>st</sup>, 2008. The Government of India's Ministry of Labor and Employment has launched the implementation of RSBY, a program designed to provide health insurance to families living below the poverty line (BPL). RSBY's main objective is to provide economic protection to people living below the poverty line (BPL) by paying expenses

related to hospitalization due to unforeseen health crises. RSBY members may get hospitalization coverage up to ₹ 30,000 for most diseases requiring hospitalization. The governing body has set fixed fees for hospital to ask for certain medical services.

Pre-existing diseases receive coverage immediately and there are no restrictions based on age. The coverage encompasses up to five family members, consisting of the household's primary individual, their spouse, and a maximum of three dependents. Beneficiaries are only required to pay a registration fee of ₹ 30/-, while the Central and State Government cover the cost of the insurance premium. The insurer is chosen by the State Government through a competitive bidding process.

The RSBY initiative is not an early endeavour by the Indian Government to offer health coverage to individuals with low incomes. The RSBY plan, on the other hand, distinguishes itself from all of these plans through numerous significant variations.

RSBY empowers the beneficiary by giving them the option to choose between the two types of hospitals. This turns the client a valuable client for hospitals, as they are able to generate considerable profits within the plan.

The Enterprise Paradigm for important individuals: The plan was developed as an organization example for an independent business initiative, with customized rewards for all participants. The firm's design is conducive to the venture's development and longevity. A premium is paid to the insurers for each household that enrolls in RSBY. The insurer is therefore motivated to register as many households from the BPL list as possible. It will result in those who are deliberately chosen having better coverage. Hospitals are motivated to offer care to a significant number of clients because they receive payment for each member they serve. Public hospitals are motivated to provide treatment to recipients under RSBY since insurance funds will be directly allocated to a hospital, allowing them to utilize the cash for their own needs. Insurers, on the other hand, will oversee the hospitals that participate to deter unneeded operations or fraudulent activities that may lead to excess claims.

The facilitators such as NGOs and MFIs that have a stronger interest in supporting homes below the poverty line. The intermediaries will receive

compensation for the assistance they provide in connecting with the recipients. The public sector has the capacity to grant the use of excellent health care to those who fall below the poverty limit by limiting the highest amount that can be paid to Rs. 750/- per family per year. Furthermore, it will foster a robust contest both the two types of providers, thereby enhancing the efficiency of public health services provider.

The Information Technology (IT) Intensive program is being implemented on an extensive level for the initially for the nonprofit sector's scheme, utilizing applications developed by IT. Each recipient family is provided with a biometrically-enabled smart card that includes their biographical information and pictures. All of the hospitals that are part of the RSBY program have been equipped with IT infrastructure and have links to the district-level server. This will provide a seamless data transmission concerning the periodic consumption of services.

Using a biometric-enabled chip and a key management system guarantees the security and dependability of this technology. The RSBY key administrator system ensures the secure delivery of data cards to the designated destination and keeps meticulous records of card issuance and use, assuring accountability. The biometric-enabled smart card ensures that a single legitimate receiver may use it. Accessibility is the main feature of RSBY, enabling those enrolled in one district to use their chip card at any RSBY selected institution in India.

This strategy is genuinely distinctive and advantageous for impoverished families that relocate from one location to another. Migrant workers can also divide cards to each carry a portion of the protection.

Beneficiaries of RSBY receive contactless benefits in all one of the clinics that are part of the program, eliminating the need for cash or written payments. The individual requires only to own their digital identification card and authenticate themselves using their hand prints. Partnering practitioners benefit from a cashless plan, as they are not required to send all the documentation connected to therapy to the insurers. They submit digital claims to an insurance company and receive electronic payment.



RSBY is developing a strong and efficient evaluation and tracking framework. A sophisticated core system for managing data is being implemented to monitor and trace all transactions throughout India, while also generating regular reports for analysis.

## CONCLUSION

The unregulated fields refer to regional manufacturing actions, specifically small-scale or smaller industries that have minimal profitability or margin consistency. The unregulated industries and their staff members can be referred to as invisible or invisible due to their low honour, which is nearly non-existent when compared to the structured sector. Unorganized workers encounter several challenges such as lack of social protection, sexual misconduct at work, limited skills, high illiteracy rates, and low earnings. In order to address these challenges, the governing body of India established the National Commission for Enterprise and Disorganized Sectors. The Indian government has introduced several policies, legislation, and initiatives to enhance the welfare and advancement of those working in the shadowy industry. The government's efforts to introduce programs are hindered by the insufficient education and low educational attainment of persons in the informal sectors, which hinders their ability to benefit from the financial incentives provided by these government programs. Inadequate knowledge and low literacy rates provide substantial barriers to the development of several sectors, leading to the presence of inadequate and hazardous housing.

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