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ANALYSIS**

TOPIC

**Unorganised Sector: The
Fineprint**

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UNORGANISED SECTOR: THE FINEPRINT

Context

- The **unorganised non-agriculture sector** is crucial to see how it fared in terms of value-creation and employment-generation.

About the Unorganised Sector in India

- The unorganised non-agriculture sector, also known as the informal sector, often referred to as the **household sector**, encompasses a wide range of economic activities that operate outside the formal regulatory framework. These activities are not covered by official labour laws and regulations.
- From street vending and household services to construction and small-scale manufacturing, this sector is both diverse and crucial for India's economic fabric.

Key Statistics

- **Contribution to GVA (Gross Value Added):** In the fiscal year 2022-23, the unorganised non-agriculture sector contributed a substantial 44.25% of the total GVA at basic prices. It underscores its significance in the overall economic landscape.
- **Employment Generation:** Approximately 74.3% of the total workforce in India finds employment within this sector. These workers form the backbone of various economic activities, even though their work often goes unrecognised and lacks formal protections.

Sectoral Trends

- **Shift Toward Services:** Over the past decade, India has witnessed a gradual transition from a manufacturing-based economy to a service-oriented one. It is mirrored in the unorganised sector as well.
 - ♦ But today, the landscape has shifted. **'Other Services'** now take the lead, constituting a whopping 38% of all establishments. Trade follows closely at 35%, while manufacturing lags behind at 27%.
 - ♦ It seems India has been gracefully pirouetting into a service-based economy, with 'Other Services' leading the charge. These services include everything from IT-enabled services to the gig economy—think app-based deliveries, freelance work, and more.
 - ♦ While manufacturing establishments have seen a decline, the 'Other Services' category has gained prominence. These 'Other Services' include a wide array of activities such as repair services, personal care, and hospitality.
- **Rural Dominance:** According to the **Annual Survey of Unincorporated Sector Enterprises (ASUSE)**, the total number of such establishments increased from 6.36 crore in 2015-16 to 6.5 crore in 2022-23. Notably, a significant share of these establishments comes from rural areas.
 - ♦ Over the years, there has been a shift in the composition of these establishments. While manufacturing witnessed a decline, the 'Other Services' sector saw growth. This aligns with India's broader trend of transitioning into a service-based economy, fueled by new-age services.
 - ♦ In fact, rural establishments constitute 55% of the total, emphasising the sector's deep roots in India's villages.
- **Manufacturing and Service Sectors:** Workers in the Manufacturing sub sector declined at a CAGR of 3.33% in the last seven years.
 - ♦ **Service sector** workers, on the other hand, have grown overall albeit with a decline in the average number of workers per establishment from 1.76 to 1.62. This number has increased slightly from 1.68 to 1.73 for the 'Trade' subsector.
- **Establishments on the Rise:** The total number of **unincorporated non-agricultural establishments** has been steadily climbing. From 6.36 crore in 2015-16, we've now reached 6.5 crore establishments in 2022-23.

- ◆ Interestingly, a significant chunk of these establishments hails from rural areas, with their share increasing from 51.3% to 55% over the years.
- **Productivity Matters:** Not only has 'Other Services' claimed the establishment throne, but it also shines in terms of productivity. Out of the total GVA generated by the USE, a solid 41% comes from—you guessed it—'Other Services.' And when it comes to GVA per establishment, this sector stands tall at 2.58 lakh. Productivity isn't just a buzzword; it's the lifeblood of economic growth.

Challenges Faced By Unorganised Sector

- **Lack of Formalization and Regulations:** The unorganised sector operates without formal employment contracts or social security benefits. This lack of formalisation makes it vulnerable to exploitation and leaves workers without legal protections.
 - ◆ The absence of clear regulations can lead to unfair practices, unsafe working conditions, and inadequate wages.
- **Job Insecurity:** Unorganised labourers often face job insecurity. Their employment is precarious, with irregular income and uncertain work prospects.
 - ◆ Without stable employment, workers struggle to plan for the future, invest in education, or save for emergencies.
- **Low Productivity and Income Levels:** Labour productivity in the unorganised sector tends to be lower compared to formal sectors. This results in lower income levels for workers.
 - ◆ Factors contributing to low productivity include outdated technology, lack of skill development, and inadequate access to resources.
- **Informal Social Security: Informality:** The lack of formal recognition and legal protections remains a persistent challenge for workers in this sector. Many labourers operate without contracts, social security schemes such as **health insurance, pension, and maternity benefits, or minimum wage guarantees.**
 - ◆ This absence of safety nets leaves them vulnerable during emergencies or old age.
- **Limited Access to Credit and Finance:** Many small enterprises in the unorganised sector struggle to access credit due to their informal nature.
 - ◆ Lack of financial support hampers business growth and prevents investment in modernization and expansion.
- **Gender Disparities:** Women constitute a significant portion of the unorganised workforce. They face additional challenges related to gender discrimination, unequal pay, and limited mobility.
 - ◆ Balancing household responsibilities with work further exacerbates their situation.
- **Health and Safety Hazards:** Unorganised sector jobs often involve physically demanding work, exposure to hazardous substances, and inadequate safety measures.
 - ◆ Occupational health risks are prevalent, and workers may lack awareness about safety practices.
- **Skill Gaps and Training:** Skill development and training opportunities are limited in the unorganised sector.
 - ◆ Without upskilling, workers struggle to adapt to changing market demands and technological advancements.
- **Fragmentation and Lack of Collective Bargaining Power:** The unorganised sector comprises numerous small enterprises, leading to fragmentation.
 - ◆ Collective bargaining power is weak, making it challenging to negotiate better wages or working conditions.
- **Access to Markets and Technology:** Unorganised businesses often lack access to formal markets and struggle to compete with larger, organised players.
 - ◆ Adopting modern technology remains a challenge due to resource constraints.

Related Government Initiatives

- **Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA):** It is a flagship program that guarantees a certain number of days of wage employment to rural households.
 - ♦ Its primary objectives are to provide a safety net for rural workers and reduce distress migration. By creating employment opportunities in rural areas, MGNREGA contributes significantly to the well-being of unorganised labourers.
- **PMSYM (Pradhan Mantri Shram Yogi Maan-Dhan):** It focuses on providing social security benefits to unorganised workers. It specifically aims to offer them a pension.
 - ♦ By enrolling in this scheme, workers gain access to financial security during their retirement years. It's a step toward recognizing the contributions of those who often toil without formal employment protections.
- **e-Shram Portal:** It serves as a national database for unorganised workers. It includes various categories such as agricultural, domestic, construction, gig, and platform workers.
 - ♦ Through this portal, workers can register and access information related to welfare schemes, health care, insurance, and other benefits.
- **Expansion of Employees' State Insurance (ESI) Scheme:** It provides health and social security benefits, has been extended to 52 additional districts in India.
 - ♦ It brings more workers and their families under the umbrella of social security.
- **Webinars and Cross-Country Perspectives:** The Ministry of Labour and Employment organised webinars in collaboration with international organisations to discuss opportunities, challenges, and policy environments related to gig and platform working.
 - ♦ These discussions aim to shape policies that benefit unorganised workers.
- **Integration of Data from Various Ministries:** To enhance the effectiveness of welfare schemes, the government is working on integrating data from different ministries. For instance, the Ministry of Housing and Urban Affairs will contribute data on street vendors, while the finance ministry will provide information on schemes like the Atal Pension Yojana. This convergence aims to streamline access to benefits for workers.

Way Forward

- India's ambitious goal of becoming a \$5-trillion economy hinges significantly on catalysing the unorganised sector. Retail, wholesale, and the self-employed—these are the unsung heroes who keep the wheels turning. As we move forward, let's **not forget the fineprint—the millions of small enterprises, the gig workers, and the local artisans**. Their resilience and contribution deserve recognition and support.
- On the other hand, there is a need **to address the elephant in the room: productivity and wages**. While the numbers tell a promising story, there's a twist. The unorganised sector grapples with a mixed bag of challenges. Wages can be precarious, and productivity levels vary widely.
 - ♦ It's a delicate balancing act — one that policymakers, economists, and businesses need to navigate carefully.

Conclusion

- The unorganised non-agriculture sector is not just a statistical category; it represents the sweat and toil of millions of Indians striving to make a living. Recognising its importance and addressing its challenges are critical steps toward a more inclusive and resilient economy.

Source: BL

Mains Practice Question

[Q] Highlights the major challenges faced by workers in the unorganised and informal sector in India, and how can we address them effectively?

