Navigating the Position of Social Security for Informal Workers in India

By Tanya Aswani, Research Assistant at Dattopant Thengadi Foundation, India

Published by Global South Academia — November 2026

Abstract

This article explores the heterogeneous and complex nature of the informal sector in India, highlighting how important it is to understand the informality of the Indian economy to go beyond the theoretical implications and make policies based on ground realities, impacting real change. The informal sector employs the majority of the population, and it is the most hidden and dominant feature of the Indian economy. Furthermore, this article focuses on understanding social security and pointing out how social security and protection are still absent among informal workers. Mostly, informal sector workers are working without contracts, job security, stability, paid leave, and stable income. The last section of this article looks at the governmental
schemes and legislation and how the government has failed to act on these initiatives. This article makes a central argument that the government needs to change its approach to counter these failures and take a bottom-up approach by actually taking into account the individuals impacted by these policies and how these policies can be realistically implemented rather than making superficial changes.

Keywords: Informal sector, social security, labourers, governmental schemes and laws.

Informal Sector in India

The informal sector is one of the dominant sectors of the Indian economy. Early understandings of the informal sector described it as a temporary economic phenomenon in less developed economies that would eventually disappear as these countries became developed (Lewis 1958; Tokman 1978, cited in Darbi et al., 2016). Furthermore, it was labelled ‘underground’, ‘black’, ‘hidden’, ‘irregular’, ‘second’ and ‘criminal’ (Gërxhani 2004; Henry and Sills 2006 cited in Darbi et al., 2016, p.1). Hart (1973) was the first to coin the term “informal sector” during his study of economic activities in an urban slum in Accra (capital of Ghana). Hart (1973) noted that people in Accra worked in a more unstable manner for less profit, and they were not unemployed. Moreover, the state did not regulate the informal economy, unlike the formal economy (Hart, 1973). Hence, the informal sector is a hidden feature of the Indian economy, operating outside state laws and regulations. This hidden informal sector accounts for approximately 20-30% of Gross Domestic Product (GDP) and employs nearly 90% of the workforce (Ramaswamy et al., 2025). To understand the Indian economy and inform effective policy, it is essential to study the informal sector. India has a very diverse, complex and heterogeneous informal sector that is spread across different sectors and regions (Ramaswamy et al., 2025). This complexity highlights the need to understand and study the informal sector and economy to make effective policy actions, move beyond theoretical inquiry that is based on ground realities, and address the needs rather than superficial issues.

International Labour Organisation (ILO) (1990) had a very narrow definition of the informal sector, limiting it to just enterprises that are not regulated, do not have a legal entity and are run by families or individuals. But later, the

ILO (1993) broadened the definition and included aspects of certain perks and protections that employees should get from their employers (Mishra, 2017). The latter definition brought into the picture not just the physicality of the informal economy but also the aspect of the employees in it. Informal labour makes up about 93 per cent of the total labour force, and there has been an increase in informal labour over the years (Dhas & Helen, 2008). This new and expanded definition of the informal sector included 'all forms of "informal employment "- that is, employment without labour or social protection-both inside and outside informal enterprises, including both self-employment in small unregistered enterprises and wage employment in unprotected jobs' (Chen, 2006, p. 76). The significant difference between the formal and informal sectors is that the informal sector does not guarantee any form of social security and protection to its employees, while the formal sector does guarantee social security and protection to its employees.

Social Security

We live in an uncertain environment, and we are always at risk of being in an unpredictable situation that could harm us. Hence, social security is an essential protection that should be guaranteed to all workers irrespective of their nature of work. Fasih (2011) adds that the United Nations Development Programme (UNDP) pointed out that the majority of people felt insecure due to daily life worries (about whether they will lose their job, whether they will have enough money to cover their subsistence) rather than from catastrophic natural events. Ministry of Labour (Government of India, 1996, p. 162) puts forward that 'social security [in India] envisages that the members of a community shall be protected by collective action against social risks causing undue hardship and privation to individuals whose prime resources can seldom be adequate to meet them.' Moreover, Drèze and Sen (1989) argue that social security in developing economies like India should be seen as 'an objective to be pursued through public means rather than as a narrowly defined set of particular strategies' (p. 16). This argument of Drèze and Sen raises an important question about the importance of governmental interference, schemes and welfare policies designed to give social security to the working force in the country. The latter section of the article will look at the governmental schemes designed to protect and provide security to informal workers and how effective they are on the ground. Lastly, social security is a fundamental human right recognised by national and international law.

Understanding Access to Social Security for Informal Labourers in India

Mishra's (2017) study showcased that the size of the informal sector (in which a considerable part is of agriculture) is immense and is also steadily growing in terms of employment and value added to the GDP of the Indian economy. Furthermore, it is also noted that there has been a sharp rise in the percentage of workers having no job contracts and zero paid leave, leading to an increasing number of workers working in the informal economy with no social security benefits since 2007 (Mishra, 2017). The reason behind the rise of informal workers is that the 'large firms (are) reducing risks and wage costs by outsourcing to the informal sector, and the organised sector (is) not creating enough jobs', as argued by Ravi Srivastava (Fasih, 2011, p. 3).

Informal workers in the Indian economy experience many hurdles, such as zero social security in their jobs, unsafe working environments, longer working hours (16-18 hours) without being paid extra for their work, discriminatory wages (women are paid far less than men, and they often end up working twice as much as their male counterparts), being prone to exploitation and experiencing discriminatory age-related behaviours. Women often

make up a good section of the informal labourers. They are doubly exploited and face discrimination compared to male labourers. Women workers, as pointed out by Shah et al. (2025), are given meagre pay, longer working hours and dangerous working conditions without proper safety, protection, and stability of employment or any benefits for maternity or sick leave. The above argument can be better understood with the case of female sugarcane labourers in the Beed district of Maharashtra.

Unhygienic and poor living conditions of sugarcane labourers, especially impacting women labourers, along with the fear of wage cuts, the oppressive rule of mukadams (labour agents), the unorganised nature of work, and tedious and long working hours, have impacted the reproductive health of women in that region (Kulkarni and Shukla, 2019).

The COVID-19 pandemic worsened the situation of informal workers in India. When the country was struck by the pandemic and was forced to go into lockdown, the informal workers (construction labourers, gig workers, casual wage labourers, seasonal and temporary workers) were the first ones to be removed from their jobs permanently. These labourers were also unable to migrate or go back to their hometowns due to the imposition of a strict lockdown. The economic crises and instability of informal workers doubled during the pandemic lockdown because of the lack of social security provisions in their work. Unfortunately, it trapped these workers and made them further prone to exploitation and instability (Shah et al., 2025).

The social security needs of the informal workers are: food security, nutritional security, health security, housing security, employment security, income security, life & accident security and old age security (Dhas & Helen, 2008). No doubt the informal sector poses a tough challenge for the government, lawmakers, and policymakers in capturing the broad nature of the informal sector and then making adequate provisions that would benefit all the sub-categories of informal labourers inside it, especially in the context of:

l*egal and social protection of the persons working in the informal sector or unorganised sector; better working conditions; improving the productivity of informal sector activities; training and skills development; organisation of informal sector workers and producers; establishment of suitable regulatory framework; reforms in governance; urban development, etc.* (Mishra, 2017, p. 75).

Governmental Schemes and Laws

Several legislations were made by the Indian government to protect the workers, and these are applicable to both formal and informal economies. They are: the Employees' Compensation Act, 1923; the Minimum Wages Act, 1948; the Maternity Benefit, 1961; the Contract Labour (Abolition and Prohibition) Act, 1970; and the Building and Other Construction Workers (Regulation and Employment of Conditions of Service) Act, 1966 and the Building and Other Construction Workers Welfare (Cess) Act, 1966, etc. (Ministry of Labour and Employment, Annual Report 2015-16 cited in Mishra, 2017, p. 77).

One of the major initiatives taken up by the government was the Unorganised Workers' Social Security Act, 2008. This act was enacted so that it could improve the working poor and people with no or very little subsistence of their own (landless labourers or labourers owning a very small piece of land), and it reached out to these people who needed public support to survive (Mishra, 2017). Moreover, Mishra (2017) has also pointed out that this resulted in

‘culmination of the sum of existing pieces of social welfare schemes. These welfare schemes do not, conversely, share the act’s rights-based approach’ (p. 77). The above act was repealed and replaced by the Code on Social Security 2020, which was passed by the Parliament (Bordoloi et al., 2020). This code defined social security as:

The measures of protection afforded to employees, unorganised workers, gig workers and platform workers to ensure access to health care and to provide income security, particularly in cases of old age, unemployment, sickness, invalidity, work injury, maternity or loss of a breadwinner by means of rights conferred on them and schemes framed, under this Code (Bordoloi et al., 2020, p. 6).

The Social Security Code 2020 also takes into account not just informal (unorganised) workers, but it broadens to take into account gig workers, unlike the previous Act (Bordoloi et al., 2020). The Code has made provisions for the Union government to frame schemes on matters relating to life and disability cover, health and maternity benefit, old age protection, and education (Bordoloi et al., 2020). They can also introduce social security schemes for the workers, and these include: Employees’ Provident Scheme; Employees’ Pension Scheme; schemes for the benefit of unorganised workers, etc. (Bordoloi et al., 2020). Also, the state government can frame schemes in areas relating to provident fund, employment injury benefit, and housing, educational schemes for children, etc. (Bordoloi et al., 2020).

It has been pointed out bluntly that these initiatives and laws are not entirely successful in providing social security to informal workers in India in terms of perks, protection, minimum wages, paid leaves, health security and job insurance. The possible explanation for this is the dull and uneven implementation of laws and weaker regulations (Mishra, 2017). The government has failed to bridge the gap between theory and practice. There is a need to change the approach to making such laws and implementing them. The need of the hour is to work from a bottom-up approach, taking into account the actuality and practicality of the issues from the perspective of informal workers. These laws and schemes often fail to take into account the real scenario of those for whom the legislation is being enacted. The informal sector and workers encompass a very broad range and are difficult for the government to capture all the aspects in one go. Hence, a deep, integrated social study should be conducted that will cater to different categories of informal workers and their needs and issues. This will help in making policies that would align with and address the issues of social security and informal workers in India.

Reference

Bordoloi, M., Farooqui, M. H., & Pandey, S. (2020). Social security for informal workers in India: Exploring India’s labour market policies on provisioning of social security to informal workers in the unorganised sector. Accountability Initiative, Centre for Policy Research. https://accountabilityindia.in/publication/social-security-for-informal-workers-in-india/

Chen, M. A. (2006). Rethinking the informal economy: Linkages with the formal sector and the formal regulatory environment. In B. Guha-Khasnobis, R. Kanbur, & E. Ostrom (Eds.), Linking the formal and informal economy: Concepts and policies (pp. 75–92). Oxford University Press.

Darbi, W. P., Hall, C. M., & Knott, P. (2016). The informal sector: A review and agenda for management research. International Journal of Management Reviews, 18(2), 1–20. https://doi.org/10.1111/ijmr.12131

Dhas, A. C., & Helen, M. J. (2008). Social security for unorganised workers in India (MPRA Paper No. 9247). Munich Personal RePEc Archive, University Library of Munich. https://mpra.ub.uni-muenchen.de/9247/

Drèze, J., & Sen, A. (1989). Hunger and public action. Clarendon Press.

Fasih, F. (2011). Social security of unorganised workers in India. SSRN Electronic Journal. https://doi.org/10.2139/ssrn.1968206

Government of India. (1969). Report of the National Commission on Labour. Ministry of Labour.

Hart, K. (1973). Informal income opportunities and urban employment in Ghana. The Journal of Modern African Studies, 11(1), 61–89.

International Labour Office. (2004). A fair globalization: Creating opportunities for all. International Labour Office.

https://www.ilo.org/publications/fair-globalization-creating-opportunities-all

International Labour Organization. (1993). Report of the Fifteenth International Conference of Labour Statisticians. International Labour Organization.

https://www.ilo.org/resource/15th-international-conference-labour-statisticians

Kulkarni, S., & Shukla, A. (2023). Harvest of uterus. In Global perspectives on women's sexual and reproductive health across the lifecourse (pp. 255–262). Routledge.

Mishra, S. (2017). Social security for unorganised workers in India. Journal of Social Sciences, 53(2), 73–80. https://doi.org/10.1080/09718923.2017.1340114

Ramaswamy, S., Varghese, C., Kaveri, V., Mohan, S., Arun, S., & Amutha, S. (2025). The hidden economy of India: Causes and effects. International Journal of Novel Research and Development, 10(5), c154–c170. https://ijnrd.org/papers/IJNRD2505209.pdf

Saha, D., Giribabu, M., & Choudhury, A. M. (2025). Social security measures and informal sector in India: An overview. International Journal of Accounting and Economics Studies, 12(2), 419–428. https://doi.org/10.14419/2g9fpx44