



World Bank Support to India's Informal Working Class

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Why in News

The **World Bank** has approved a **USD 500 million loan programme to support India's informal working class** to overcome the current pandemic distress.

The loan will create greater flexibility for states **to cope with the ongoing pandemic, future climate and disaster shocks.**

Key Points

- **World Bank's Financial Support:**

- **About:**

- Of the USD 500 million commitment, USD 112.50 million will be financed by its concessionary lending arm **International Development Association (IDA)** and the rest will be a loan from **International Bank for Reconstruction and Development (IBRD)**.
- The loan has a **maturity period of 18.5 years** including a grace period of five years.

- **Fundings Since Start of Pandemic:**

- In 2020, **provided immediate emergency relief cash transfers to about 320 million individual bank accounts** identified through pre-existing national social protection schemes.
- Also **an additional food rations** for about 80 crore individuals.

- **Significance:**

- States can now **access flexible funding** from disaster response funds to design and implement appropriate social protection responses.
- The funds will be utilised in **social protection programmes for urban informal workers, gig-workers, and migrants.**

A gig worker is indulged in the gig economy which is a free market system in which temporary positions are common and organizations contract with independent workers for short-term engagements.

- It is aimed at building the resilience of economies and livelihoods of communities.
- Investments at the municipal level will promote **National Digital Urban Mission** that will create a shared digital infrastructure for people living in urban areas and will scale up **urban safety nets and social insurance for informal workers.**
 - It will also include gender-disaggregated information on women workers and female-headed households.
 - This will allow policymakers to address gender-based service delivery gaps and effectively reach the unreached, particularly widows, adolescent girls, and tribal women.
- **Street vendors** are an integral part of India's urban informal economy. The programme will give street vendors **access to affordable working capital loans of up to Rs 10,000.**

Some five million urban street vendors could benefit from the new credit programme,

- **Informal Sector Worker:**

- The informal sector is the part of any economy that is **neither taxed nor monitored** by any form of government.

The workers who indulge in the informal sector are informal sector workers or informal workers.

- The informal sector provides **critical economic opportunities for the poor.**
- It is largely characterized by **skills gained outside of a formal education, easy entry, a lack of stable employer-employee relationships, and a small scale of operations.**
- Unlike the formal economy, the informal sector's components are not included in **GDP** computations.

- **Need to Protect Informal Workforce:**
 - India's estimated 450 million informal workers comprise **90% of its total workforce**, with 5-10 million workers added annually.
 - Further, according to **Oxfam's latest global report**, out of the total 122 million who lost their jobs in 2020, 75% were lost in the informal sector.
 - **Job loss and further increasing informalisation** due to **the Covid-19 pandemic** and subsequent **lockdown** has resulted in lack of **social protection** to poors.
 - Moreover, in the financial year 2020-21, the economy contracted by 7.7%. So, there is an **urgent need to revive the economy by generating employment** and the informal sector is more labour intensive.
- **Some Initiatives by the Government:**
 - **Pradhan Mantri Shram Yogi Maan-dhan (PM-SYM)**
 - **Labour Reform**
 - **Pradhan Mantri Rojgar Protsahan Yojana (PMRPY)**
 - **PM SVANidhi: Micro Credit Scheme for Street Vendors**
 - **Atmanirbhar Bharat Abhiyan**
 - **Deendayal Antyodaya Yojana National Urban Livelihoods Mission**

World Bank Group

- The World Bank Group is a unique global partnership which consists of five development institutions.
- **International Bank for Reconstruction and Development (IBRD)** provides loans, credits, and grants.
- **International Development Association (IDA)** provides low- or no-interest loans to low-income countries.
- **The International Finance Corporation (IFC)** provides investment, advice, and asset management to companies and governments.
- **The Multilateral Guarantee Agency (MIGA)** insures lenders and investors against political risk such as war.
- **The International Centre for the Settlement of Investment Disputes (ICSID)** settles investment-disputes between investors and countries.
India is not a member of ICSID.
- As of now, IBRD has 189 member countries, while IDA has 173.

Way Forward

- **Strengthening MSME:** Nearly 40% of the informal workforce is employed with **Micro, Small and Medium Enterprises (MSMEs)**. Therefore, it is natural that the strengthening of MSME will lead to economic recovery, employment generation, and formalization of the economy.

- **Skilling Under CSR Expenditure:** The large corporate houses should also take the responsibility of **skilling people in the unorganized sectors** under Corporate Social Responsibility (CSR) Expenditure.
- **Recognizing Invisible Labour:** A national policy for **domestic workers** needs to be brought in at the earliest to recognize their rights and promote better working conditions.

Source: IE