



Labour Code For Informal Sector

This article is based on [“Bridging the inequality gap”](#) which was published in The Indian Express on 18/02/2021. It talks about the issues related to recently drafted rules of the Code on Social Security.

The Finance Minister in budget 2021 speech announced that the [four labour codes](#) shall be implemented in India with effect from 1st April 2021. These labour codes envisage simplifying the country's archaic labour laws and give impetus to economic activity without compromising with the workers' benefits.

However, the recently drafted rules of the Code on Social Security signals that less consideration has been given to the plight of the informal sector workers.

The informal sector workers in India face the risk of violations of their human and labour rights, the dignity of livelihood, unsafe and unregulated working conditions and lower wages, among several other vulnerabilities.

Therefore, in order to fulfill the inequality gap in society and adopting an inclusive development model, it should be the priority of the government to address the vulnerabilities linked with the informal sector workforce in India.

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.
 - The Covid-19 pandemic experience tells us that there is also a need to provide social protection, as the vulnerabilities of the informal sector became even more prominent as the entire country went into a state of suspension due to the lockdown.
- Moreover, in the current financial year 2020-21, the economy is expected to contract by 7.7%. So, there is an urgent need to revive the economy by generating employment.

Major Issues Associated With Draft Rules

- **Concern of Exclusion:** The draft rules mandate the registration of all workers (with Aadhaar cards) on the Shram Suvidha Portal to be able to receive any form of social security benefit.
 - Now, on the one hand, this would lead to Aadhaar-driven exclusion and, on the other, workers will most likely be unable to register on their own due to lack of information on the Aadhaar registration processes.
 - Also, a foreseeable challenge is updating information on the online portal at regular intervals, especially by the migrant or seasonal labour force.
- **Urban Centric:** While the government claimed that the exercise of reform was aimed to extend the coverage of statutory protection (including need-based minimum wages, non-hazardous working conditions, universal social security entitlements) to unorganized sector workers and the gig economy.

- However, the codes fail to extend any form of social protection to the vast majority of informal sector workers which is predominant in rural areas including migrant workers, self-employed workers, home-based workers and other vulnerable groups.
- **No-Right Based Framework:** The Code does not emphasize social security as a right, nor does it make reference to its provision as stipulated by the Constitution.
 - In addition, it does not stipulate any appropriate grievance redressal mechanism which will leave millions of workers vulnerable without clear social protections.

Way Forward

- **Looking After Migrant Workforce:** According to a recent Institute of Human Development Report, the total number of vulnerable migrant workers could range from 115 million to 140 million.
 - It is, therefore, important for the draft rules to clearly state how their applicability will unfold with respect to the migrant informal workforce.
 - In this context, the governments' scheme of one India one ration card is a step in the right direction.
- **Strengthening MSME:** Nearly 40% of the informal workforce is employed with 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 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.

Conclusion

The Code on Social Security was envisaged as a legal protective measure for a large number of informal workers in India but unless the labour codes are made and implemented keeping in mind the realities of the informal sector workers, it will become impossible to bridge the inequality gap.

Drishti Mains Question

The growing informal nature of the workforce and the lack of the state's accountability makes it a breeding ground for rising inequality. Discuss.

This editorial is based on [“Ominous precedent: On Donald Trump impeachment”](#) published in The Hindu on February 17th, 2020. Now watch this on our Youtube channel.

PDF Reference URL: <https://www.drishtiias.com/printpdf/labour-code-for-informal-sector>