

---

**Covid -19, Labourers of Informal Sector and Supply Chain in India: A Theoretical Analysis**

Mahipal Singh Yadav<sup>1</sup> and Manish Sharma<sup>2</sup>

**Abstract**

At present, the Covid-19 pandemic has become the most serious issue of concern not only for health but for the economy as well. The impact of this pandemic is felt by the global economy and India is not an exception to it. Given the characteristics of Indian economy informal sector is stringent affected sector of the economy, quantitatively as well as qualitatively. Through this paper we are trying to understand the nature and structure of the informal sector and examine the impact of Covid -19 on informal sector as well as on the supply chain in the Indian economy with some policy implications for the survival of informal sector in future.

**Key words:** Informal Sector, Covid -19, Supply Chain

**Introduction:**

The Covid-19 pandemic is not only the most serious global health crisis as compare to the past pandemics but it is different from previous histories of epidemics in number of ways. Globally synchronised lockdowns and trauma of unprecedented economic sudden stop augmented its dimensions in multiple ways. “However, past epidemics can shed light on transmission channels to the economy, exceptionally when rigorous containment policies are not in place” (Frederic Boissay and Phurichai Rungcharoenkitkul 2020).

The World Health Organization (WHO) declared Corona virus disease as pandemic on 11 March 2020, after four months of reporting of the outbreak in Wuhan, China. Limitations of

---

<sup>1</sup> Professor in Economics, Institute for Excellence in Higher Education, an Autonomous Institution under Government of Madhya Pradesh, Bhopal.

<sup>2</sup> Professor in Economics, Institute for Excellence in Higher Education, an autonomous Institution under Government of Madhya Pradesh, Bhopal.

the health facilities were in the mind, when government of India took unprecedented steps of lockdown to control the spread of pandemic in the country. Some experts criticised this sudden economic stop decision expressing, this act was taken hurriedly without analysing the pros and cons of this lockdown on economy and the workers (formal informal both) obviously the burden on informal sector is most as the workers of this sector has nothing in saving to sustain their life. However its repercussions is been felt in supply chain of the goods and services in the market too is making the situation grave for the economy, hence the dilemma before the Government arises which is to prefer? Life or livelihood (Sharma,M ,2020)

Closure of economic activities and changing government policies to combat the pandemic, triggered the apprehensions of exasperate workers of informal sector and compelled them to come over the roads either to protest against the system or to return to their native travelling miles of distance marching back to their villages, in absence of transportation facilities. Moreover this awful situation was augmented dreadful owing to sealing the borders of states, and make sure that the workers with their family members had to traverse long journeys on foot without food or drinking water. Such blindness in policy massively impacts hundreds of millions of low-paid workers only serves to highlight the privileging of urban elite in policy made formulation and practice. The agitation of the workers in the different parts of the country, made psychological pressure on the government, to started buses and railways for workers to send them their home town in third phase of lockdown, but this reverse migration of labour force will have severe impact on the supply chain of the goods and services in the market (Abhijit Mukhopadhyay 2020).

As, the extent of impact of COVID 19 on workers as well as on supply chain of the goods and services in the market is yet to be quantified and it is needed to be assess ,theoretically as well as empirically. Hence, in this paper we are confined to the theoretical concerns only and trying to discuss conceptually the nature of informal sector, structure and contribution of formal and informal employment in an Indian economy, with their social and economic issues in this covid 19 impacted periods.

### **The Nature of Informal Sector:**

Informal sector basically includes agriculture labour, brick kilns, construction sites, services (maids to watchmen to drivers) industrial non-skilled workers, small and tiny road side businesses domestic workers, street vendors, home-based workers, artisans, construction workers, financial market agents, tiffin service vendors, tailoring and production, weavers, animal husbandry, hospitality staff, factory workers, auto rickshaw drivers, medical helpers, daily wage labourer, and shop owners and so on and so far, academically comprised them as unskilled, low-paid, non-contractual / semi contractual and lacking any form of social security labour force. It is very difficult to estimate exactly how many Indian workers come into this informal category but this entire workforce of informal sector, which, of course, constitutes 93% of India's total workforce. The total Indian informal sector workforce is calculated at around upward of 450 million as per varying estimates

However, the "Periodic Labour Force survey conducted by NSSO for 2017-18 , estimates about 415 million informal workers across the country. They are usually paid by daily wage rates ranging from Rs.400 to Rs.1000. This does not offer much scope for savings; in reality,

many informal workers do not even have their proper bank accounts in which to save their income” (Anand 2020).

### Structure of Informal Employment in Indian Economy:

The table- 01 comprises the composition, structure and formalisation of the workforce in the informal and formal sector in India, over the period 2011-12 to 2017-18 and the figures given in the table reveals that eighty three percent workforce are engaged in informal sector whereas seventeen percent in the organised /formal sector in 2011-12. The share of unorganised sector employment has increased by more than three percentage points while on the other hand the share of formal employment has increased by less than one percentage points in 2017-18.

**Table -01 Percentile Distribution of Total Employment in Indian Economy**

Worker	2011-12			2017-18		
	Unorganized	Organized	Total	Unorganized	organized	Total
Informal	82.6	9.8	92.4	85.5	5.2	90.7
Formal	0.4	7.2	7.6	1.3	7.9	9.3
Total	83.0	17.0	100	86.8	13.2	100

Source of data: **Murthy(2019) Measuring Informal Economy in India**, Computed from NSS 68th unit level data on employment unemployment, 2011-12 and Periodic Labour Force Survey, 2017-18

### Share of Formal and Informal Sectors to the National Income of India:

Generally, the terminology of unorganised or informal sector are used inter changeably in India and basically consists of such enterprises which are own account enterprises and operated by own account workers as well as by employing hired workers. They are essentially proprietary and partnership enterprises. Table 2 presents the contribution of formal and informal sector to total Gross Value Added (GVA) or national Income. It may be clear that India treats unincorporated enterprises maintaining accounts as quasi corporate sector and are treated as part of the formal sector. The share of informal /unorganised sector to the national income is more than fifty percentages and highest contribution comes from agriculture followed by trade, construction, real estate, professional services etc and other services (Murthy 2019).

**Table-02 Percentage Share of Formal and Informal Sectors Across the sectors to GVA**

Sectors	Organized / Formal	Unorganized/Informal	Total
Agriculture, forestry and Mining	2.9	97.1	100
Mining and Quarrying	77.5	22.5	100
Manufacturing	77.3	22.7	100

Electricity, Gas, Water supply and other Utility Services	94.7	5.3	100
Construction	25.5	74.5	100
Transport, storage, communication and services related to broadcasting	13.4	86.6	100
Financial Services	52.3	47.7	100
Real Estate , Ownership Dwelling and Professional Services	88.1	19.1	100
Public administration and defence	100	00	100
Other services	52.1	47.9	100
Total GVA at basic prices	47.6	52.4	100

*Source of data: Murthy(2019) Measuring Informal Economy in India, Based on National Accounts Statistics, 2019*

## **IMPACT OF COVID 19 ON INFORMAL SECTORS:**

### **Agriculture farmers and Labourers:**

Landless farm labourers, who were already facing the acute problem of underemployment in rural areas are unable to find out suitable works in the nearby cities due the shutdown of the market and unable to afford basic necessities of their livelihoods. Indeed both central and state governments had declared several immediate relief packages to provide rations and cash transfers into the bank accounts of registered informal workers. However, some states provided cooked food to the needy as provision of ration were not meeting the objective. Many small farmers and landless farm labourers are not officially registered as informal workers and are therefore ineligible for cash transfers. People of rural areas are still predominantly cash-driven, and most of the villages are not having banks and ATMs in India and moreover due to lack of proper transportation the villagers are unable to withdraw cash and consequently not able to run their livelihood properly. The problem of these agricultural labour has increased manifold as the timing of this lockdown coincided with the season of harvesting of rabi crops, which is usually a peak time for migrant workers to get employment in agricultural sector but these migrant workers become jobless (Reema Nanavaty,2020).

### **Gender Issues:**

Women in informal sector are facing numerous challenges with their domestic responsibilities. In rural areas of India, it usual that males (husband, elder brother of husband and father-in-law) always spend most of their time sitting at the village square, shops at the bus stand and socializing with other men in the community. But during lockdown period they can't go outside. As per social customs of rural areas, females of the household draw a long veil in front of elderly males, and it is becoming difficult for female to do their daily household chores like cooking, cleaning and others with a long veil which may create mental stress on both male and female in the family. In addition, home-based work like embroidery, papad, badi, pickles is being affected and moreover they are facing acute

problem to procure raw materials and hence their work and income has almost come to a standstill (Reema Nanavaty2020).

### **Crisis on Jobs:**

The lethal Coronavirus pandemic has not just created a medical emergency but also an employment crisis across the country and workers of the informal sector has lost their jobs because economic activities of unorganized sector has been shut down due to lockdown and entrepreneurs are cutting in jobs as well as in salaries.

### **Urban Based Workers:**

Workers like vendors, potters and domestic workers are experiencing severe loss of work and income due to reduced demand and lack of access to the market.

### **Domestic Workers:**

Such workers do works in several houses in a day and with close contact to their employers, in fear of spread their employers either suspended their duties or abandoned their services, leading to job and wage loss. On the other hand money-lenders are also humiliating and insulting such workers making their life terrible and horrible.

### **Social Tension:**

Reverse migration of the labour from cities to their hometown creates a lot of social tension among the outcomes' labour and local people in the village regarding to the fear of spread of coronavirus 19. However given the poor resource bases and assets of poor wage earners and marginal and small farmers which is accentuated by the persistence of a situation of suppression that disseminate severe economic deprivation, discrimination and eventually exploitation of the these marginalised population of the society leading to social tension.

### **Poverty Pandemic:**

According to the analysis of International Labour Organization (ILO) that about 400 million people working in the informal economy in India are at risk of falling deeper into poverty due to the Coronavirus crisis. And because informal workers depend on their daily earnings to survive whether they are self-employed, wage workers, casual day labourers or dependent contractors they face the risk of falling into extreme poverty as a result of lockdowns.

### **Supply Crunch in the Economy:**

Numerous steps have been taken by the finance ministry of India to boost the economy of the country, such as Rs 1.7 lakh crore stimulus package for the informal sector that included free food grains and cooking gas to the poor for three months, and cash doles to women and poor senior citizens, although these initiatives are good for the demand side aspect of the Keynesian economics. But, Powell of Federal Reserve of USA said that economy in post lockdown will

face the supply crunch. Therefore, Government of India should think about the supply aspects, which are mainly concerned to primary sector as well as to the informal sector of the economy.

During lockdown period, we have observed reverse migration of the labour from metro cities like Mumbai, Surat, Delhi and others marching towards their hometown on foot and other means of transportation. Now several state governments are showing their interest to bring back their labour force despite lock down is going on, which indicates policy paralysis and lack of coordination between centre and state governments. While, there is an urgent need to stop this reverse migration of labour force by providing them free food grains, shelters, salaries and other basic amenities without any formalities of ration or Aadhar card and other necessary government documents, because they are the backbone of the informal sector. It will become very difficult for the informal sector to return back them on their workplace in post lockdown period and country will face the supply shocking in near future in each and every sectors of the economy.

Another important point is that, most of the organised and unorganised sector of India depends upon the raw material from China and they may face shortage of raw material due to lockdown of the international aviation. In addition to that, the reverse migration of labour force will create shortage of specialized and unspecialized labour force in the factor markets which may ultimately increase the crunch of the supply of finished and unfinished materials in the economy in the coming days. Central and State government are interested only to purchase the Minimum Support Price(MSP) crops but there is no attention towards the horticulture farmers and informal workers who are destroying their crops, resulting supply crunch will be seen in fruits, vegetables and others. Hence this aspect should also be taken care of.

Finally, in the present scenario most of the urban and rural consumers depend upon markets for their consumption, in comparison to their consumption behaviour, thirty forty years ago from now, when rural population lived with subsistence of agriculture. Consumers of both regions purchased eighty percent food items from market, but logistic and processing activities has almost become dysfunctional due to the reverse migration of the labour in labour market, and it seems that it may dampen the food supply management in near future.

### **Conclusion and Policy Implication:**

Undoubtedly, the informal sector, despite being a huge contributor to India's national income, is often neglected in normal condition but especially in Coronavirus pandemic situation the social and economic health of this sector become severely intense and steps taken by central, state governments and civil societies are insufficient, resulting it had and will have put adverse impacts on the supply chain of the goods and services in the economy in coming days. There is need to universal social and economic policies as well as support system for the reverse migrated labour force of the informal sector rather than to take a back seat by the central and state agencies. The central government started an exercise to collect the information of the labour force of the informal sector across the country to come up the relief package. This initiation should be enactment through act to make compulsory for state governments to collect the data of labour force of the different section and society of the informal sector. There is need to another mega relief package to rebuild the trust and confidence among the labour force of the informal sector to comeback their workplace till normalcy of the economy.

**References:**

Abhijit Mukhopadhyay, (2020): “ India’ Informal Workers Need at Least a Rs 1.5 Trillion Relief Package to Survive Covid -19 Lockdown ,” [www.orf.online.org](http://www.orf.online.org), April 23.

Anand, P.K., (2020): “Covid-19 and the Crisis of Informal Labour in India, CLB, <https://clb.org.hk/content/covid-19-and-crisis-informal-labour-india>, April 13.

Frederic Boissay and Phurichai Rungcharoenkitkul, (2020): “Macroeconomic Effects of Covid-19: an Early Review, BIS Bulletin no-07 [www.bis.org](http://www.bis.org), April-17.

International Labour Organization, (2020): “ ILO Monitor: COVID-19 and the world of work. Second edition Updated estimates and analysis, [https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/briefingnote/wcms\\_740877.pdf](https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/briefingnote/wcms_740877.pdf) April -07.

Manish Sharma, (2020): Life, Livelihood and Lock Down: The Dilemma Ahead, <https://www.mainstreamweekly.net/article9350.html>, May-3.

Murthy SV Ramana, (2019): “Measuring Informal Economy in India: Indian Experience, [www.imp.org](http://www.imp.org) Conference.

Reema Nanavaty, (2020): “Five Questions on Covid-19 in India, <https://www.cfr.org/blog/five-questions-covid-19-india>, April 27.

\*\*\*