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Decoding the Informal Sector for Targeted Policy Initiatives



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Migrant workers with no access to rations, families stuck in 60 sq. ft. shanties, domestic workers with no means to pay rent; the media has been abuzz with narratives on the quandaries of the informal sector following the national lockdown. While the Central and State governments tried to address their issues through measures like free rations and cash transfers, there have been “inadequacies and lapses”, according to the Supreme Court. The absence of a comprehensive database on the sector contributes to these lapses to a large extent. This lacunae is hindering a nuanced understanding of the characteristics and vulnerabilities of the sector, thereby hampering targeted support.

The sector's significant size (nearly 400 million) and characteristic heterogeneity calls for slicing it further, to go beyond the usual government classification (based on

occupation and employment status alone). A multi-dimensional categorisation of this informal workforce, which reflects their vulnerabilities, can help in targeting the right aid to the right people at the right time.

Slicing and dicing the sector further

A close look at the sector reveals multiple strata, each facing a different challenge, a different range of vulnerability and needing a different scale of support. While some need food, others need cash or other financial support systems like moratoriums. Though media stories reflect their vulnerability to the lockdown, it is important to note the varying intensity in each case. Is a cab driver who is unable to pay rent and repay loans as vulnerable as a migrant labourer, who is unable to access food or rations?

Occupation and employment status are the key criteria currently used by the Ministry of Labour to classify informal workers. However, this categorisation alone may not reflect their vulnerability. The varying income ranges within each category (which may be due to location, caste, gender, disability, etc.) calls for adding an income axis to this categorisation. Slicing the sector based on occupation, employment status, and income could be a first step towards understanding their vulnerability to shocks. This can help in planning and prioritising aid to the most vulnerable among them.

Vulnerability scale to target aid

For carrying out a broad assessment along these lines, we have divided the sector into five tiers based on income brackets. In the matrix below, each of these income groups are assessed in conjunction with different occupational categories to evaluate their vulnerability to the lockdown. The vulnerability scale used here ranges from 'extreme' to 'low'.



Source: CSTEP, based on primary interviews and secondary research.

It may be interesting to note that the group facing 'extreme vulnerability' is not the only 'extremely poor' section. Though it's difficult to ascertain an exact share, there is a

considerable portion of the sector which is not ‘extremely poor’, but faces ‘extreme vulnerability’.

Factors like migration status and occupation play a role in pushing these workers behind in the vulnerability scale. For instance, uncertain conditions of living and employment render migrant workers ‘extremely vulnerable’. With daily wages coming to a standstill and the lack of ration cards — which is often with families back home — the only viable option for the workers is to return home, where better social bonds can at least help them escape starvation.

Employment status — whether salaried or on daily wages — also plays a role in defining their vulnerability. Possibility of payment for salaried workers (albeit with reductions) during the lockdown period, could play a role in reducing their vulnerability. Increased demand has also reduced the vulnerability of certain occupational groups, such as delivery boys.

Though access to food and ration may not be the prime concern for categories other than those at the extreme end of the income and vulnerability scales, the lockdown has created a considerable dip in the savings of most households. As per the Centre for Monitoring Indian Economy (CMIE), there has been a steep rise in the percentage of households reporting a ‘fall in income’ — from 10% in January 2020 to a whopping 45% in April 2020. For a sector that is aspiring to climb out of poverty through savings, this dip can have far-reaching impacts. The lockdown and the subsequent economic slump have roughened their aspirational paths, making it grim for at least some of them to move on to their goals.

Data is King

In crises like these, data is the linchpin that can aid in making informed decisions for targeted aid and support. Kerala became a noteworthy example during the pandemic for carrying out a micro-level data collection drive on migrant workers in the State for sending support.

While initiatives are being undertaken across the country to support informal workers, these can remain piecemeal, leaving out a vast majority. A national database can ensure that no one is left behind. With the Centre already proposing the creation of such a national database, the current crisis should act as an incentive to speed it up. The present migrant conundrum reaffirms the importance of informal workforce data to plan for them in an urban space.

Urban planning for inclusion

The informal workforce, their aspirations and vulnerabilities, hardly find a place in the country's touted 'smart' urban paradigm. The present informal debacle endorses the need to pave innovative ways to recognise, and integrate this vulnerable populace in the smart systems. It is high time that smart initiatives move beyond sensors, and demonstrate smartness in ensuring social justice as well. Let the smartness begin by being inclusive and humane.

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