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## Impact of COVID-19 pandemic on unorganized sector and its effect on the economy

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### ABSTRACT

*Unorganized Sectors are being supported by the Government through several schemes as they play a crucial role in boosting the country's economy. These Sectors are full of high potential as employment generators especially in the rural India and also perform a number of crucial functions that support development and poverty alleviation. The Government Agencies have been playing a key role in promoting unorganized sectors across the country through implementation of various schemes and policies ranging from providing collateral-free credit and access to incubation centres to providing better equipment and employment opportunities for entrepreneurs. The inherent advantages of these unorganized sectors are optimal utilization of local resources, mobilization of investments on a large scale, creation of job opportunity, prevention of distress rural-urban migration and reduction of disparity across sectors and regions. The Covid-19 pandemic and its unprecedented danger have forced the entire world to announce nationwide lockdown affecting unorganized sector adversely. This pandemic affected workers of unorganized sectors, left them jobless and rapidly increased the unemployment rate across the country. To address financial difficulties faced by unorganized sector, a package of Rs1,610 crores will be released by the Government as Covid-19 financial package.*

**Keywords:** Poverty alleviation, Collateral-Free, Optimal, Pandemic, Unemployment, Disparity

### 1. INTRODUCTION

Section 2 (l) of the Unorganized Workers Social Security Act 2008 defines, “ an Unorganized Sector as a production or service oriented enterprise owned by individuals or self-employed workers and if workers are employed, then the total number of workers cannot exceed ten.”

It is estimated that the unorganized sector workers constitute 88% of the total labour force as per the Survey of 2011-12. Unorganized or informal sector constitutes more than 90% of workforce and about 50% of the national product as per the 2012 Report of the Committee on Unorganized Sector Statistics.

In general, unorganized sector covers most of the rural labour and a substantial part of urban labour. It includes activities carried out by small and family enterprises, partly or wholly with family labour. This sector is marked by low incomes, unstable and irregular employment and lack of protection either from legislation or trade unions.

The National Commission for Enterprises in the Unorganized Sector was set up in 2004 as an advisory body and a watchdog for the unorganized sector to bring about improvement in the productivity of the unorganized sector enterprises for generation of large scale employment opportunities on a sustainable basis particularly in the rural areas.

Agricultural labourers, bonded labourers, migrant workers, contract, plantation labour, handloom workers, fishermen, weavers and casual labourers come under unorganized sector. Here the employment terms are not fixed and regular, as well as the enterprises are not registered with the government. Agriculture in India is an activity of the unorganized sector.

More than 82% of the workforce in India is employed in the unorganized sector, as noted by the International Labour Union in its India Labour Market Update of 2016. This report serves as the main source of data for the workforce in the unorganized sector. The Economic Survey of 2018-19 released on July 4, 2019 states almost 93% of the total workforce is informal.

The National Sample Survey Organisation (NSSO) which has been conducting surveys of unorganized sectors at periodical interval generally adopted the following criteria for the identification of unorganized sector.

In the case of manufacturing industries, the enterprises not covered under the Annual

Survey of Industries (ASI) are taken to constitute the unorganized sector.

In the case of service industries, all enterprises except those run by the government and in the public sector are regarded as unorganized.

Economic policies of unorganized sectors have always advocated enhancing farmers income through product and productivity growth and by systemic value addition in agri-products through processing and manufacturing. India's 54.6 percent population is still engaged in agriculture and allied activities. Indian farmers are largely unorganized. They rely on external agencies for disposal of their marketable surplus. Lack of capital asset endowments in rural areas compels them to sell their produce at throwaway prices to the middlemen/ commission agents. Low income from the primary farm produce and lack of investment in the processing and agri-value chain has caused rapid reduction in farm profits and the farm occupation has now come under severe pressure. Thus unorganized sectors help create employment opportunity at production, distribution, manufacturing and marketing stages.

Covid 19 have a large impact on the India's economy especially on unorganized sectors. With the outbreak of coronavirus in China in December 2019, it spread globally since then and has been recognised as a pandemic by World Health Organisation on 11<sup>th</sup> March 2020. This pandemic affected workers of unorganized sectors who are daily wage earners and those working in Micro, Small and Medium Enterprises (MSME). Agriculture is the main occupation of our country. Due to Covid 19, transportation services have been closed. This has made the farmers unable to sell their produce in the market. Lot of losses are incurred due to wastage of perishable commodities. The Karnataka Government has offered economic relief package of Rs1,610 crores for workers in the unorganized sectors including farmers, MSMEs, handloom weavers and others. The migrant labours were put to lot of hardship in search of employment, lack of information due to lockdown leading to disruption in the workforce sector.

Thus, the impact of Covid-19 on the unorganized sector is to analyse by observing how the people belonging to the different workforce will be affected, both during and after the lockdown situation. To conclude, three important aspects to be dealt with respect to the situation:

- Non-availability of the labour force.
- Difficult to access the market due to lack of transportation system and disruption of supply chain.
- Increase of loans and debts.

But there is a solution to every problem. The Government is taking good initiative in dealing with Covid 19. It is the primary duty of all the citizens of the country to be responsible and join hands with the Government to tackle this crisis.

## **2. REVIEW OF LITERATURE**

The review of the Government initiatives towards the unorganized sectors are listed below:

### **2.1 Agro-Based Industries**

Review of available literature indicates that agro-based sectors have several problems with regard to availability of finance, industrial policies, research and development, infrastructure facilities, marketing, production and human resource related concerns. With respect to agriculture and allied activities, Government has introduced National Agriculture Market platform which has helped in better price discovery.

### **2.2 Food Processing and Beverages**

The Ministry of Food Processing Industries implements various Central Sector Schemes like Pradhan Mantri Kisan Sampada Yojana (PMKSY) with an allocation of Rs6,000 crores for the period 2016-20. The PMKSY is very crucial in reducing the harvest and post-harvest losses of the agricultural produces and ensuring remunerative income and adequate employment in rural non-farm sector.

### **2.3 Textile Industry**

This sector employs 4.5 crores people directly and another 6 crores people in allied sectors including a large number of women and rural population. Indian Cotton Textile Industry is largely unorganized and suffers from high production and labour cost. Government has rolled out a number of initiatives like Scheme for Integrated Textile Park, Integrated Processing Development Scheme, Group Workshed Scheme, Common Facility Centre and Amended Technology Up-gradation Fund Scheme, Scheme for the Development of the Powerloom Sector.

### **2.4 Jute Industry**

The Government has attempted to modernize the jute mills by increasing their productivity and bringing in modern technology and equipment. National Jute Board provide capital subsidy to jute mills to address their issues and challenges at hand.

### **2.5 Khadi and Village Industry**

Ministry of MSME's Khadi and Village Industries Commission (KVIC) promotes setting up of various post-harvest agro and food based micro industries like processing of pulses and cereals, fruits and vegetables etc., Prime Minister's Employment Generation Programme helps KVIC to generate self-employment opportunities through establishment of micro-enterprises in the non-farm sectors.

**2.6 Animal Husbandry, Dairying and Fisheries:**

Considering the employment and income generation potential, the Government implements various schemes like Dairy Entrepreneurship Development Scheme, Dairy Processing and Infrastructure Development Fund and Farmer Producer Organisations engaged in dairy activities, Integrated Development and Management of Fisheries and Aquaculture Infrastructure Development Fund to promote agro-based industries in this unorganized sector.

Source: Kurukshetra, Vol.70,January 2020 & Outlookmoney.com

**3. OBJECTIVES**

- To stop transmission and prevent the spread of corona virus in order to save lives.
- To improve the quality of life of the people after the post lockdown period.
- To generate more employment opportunities to migrants in the unorganized sector.
- To provide support to national public health.
- To encourage the Government to take more initiatives to bring out new schemes and policies for betterment of lives of the informal sectors.

**4. METHODOLOGY**

The Archival research methodology is adopted. Archival Research is a method of collecting data from sources that already exist. It is the data which is purely obtained from secondary data collection.

**5. DATA ANALYSIS**

**Table 1: Showing Data of Unorganized Workforce of India**

Sector	People working for unorganized sector in India (in million)
Manufacturing	52.49
Electricity and Water Supply	1.21
Construction	48.92
Trade, Hotel and Restaurant	50.17
Education	6.31
Health	2.68

**Table 2: Showing the Distribution of formal and informal workers by Sector(in million) Figures in bracket indicate percentage**

Sector	1999-2000			2004-05			2009-10		
	Informal Workers	Formal Workers	Total	Informal Workers	Formal Workers	Total	Informal Workers	Formal Workers	Total
Unorganised Sector	341.28 (99.60)	1.36 (0.40)	342.64 (100)	393.47 (99.64)	1.43 (0.36)	394.90 (100)	385.08 (99.40)	2.26 (0.60)	387.34 (100)

**Table 3: Percentage Distribution of Unorganized Workers according to income group**

Type of Employment	Poor and Vulnerable Group	High Income Group	Total
Self- Employed	74.70	25.30	100
Regular Wage Workers	66.70	33.30	100
Casual Workers	90.00	10.00	100
Total	76.80	21.30	100

**Table 4: India’s GDP Growth Rate Since Financial Year 2016**

Financial year	Gross Domestic Product	Growth %
2016	8	(+0.3%)
2017	8.3	(-1.4%)
2018	6.6	(-0.5%)
2019	6.1	(-1.9% estimated)
2020	4.2	

According to MRD Report in the country, mostly in the unorganized sector with an increasing number of coronavirus cases, the government has locked down transport services, closed all public and private offices, factories and restricted mobilization. Based on recent studies, some economists have said that there is a job loss of 40 million people.

From the data analysis, found from the Report of National Statistical Office: Referring to the recent happenings the unorganized sector is likely to suffer a great downfall in the coming days as the job generation is going down in an alarming rate with the prolonged lockdown and weak GDP.

The economic impact of the 2020 coronavirus pandemic in India has been largely disruptive. Thus, India’s growth in the fourth quarter of the fiscal year 2020 went down to 3.1% according to the Ministry of Statistics.

## **6. SUMMARY OF FINDINGS**

- It is found that Inventiva reports that as per the Economic Survey of 2019, 93% of the total workforce of the country is employed in the unorganized sector.
- It is found that the corona virus is presently increasing in an exponential form.
- It is found that small business owners and artisans and those in unorganized sectors are finding themselves an impact of pause in their livelihood.
- It is found that the government has made policies and guidelines about the concept of social distancing.
- It is found that the labour sector under unorganized sector are worst impacted as they are not provided jobs due to lockdown.
- It is found that migrant labourers, factory workers and other people who belong to the unorganized sector are now struggling to make their ends meet. The reason being the nationwide lockdown and temporary shut-down of the industrial sector whose time period also seems uncertain.
- It is found that there is acute shortage of manual labour.
- Due to lack of transportation system and supply chain disruption it is found that there is inability to access the market.
- It is found that due to recent price collapse which has resulted the farmers to face huge losses means that they will be unlikely to repay their loans.
- It is found that the risk associated with the jobs of sanitation workers might result in health repercussions due to close contact with the waste.
- It is found from the recent studies which shows that there has been a rise in cases of domestic violence across the country.
- It is found that lack of statistics will further result in the improper implementation of policies since the policymakers won't be having a clear image as to how many people belonging to the unorganized sector can benefit from the relief policies.
- It is found that the Periodic Labour Force Survey 2017-18 showed that 71% of employees in the unorganized sector do not have a written job contract. 49.6% of them do not even apply for social security schemes and 54.2% do not get paid leave.
- It is found that Central Government has released overall economic package worth Rs20 lakh crores.
- It is found that the Government has announced economic package to migrants, farmers, street vendors and the "One Nation One Ration Card" Scheme was emphasized.
- It is also found that Reserve Bank Of India has extended the moratorium on loans and cut repo and reverse repo rates among other things.
- It is found that the Government has released additional relief package of Rs1000 crores for unorganized sectors.

## **7. RECOMMENDATION AND SUGGESTIONS**

- It is suggested that the sanitation workers should be provided with facilities that include both the financial assistance and the insurance coverage. They need to seek to ensure their safety, survival and interest of livelihood.
- It is recommended that the Government should release packages which will help reform land and labour laws and make entrepreneurs, industrialists, farmers and migrant workers stakeholders in making the country self-reliant.
- It is suggested that vaccine should be soon found for the corona virus.
- The Government should frame policy for employment of migrants in home states.
- The Government has taken initiative to give new look Unorganized Worker Identification Number (U-WIN) which will be seeded with Aadhaar and have expanded coverage. Besides it is suggested it should include other information such as qualification and skill set of the worker.
- It is recommended that Government should boost edtech sector. Government should take initiative towards technology-enabled educational institutions in rural sectors.
- It is suggested that online classes should be encouraged.
- It is suggested that the Health and Family Welfare Department should create more awareness programmes through videos, posters, banners, audios and advertisements.
- It is suggested that the Government should take measures and provide food security, provide for health care, incentives and tax deadline extensions.
- Mass vaccination is suggested.
- It is suggested that Government should enact new laws on overtime and minimum wages.
- It is recommended that the Government should give collateral free credit for MSME's.
- Finally it is suggested that all citizens should be morally responsible and should co-operate with the government to bring down the Covid cases especially in the unorganized sectors.

## **8. LIMITATIONS**

- Unorganized sectors are not registered by the Government.
- Vaccine against corona virus has not been found so far.
- No job security for the migrant workers.
- Various testing methods have only created confusion among people.
- Despite several measures taken by Government Covid cases have increased in India by more than twenty lakhs.

## **9. CONCLUSION**

Covid 19 has hit adversely the unorganized sector causing disruption in labour supply, unavailability of raw materials, working capital constraints and restricted demand due to limited movement of people and purchasing ability. We should not only look into the negative impact of the lockdown, but we should acknowledge the growth of digital infused technological gain. Thus, we conclude with a positive note that even in adversities lies opportunities. The Government should take initiative to frame better

terms of employment to the migrant workers, provide cheap loan with low interest for small businessman and enact new laws for the betterment of the migrant workers in the unorganized sectors.

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