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# CHALLENGES FACED BY INFORMAL SECTOR WORKERS IN INDIA: EXAMINING THE LEGAL FRAMEWORK FOR PROTECTING THEIR RIGHTS

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The informal sector employs also known as unorganized workers which is a significant proportion of workers in India. According to the International Labour Organization (ILO), the informal economy in India accounted for 82% of total employment in 2018. The informal sector includes workers in agriculture, domestic work, construction, and street vending, among others. These workers often lack job security, social protection, and access to basic rights and benefits. In this blog, we will discuss the challenges faced by workers in the informal sector and the legal framework for protecting their rights.<sup>1</sup>

## Challenges:

Workers in the informal sector face numerous challenges, including low wages, long working hours, lack of job security, and limited access to social protection. These workers are often excluded from labour laws and regulations, which leads to exploitation and abuse. The following are some of the main challenges faced by workers in the informal sector in India.

**Low Wages:** Workers in the informal sector often earn low wages, which makes it difficult for them to meet their basic needs. According to the ILO, 60% of informal workers in India earn less than the minimum wage.

**Long Working Hours:** Informal sector workers in India often work long hours, sometimes up to 16 hours a day, without any overtime pay or compensation for working on holidays.

**Lack of Job Security:** Informal sector workers in India have little job security, as they are often hired on a daily or weekly basis, and their employment can be terminated without any notice

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<sup>1</sup> Kamala Sankaran, *Legislation to Protect Workers in the Informal Economy in India*.

or compensation.

**Limited Access to Social Protection:** Informal sector workers in India often lack access to social protection, such as health insurance, pension, and maternity benefits. This leaves them vulnerable to illness, injury, and other risks.

**Exclusion from Labour Laws:** Informal sector workers in India are often excluded from labour laws and regulations, which means they have no legal protection or rights in the workplace.

### **Legal Framework for Protecting the Rights of Informal Sector Workers:**

India has enacted several laws and regulations aimed at protecting the rights of informal sector workers. However, the implementation of these laws is often weak, and workers in the informal sector continue to face exploitation and abuse. The following are some of the laws and regulations aimed at protecting the rights of informal sector workers in India.

**The Unorganized Workers' Social Security Act, 2008:** This Act aims to provide social security to workers in the unorganized sector, including healthcare, life insurance, and old age protection. However, the implementation of this Act is weak, and many informal sector workers are still excluded from its benefits.<sup>2</sup>

**The Minimum Wages Act, 1948:** This Act sets a minimum wage for workers in various sectors, including the informal sector. However, the minimum wage is often not enforced, and many informal sector workers earn less than the minimum wage.<sup>3</sup>

**The Maternity Benefit Act, 1961:** This Act provides maternity benefits to women workers, including paid leave and medical benefits. However, many women in the informal sector are not aware of their rights under this Act and do not receive these benefits.<sup>4</sup>

**The Building and Other Construction Workers' Welfare Cess Act, 1996:** This Act aims to provide welfare benefits to workers in the construction sector, including the informal sector. However, the implementation of this Act is weak, and many workers in the informal sector are

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<sup>2</sup> The Unorganized Workers' Social Security Act, 2008

<sup>3</sup> The Minimum Wages Act, 1948

<sup>4</sup> The Maternity Benefit Act, 1961

not covered under it.<sup>5</sup>

The Street Vendors (Protection of Livelihood and Regulation of Street Vending) Act, 2014: This Act aims to protect the rights of street vendors, including those in the informal sector. It provides for the registration of street vendors and the allocation of vending zones. However, the implementation of this Act is weak, and many street vendors continue to face harassment and eviction from authorities.<sup>6</sup>

In addition to these laws, the National Rural Employment Guarantee Act (NREGA)<sup>7</sup> provides a guarantee of 100 days of employment to rural households. This Act has been instrumental in providing employment opportunities to workers in the informal sector in rural areas. However, the implementation of this Act has been weak in some areas, and workers have faced delays in payment and other issues.

### **Challenges in Implementing Labour Laws for Informal Sector Workers:**

The informal sector plays a crucial role in India's economy, employing a significant portion of the workforce and Despite the existence of laws aimed at protecting the rights of informal sector workers in India, there are several challenges in implementing these laws effectively. However, informal sector workers face several challenges in accessing their legal rights and entitlements. One of the main obstacles is a lack of awareness, as many workers are not educated about their rights. This makes it challenging for them to demand their legal entitlements, leaving them vulnerable to exploitation and abuse.

Moreover, even when laws are in place, enforcement is often weak, and workers in the informal sector continue to face exploitation and abuse. Due to a lack of resources and manpower, monitoring and enforcing these laws effectively becomes a challenge. Additionally, since informal sector workers are not registered with any authority, it becomes difficult to regulate their working conditions, making it easier for employers to violate labour laws without consequences.

Resistance from some employers in the informal sector also poses a challenge in implementing labour laws. Employers often resist implementing these laws as they view it as an additional

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<sup>5</sup> The Building and Other Construction Workers' Welfare Cess Act, 1996

<sup>6</sup> The Street Vendors (Protection of Livelihood and Regulation of Street Vending) Act, 2014

<sup>7</sup> National Rural Employment Guarantee Act 2005 (MGNREGA)

cost, leading to non-compliance with labour regulations. Furthermore, the implementation of labour laws for informal sector workers requires political will and commitment. However, a lack of political will to implement these laws effectively hinders the enforcement of labour laws for informal sector workers<sup>8</sup>

**Conclusion:**

In summary, the informal sector employs a significant proportion of workers in India, and they often lack job security, social protection, and access to basic rights and benefits. Informal sector workers face several challenges, including low wages, long working hours, lack of job security, and limited access to social protection. India has enacted several laws and regulations aimed at protecting the rights of informal sector workers, including the Unorganized Workers' Social Security Act, Minimum Wages Act, Maternity Benefit Act, Building and Other Construction Workers' Welfare Cess Act, and the Street Vendors (Protection of Livelihood and Regulation of Street Vending) Act. However, the implementation of these laws is often weak, and workers in the informal sector continue to face exploitation and abuse. The challenges in implementing labour laws for informal sector workers include a lack of awareness, weak enforcement, informality, resistance from employers, and a lack of political will. Addressing these challenges is crucial to ensuring that informal sector workers in India have access to basic rights and benefits and are not subject to exploitation and abuse.

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<sup>8</sup> 21st Century Challenges To Labour Laws In India, <https://www.legalserviceindia.com/legal/article-8296-21st-century-challenges-to-labour-laws-in-india.html> (last visited Apr 17, 2023).