

INFORMAL WORKFORCE IN INDIA – CHALLENGES TO SOCIAL SECURITY IN THE WAKE OF COVID-19: A COMPARATIVE ANALYSIS WITH SE ASIA ON STEPS TAKEN

Vibha Chaturvedi¹

¹Symbiosis Law School, Pune
Symbiosis International (Deemed University), Pune, India
Email: ¹vibha.chaturvedi@symlaw.ac.in

Abstract

Human capital development gained importance in the theory of economic development at the onset of the new millennium. As stated by ILO social security should not be seen as a cost but as an investment in human capital, that enhances efficiency, reduces poverty and leads to more sustainable development. Emerging economies often have large informal sectors and SE Asia is home to one-third of the world's poor coupled with high population densities and struggling public health systems. An approximate 90% of labour is self-employed or engaged as casual labour on daily wages without any social protection which makes a source of livelihood an imperative to preserve lives.

Covid-19 induced lockdown and physical distancing have led to increasing unemployment and uncertainty in income security. ILO estimates 1.25 billion people globally at a risk of salary reductions or lost jobs; especially those engaged in tourism, hotels, restaurants and manufacturing. Social Security plays an important role here in minimising uncertainty, risk and guaranteeing some income replacement. The countries now need to focus more on support programs, strengthen digital payment systems, increased use to digital technology for a more widespread reach of programs and Direct Benefit Transfer (DBT).

Previous epidemics like SARS and Ebola had highlighted the need for effective social protection measures and health interventions as a part of government policy response. Most vulnerable groups comprise of older persons, persons with disabilities and chronic diseases, workers engaged in the unorganised sector, domestic workers, migrant workers, homeless people and women. Social Security has a big gender bias making women a particularly disadvantaged group.

This paper explores the challenges of social security faced by the large unorganised workforce of India amidst this unprecedented situation of exigency. It also analyses the measures taken in India vis a vis South East Asia to counter the adverse impact of the contagion and what additional steps can the government of India take to safeguard the interests of this vulnerable section of the economy..

Key words: Informal Labour, COVID-19, employment, social security, South East Asia

Introduction

Background and Importance

Covid-19 spread is characterised by a reduction in labour supply owing to quarantines, lockdowns and social distancing, a crash of financial markets, sharp drop in commodity prices and constrained financial conditions leading to a series of bank rate cuts and liquidity support actions. However, the severity of the impact on global growth and its subsequent recovery in 2021 will depend on factors such as the duration of shutdown and the fading of the pandemic in the second half of 2020. Some emerging and developing economies may soon break down under rising crisis costs; therefore making strong multilateral cooperation essential as per IMF World Economic Outlook Report of April 2020.

The Indian Council for Research on International Economic Relations (ICRIER) flagged the need for extending social security to informal workers, which constitute 90% of the labour force of the country. While direct income support is the primary way to provide support, however, wage support to enterprises is also the need of

the hour to prevent any job losses, given that Covid-19 hit the country when it was already grappling with the problem of high unemployment and underemployment. Sustaining jobs is not just an end in itself but also instrumental in boosting aggregate demand in the economy, the Keynesian doctrine of any economic recovery and growth.

An article in EPW on migrant labour has also highlighted the inadequacy of the measures to deal with the multi-dimensional issues faced by this vulnerable section of labour which has been exacerbated by the disruption caused by the pandemic. There can be no quick fixes to this problem burgeoning issue when a significant proportion of sufferers have largely been left out the net of the exclusive design of schemes and their shoddy implementation.

According to ILO, informality has a gender bias making women a particularly disadvantaged group who are more likely to be employed in the informal sector and seldom have any social security or any other cushion to safeguard their interests. The growing informal employment is due to widespread outsourcing of production processes and the use of contract labour. Social and work security for women migrants and informal workers has been a long-standing demand of labour unions like SEWA. This needs to encompass child care, which is indispensable to working women in India and has helped them double their incomes wherever it is made available to them. The devastating experience of Covid-19 has taught us that those states with decentralised planning and implementation with active participation and partnerships of civil society organisations and strong public health systems have been able to counter the challenge and flatten the curve. India is at 127th rank in GII with a score of 0.563.

Prime Minister Jan Dhan Yojana made impressive inroads; however, millions are still left out owing to criteria requirement or lack of knowledge and comprehension. Pension is another essential facet of social security which needs to be examined together with unions, cooperatives and other collectives of informal workers to make it more inclusive.

Social Security Measures in South East Asia

In response to Covid-19, most countries took measures to make affordable healthcare and financial protection to these significantly exposed groups. The enormous diversity of the Asia Pacific region called for equally diverse responses to the economic and social crises. Many countries were quick to announce stimulus packages which can mainly be segregated under 3 heads albeit in varying degrees -

1. Public Health
2. Credit and Corporate Support
3. Income Support

Credit and Income Support

Fiscal response in affected advanced economies (UK, US, France, Germany, Italy, Japan, & Spain) has been swift as also in some emerging markets (China, South Africa & Indonesia) to provide support to workers and worst affected sectors. The significant actions of large central banks included monetary and liquidity stimulus to mitigate fiscal stress. Strong multilateral cooperation was hailed as primary to overcoming the effects of the pandemic, including financial aid and strengthening health care systems.

Singapore rolled out a stimulus package by March'20 and Indonesia followed suit with a USD 24 billion liquidity injection into the financial system. In response to the pandemic, Singapore announced three stimulus packages in a space of three months under the Covid-19 (Temporary Measures) Act and the latest one was aimed at retaining jobs as the country reeled under deepest recession with resident unemployment rising to 3.3%. Preceding this there were stimulus packages earlier unveiled with names as Unity, Resilience and Solidarity Budgets; all together equaling SGD 100 billion, 20% of its GDP. The relief package mainly aimed at giving levy waivers and rebate to foreign workers for firms in marine & offshore, construction and process

sectors, a rental waiver to SME tenants (endorsed via the introduction of a bill) who have suffered losses in revenue, rental waiver by the government for commercial hawkers and industrial, office and agricultural tenants for a period of 6 months. However, the government suggested a unique condition to workers to upskill themselves and adapt to be able to access the available work opportunities.

The government rolled out two packages for FI and FinTech Firms out of which the first one was aimed at supporting workforce training and manpower costs, strengthening digitisation and operational resilience and enhancing access to digital tools and platforms. The second one was aimed at easing cash flow, reducing debt and ensuring access to basic banking services.

The Job Support Scheme (JSS) was a straight forward job subsidy to pay 25% to 75% of gross monthly wages to each Singapore citizen or PR employee capped at 4600 SGD until July 2020.

Malaysia rolled out a USD 57 billion stimulus package spending on public welfare and healthcare as well as business support. A major portion went for supporting SMEs and remaining to public healthcare. They focussed on cash transfer to protect the interest of lower-income people. There was an unexpected change of government at the beginning of March even though the closure of non-essential business and schools and travel restrictions was ordered. It went for mandatory Covid-19 testing for all foreign workers

Vietnam acted early in shutting down travel from China and focussed heavily on contact tracing by mobilising local levels to ensure community observance of restrictions. Despite a long border with China and a population of 97 million, Vietnam recorded only 300 cases and not a single death. It closed borders with China, increased health checks at borders and other vulnerable places and a vast labour intensive contact tracing began. Costs were covered by the government. Vietnam has planned a heavy cut in corporate tax (USD 679 million) for small and mid-sized businesses to combat Covid-19. Its locally made test kit was approved by WHO and it has lifted all export regulations on face masks. Financial package targeted six categories of businesses and individuals

1. Impacted Employees
2. Impacted Employers
3. Household Businesses
4. People with meritorious service to the country
5. Poor and near-poor households
6. Social Protection Beneficiaries

There was financial assistance for contract labour under suspension and informal employees who lost jobs and were not eligible for the allowance. Not only that employers who were affected by the contagion and paid at least 50% of salary from Apr-Jun for work suspension can borrow collateral free from Vietnam Bank at 0% interest for a max term of 12 months. VBSP is a non-profit government policy bank offering services to poor at subsidized rates. Employers could also suspend contribution to social security benefits conditionally. Tax and land lease agreements are proposed to be delayed for industries affected by Covid-19.

Sri Lanka laid down a detailed document on healthcare where it identified key labour risks faced by healthcare workers in relation to Covid-19. The healthcare system in Sri Lanka is not privatised which means that all citizens have access to similar healthcare and the government has been able to exercise better control in these unprecedented times. Mitigation measures were adopted in relation to workers concerning Covid-19 like

1. Terms of employment – Direct Workers
2. Terms of employment – Contract workers
3. Working Conditions and Living Arrangements for both Contract & Direct Workers

4. Covid-19 Specific Measures for both Construction and Civil Workers

5. Supporting Health Facilities for All Workers

A robust grievance mechanism allows workers to voice their concern regarding any shortage of equipment, work environment or procedures

Health Support

China, Vietnam, Singapore, Philippines and Thailand channelled additional resources into health systems for greater and more affordable coverage. Malaysia introduced a monetary assistance scheme while Indonesia, Thailand and the Philippines increased unemployment benefits and their duration for layoffs due to Covid-19. 2019-20 has been marked with increasingly restrictive trade policies – as exports conceded to trade tensions real growth in fixed investment in pulling back in several Asian economies leaving heavy reliance on private consumption to support economic activity.

Japan, Singapore, Philippines and Vietnam extended sickness benefits to workers who were otherwise not entitled to paid sick leaves as against workers in countries such as Indonesia who were at the mercy of their employers' affordability. Japan, Republic of Korea, Thailand, Philippines, Malaysia and Singapore helped enterprises maintain employment through wage subsidies or partial unemployment benefits. In the absence of any such benefits, Indonesia launched a Pre-Employment Card in preparation for an employment insurance in response to Covid-19.

In response to Covid-19, many countries took measures to make affordable healthcare and financial protection to these significantly exposed groups. Ex: Philippine Health Insurance Corporation released USD 583 million to accredited hospitals and Health packages which included Covid-19 Testing, referral and isolation packages. Cash transfers are a particularly effective macro-economic stabiliser as they can become immediately effective and have a countercyclical impact. Some countries like Hong Kong, China, Australia, Singapore and Malaysia have also included one-off income support (one-off Universal Basic Income). In India, states of Kerala and UP have announced similar direct online payment and free meals to poor and daily wage workers who lost employment due to Covid-19. In order to alleviate liquidity constraints on enterprises, many governments have decided to allow entities to postpone payments of taxes and social insurance contributions especially for micro, small and medium enterprises.

Thailand extended the benefits of UCEP (Universal Coverage for Emergency Patients) to all nationals and foreign residents for Covid-19 contractions which entitles them to seek treatment free of cost.

In Vietnam, all expenses related to testing, treatment and quarantining of positive cases were funded by government budget according to the Law of Communicable/Infectious Disease Prevention.

In Singapore, the government paid all hospital bills in full for suspected Covid-19 patients. Subsidised consultation in private clinics for permanent residents, citizens and elderly in case of respiratory symptoms. Malaysia announced a new monetary assistance scheme for USD 135 up to 6 months for employees on no-pay leave.

Social Security Measures Taken in India

Lockdowns imposed all across the region to break the chain of transmission resulted in stranded migrant workers, who were unable to return to their homes and lost livelihood. Lack of preparedness before the announcement of the lockdown resulted in large scale movement of labour. The post liberalisation era, was characterised by massive urbanisation owing to lack of employment opportunities in rural India and the urbanisation was mainly in the informal sector like construction, mining etc. According to UN estimates, somewhere around 100 million workers across the globe send remittals back home which stopped suddenly. The effects of 'shadow pandemic' were less apparent and talked about but very grave caused by forced closure of schools, non-availability of alcohol, breaking down of social networks and unwanted pregnancies to name a

few. Adolescent girls were married off when schools closed down, women were subjected to increased physical and emotional abuse and many lost their lives and/or the lives of their new born in the absolute absence of reproductive healthcare. Even in general terms, the migrant labour compromised on healthcare when our entire government healthcare system was grappling with the unprecedented effects of the pandemic and the private healthcare refused to provide any support to the economically and socially weaker sections in the absence of any financial back up that they have.

The government of India tried to mitigate the adversities faced by the unorganized labour force of the country by announcing a series of relief measures. This was done in two phases which are recapitulated below. The major focus of relief measures focused on free rations, free food, EPF withdrawal benefits and a series of monetary measures. The RBI allowed a moratorium on term loans, eased working capital financing and deferred interest payment on working capital facilities without an asset classification downgrade targeted to bring relief to the MSME sector. In terms of ad-hoc relief measures, many public sector banks introduced emergency credit lines whereby a maximum loan amount of up to Rs 200 crore or 10 per cent of the existing fund-based working capital limits can be availed by MSME borrowers. The Small Industries Development Bank India announced a concessional interest rate of 5 per cent for MSME loans under the SIDBI Assistance. The government also introduced measures permitting delayed GST payments until June 2020, without levy of interest, late fees or penalties.

Apart from this, the Government of India announced an INR 20 lakh crore package which was claimed to be the most voluminous in the world. Of this, the first tranche of INR 6 lakh crores is completely aimed at reviving the MSME sector as a part of the 'Atmanirbhar (self-reliant) Bharat' campaign.

Other steps taken were:

Liquidity infusion through collateral-free loans and clearing of receivables by PSUs and GOI

EPF benefit – extending government support for 3 more months until September 2020; Reducing statutory PF contribution from the existing 12% to 10% for a period of 3 months; Tenders up to INR 200 crores will cease to be global;

Infusing liquidity into NBFCs;

Rolling out a package to safeguard the interests of migrant workers by extending protection on a count of a provision of affordable rental housing, 100% coverage under PDS (One Nation One Card) and benefits to street vendors is also aimed at resurrecting the sector.

The government amended the EPF & Miscellaneous Provisions Act to allow beneficiaries to withdraw up to 75% balance in their fund or 3 months' wages, whichever was lower as an emergency measure. It also allowed partial withdrawal from National Pension Scheme towards the treatment of illness, set up help lines to address issues spanning from wage grievance to migration to the home state.

The Ministry of Finance announced free disbursement and distribution of food grains and LPG cylinders under the 'Pradhan Mantri Garib Kalyan Yojna' to benefit approx. 80 crore people affected by lockdowns. Free foodgrains were to be provided to migrants for 2 months including non-ration cardholders. The wages of MNREGA workers was increased from INR 182 to INR 202 to benefit a targeted 5 crore families. Additionally, 20 crore women account holders under Jan Dhan Yojana, were to be given a direct benefit transfer of INR 500 per month for 3 months, INR 2000 payment to farmers under PM Kisan Yojana and a medical insurance cover for paramedics, nurses, ASHA and other frontline workers firefighting the pandemic.

The Ministry of Housing and Urban Development has planned a low-cost rental housing scheme under Pradhan Mantri Awas Yojna for urban poor and migrants. Farmers and those engaged in animal husbandry were proposed to be covered under the Kisan Credit Card Scheme. PM Cares Fund was established as a dedicated national fund to deal with any emergency or distress like Covid-19.

Arrangement of food and shelter was made for the poor including migrant workers and states were directed to use Disaster Relief Funds for that purpose. Also, all health workers fighting Covid-19 were brought under an insurance scheme: Pradhan Mantri Garib Kalyan Package. Relief was given to small IT units operating out of STPIs from rental payment. Ministry of Education approved mid-day meals during summer holidays.

The Kerala government involved the services of the self-help groups facilitating loans through them to impacted people and started a 'Kerala Dialogue' involving leading thinkers, scientists, policymakers, professionals and the general public to overcome the disruption caused by Covid-19. The government, with the help of the National Statistical Commission, has decided to create a national database, using Aadhar, of an estimated 450 million unorganized workforce to include them in social security coverage.

It is noteworthy here a lot of these cushioning measures will only take effect over time and not immediately and hence will have limited impact in the short run.

Way Forward

The World Bank projects at least 11 million households being pushed into abject poverty across East Asia and the Pacific, increasing the income inequalities and access to opportunity. The worst affected will be those nations which have weaker social and labour protection framework. The lower middle class households, who had managed to cross the poverty line and gain a respectable life for themselves are lapsing back to poverty with loss of jobs and pay cuts.

China's experience not only highlighted the caveats in economic structures but also the importance of sustainable development and their interdependencies. This included the importance of SMEs and the informal sector in employment and development, the impact of such pandemics on Global Value Chains, the contribution of corporates in combating the virus, and sustainability and of the trade-off that the governments face between health and growth. All these are defined by the current policy measures undertaken worldwide and the extent of value chains that can be rebuilt given the new norms.

Apart from disrupted global supply chains and economic meltdown, gender inequality is emerging as a major crisis in the Asia Pacific region where it is already a skewed indicator and now with overburdened health and social systems in the wake of Covid-19, it has worsened due to the spike in the share of unpaid care and domestic work in view of school and office closures and the increased need of care for the elderly. The pandemic has disproportionately reduced the economic opportunities of women, especially migrant nurses and domestic workers, apart from a marked increase in cases of domestic violence and employer prejudice in paying or retaining women employees versus their male counterparts. In the absence of any savings or social security benefits the social and economic impact on women was much higher. Workers were denied their due wages, not to talk of the displacement charges equivalent to 50% of their pay guaranteed to them by law. Less than 5% informal workers are enrolled with government agencies and hence majority of them could not avail of any benefits of social security.

Monetary policy tools have been widely used in South East Asia and India to spur economic growth. The effectiveness of these needs to be reinforced to lift consumer and investment sentiment in the face of flattening Phillips curve globally signalling a weakening linkage between inflation and output. Strengthening local self-government for managing disasters and pandemics.

Coordinated international action to respond to such global crises which require to step beyond the zero-sum narratives for safeguarding production, transportation, delivery, cross border migrants, research & development and international finance. The Asian Economic Ministers Retreat on 10th March 2020 also called for collective action to mitigate the impact of the epidemic, particularly focussing on leveraging technology and digital trade and fostering supply chain connectivity and sustainability. In the post-pandemic scenario enhanced and more resilient social systems underpinned by new policy framework focussed on reduced inequalities (both gender and sectional) to ensure better protection of human rights are needed. Also, affordable and easy access to the

internet should be treated as a public good once most jobs and work would have moved online. Closing this digital divide will give an equal opportunity to the poor to develop essential skills.

Looking at the Indian perspective, the need for putting money in the hands of informal labourers as a relief measure, could have gone a long way in providing them some security, even while they were locked down without work in a land which was not their homeland. This would have ensured their basic demands met, apart from helping the aggregate demand/consumption in the economy looking up, and encouraged them to come back when lockdown ended. Creating a national database of migrants can have multipronged impacts like saving labour exploitation at the hands of contractors, ensuring social security coverage besides preventing human trafficking that dogs the entire migrant labour class. The government is already in the process of reviewing labour laws and codifying them into 4 codes with special focus on social security and conditions of work

References

1. Asian Development Outlook (3rd April 2020).Developing Asia Growth to fall in 2020 on Covid-19 Impact. Asian Development Bank
2. Chatterjee, M. (2020, May 21). Lack of Social Security for women in informal economy needs to be addressed. The Indian Express.
3. <https://indianexpress.com/article/opinion/columns/social-security-women-informal-economy-india-mirai-chatterjee-6419938/>
4. FE Online. (2020, June 18). Informal labour should be brought under Social Security: ICRIER. The Financial Express. <https://www.financialexpress.com/industry/informal-labour-should-be-brought-under-social-security-icrier/1994965/>
5. ILO. (2020). Informal Economy in India and SE Asia. ILO Report
6. ILO. (March 2020). Social protection responses to the Covid-19 crisis- Country responses in Asia and the Pacific. ILO Social Protection Department
7. IMF.(April 2020).World Economic Outlook. The Great Lockdown
8. National database of workers in informal sector in the works. (2020, January 19). The Economic Times. <https://economictimes.indiatimes.com/news/economy/indicators/national-database-of-workers-in-informal-sector-in-the-works/articleshow/73394732.cms?from=mdr>
9. OECD. (2019). Economic outlook for Southeast Asia, China and India. Rethinking Education for the Digital Era. Preliminary Version. OECD Publishing.
10. OECD. (2020).Policy Responses to Coronavirus (COVID-19).COVID-19 crisis response in ASEAN Member States. OECD 2020
11. Pandey,S. (2020, July 10). Social Security for migrant workers during COVID-19. Economic and Political Weekly.<https://www.epw.in/journal/2020/26-27/commentary/social-security-migrant-workers-during-Covid-19.html>
12. UNDP. (April 2020). The Social and Economic Impact of Covid-19 in the Asia-Pacific Region -A Position Note Prepared by UNDP Regional Bureau for Asia & the Pacific.
13. WHO. (2020, 6th June). Covid-19 Labour Market Measures (India) updated March 20 to June 6 2020.