International Journal of Convergent Research 2(1) January - June (2025)

IJCR International Journal of Convergent Research

International Journal of Convergent Research

Journal homepage: International Journal of Convergent Research

Structural Exclusion and Social Protection: A Critical Examination of India's Urban Informal Workforce

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Citation: Saxena, A., Goyal, S., & Aneesh, K. A. (2025). Structural exclusion and social protection: A critical examination of India's urban informal workforce. *International Journal of Convergent Research, 2*(1). 51-63.

ARTICLE INFO

Received: 24th April 2025
Accepted: 20th June 2025

ABSTRACT

The urban informal sector in India maintains a crucial role in facilitating city life involving the formal sector, household jobs, development projects and sustainable living for the urban poor. Approximately 80% of the urban workforce is employed informally, contributing 45% to the GDP. However, these contributions remain unrecognised by legal and social security frameworks. Being unrecorded and excluded from policy frameworks for social protection exposes them to insecurity and exploitation, depriving them of well-deserved options for sustainable livelihood. To recognise and uplift the sector from vulnerabilities, the government introduced the E-Shram Portal, PM-SVANidhi and the Street Vendors Act to ensure financial inclusion and legal visibility. Policies face bureaucratic challenges, exposed to barriers in formalisation deterring small businesses from entering the formal sector and low awareness among the workers, reducing the impact of existing policies. For a country as dynamic and varied as India, a comprehensive and centralised set of policies for the informal urban workers is required to uplift their status while maintaining the essence of their nature of work.

Keywords: Unorganized sector, informal economy, urban informal sector, government policies, social security.

INTRODUCTION

The workers employed in the urban informal sector are not covered under employment and social security benefits. Despite serving as the backbone of the formal sector, supporting the usual business of the cities and sustaining the urban poor, they have to face significant economic shocks and are exposed to vulnerabilities. They are paid less, are often exploited by employers and face financial insecurity. They usually go undocumented and unprotected in legal policy frameworks. A brief study of the dynamics of the formal and informal sectors in India gives an insight into the origin and status of the unorganized workers in the urban informal sector. It helps us decipher the framework and provision of policies for the formal sector, showing how the informal economy remains untouched.

The formal sector in India is referred to as the organized sector. The criteria for a sector to be called formal are (a) labour productivity is likely to be high, (b) incomes even in the unskilled category are relatively high, and (c) conditions of work and services are protected by labour legislations and trade unions (IGNOU, 2017). The word 'solely' used to mention the help of wage-paid labour signifies the presence of employment benefits for those employed in this sector. Characteristics of the formal sector are (a) Regulatory Compliance (Bravo-Ortega et al., 2024); (b) Institutional Framework (Misati & Walumbwa, 2023); (c) Skilled Labour and Productivity (Chakrabarti, 2010); (d) Wage Employment and Social Protection (Williams, 2023). According to the Economic Survey (2021-22), the formal sector holds 11% of the total workforce in India, out of which 86.41% are in the organised sector and 13.59% in the unorganised sector. The scale, number of employees, and legal status of the firm's registration are the essential criteria for dividing the organised and unorganised sectors. While the formally organised sector comprises 9.51% of the workforce, the formally unorganised sector holds only 0.001% of the total workers. Contrary to the formal sector, the informal sector originated from the term 'informal' discovered by the British Anthropologist

Keith Hart while working for the ILO's project in Accra, Ghana, in 1970. He mentioned four characteristics of the sector: (1) low levels of skill, (2) easy entry, (3) low-paid employment and (4) composed mainly of immigrant labour. Hence came the name informal, which was then used by the ILO for its further projects in Kenya and later popularized as the sector that describes 'the activities of the working poor' where workers are unprotected by labour legislations, unrecognized, and unorganised (ILO, n.d.).

In India, the government set up the National Commission for Enterprises in the Unorganized Sector (NCEUS) with the help of the Ministry of Small-Scale Industries Resolution on 20th September 2004 to act as a 'watchdog' for the informal sector. The NCEUS conducts research, provides policy recommendations, and monitors the conditions of the unorganised sector. According to the NCEUS, unorganised/informal workers are those working in unorganised enterprises or households, excluding regular workers with social security benefits and the workers in the formal sector without any employment/social security benefits provided by the employers. This implies that all unprotected workers in the formal and informal sectors constitute the informal economy (Unni, 2019, p.4). The term 'unorganised worker' has also been defined under the Unorganized Workers Social Security Act 2008 as a home-based worker, self-employed worker or wage-worker in the unorganised sector and includes a worker in the organised sector who is not covered by any of the Acts mentioned in the Schedule II of the Act namely Employee's Compensation Act 1923, Industrial Disputes Act 1947 and the Employee's State Insurance Act 1948 (Government of India). Categories of Informal work are: (a) wage workers in the unorganised sector, (b) self-employed in the unorganised sector, (c) unprotected wage workers in the organised sector, and (d) regular unorganised workers (Government of India, 2007). In India, approximately 79.2% of all workers are employed in informal employment (PLFS 2017-18).

The informal economy in India has two categories – urban informal and rural informal. The characteristics of the urban informal sector are casual/wage/self-employed work, relatively higher income from rural counterparts, but quite unstable, limited access to regulations and rights, year-round work, and better access to health and credit facilities than rural areas. How different the urban informal sector is from the rural sector lies in the fact that (a) the urban sector has more population density, (b) urban informal workers face the challenges of urbanisation like pollution, traffic, limited access to safe drinking water, sanitation etc, (c) their work is more exposed to the formal sector and a grand scale is involved with it, (d) work is varied as compared to seasonal agricultural, allied work in the rural areas, and (e) they have exposure to government system and management.

In urban areas, approximately 80% of workers are informally employed. In Delhi, 81% of male and 76% of female workers work informally. Urban India had an estimated 150.25 million workers in 2017-18. 2% of the total urban population is engaged in street vending in India, with Delhi In urban areas, approximately 80% of workers are informally employed. In Delhi, 81% of male and 76% of female workers work informally. Urban India had an estimated 150.25 million workers in 2017-18. 2% of the total urban population is engaged in street vending in India, with Delhi having 300,000 and Mumbai having 200,000 street vendors (WIEGO, 2020). Other names often used for the urban informal sector (GDRC, n.d.) are based on what the sector 'is not' – not formal (informal), not controlled (non-plan, hidden, unofficial, unobserved, unstructured, unorganised, unrecorded), not legal (illegal, black, shadow) and not taxable (unrecorded, parallel). Recent terminologies were based on some of its features – temporary status (intermediate, transient), poor workers (community of the poor), nature of work (casual, urban-subsistence, one-person enterprise, irregular, invisible, unremunerated) and others (street, grey, underground, shadow, invisible, irregular, lower-circuit of urban economy, petty commodity production). Key jobs in the urban informal sector include – street vendors, market traders, construction workers, barbers, carpenters, small-scale manufacturers, porters, waiters, unskilled office help, domestic workers, housemaids, cooks, caretakers, home-based workers, rickshaw pullers, waste and rag pickers, etc.

SIGNIFICANCE AND CHALLENGES OF THE INFORMAL SECTOR IN INDIA

The Informal sector generates employment for approximately 90% of India's workforce (Raveendran & Vanek, 2020). This is a vast number that signifies the importance of the informal sector in providing more employment than the formal sector. It also contributes 45% of the total GDP of the economy in the year 2022-23 (Government of India, 2025). It has substantial shares in sectors like real estate, ownership of dwellings, professional services, public administration, defence and other services (Murthy, n.d.), which indicates the support it gives to the formal economy in its working and management. The low barriers to entry allow employability and a source of income for anyone who is not skilled or trained enough for the formal sector to sustain a livelihood, generating immediate employment for millions of the urban poor. Many small-scale and home-based workers support the small industries that otherwise face tough competition from foreign goods and remain informal. Street vendors, construction workers, and domestic staff make essential goods affordable for the urban poor, and a large portion of these poor people sustain themselves through informal livelihoods.

However, the sector's challenges, as indicated by the name itself, 'informal', cannot be overlooked by its significant contributions to employment generation and GDP. Apart from the basic unavailability of legal rights, recognition, and social and employment benefits, the workers have to work in poor environments and have inadequate access to credit and capital, which is often lent by charging high interest rates, highly vulnerable to economic shocks (COVID-19) and harassment and exploitation especially in women, limited skill development and education, and difficulty in formalising their work. The challenges to formalisation, as mentioned by Gërxhani & Cichocki (2023), are (a) the High cost of formalisation – due to high registration fees, compliance with regulations such as employing accountants, setting up software, obtaining certification for permits and high rate tax burdens with complex structure, the small businesses feel financially threatened to enter the formal sector (b) bureaucratic hurdles - the approval of licenses and registrations takes a long time for completion and requires huge task of paperwork and is often not transparent. It creates a sense of mistrust and ambiguity to the process of formalization. (c) weak institutional frameworks – inadequate law enforcement of property rights and corruption gives way to biasness and loss of regulation from the government, which makes the essence of formality ineffective and creates distrust in the procedure; (d) informal institutions and social norms – the cultural transformation to a professional atmosphere changes the atmosphere completely and might be perceived as difficult to adopt to when shifting to formal sectors. Fear of state interference also deters small businesses from opting for formality. According to the authors, the challenges of formalization form a loop of informality from which the firms cannot escape, and the state's role keeps weakening due to a lack of enforcement and regular assessment.

GOVERNMENT POLICIES FOR THE URBAN INFORMAL SECTOR

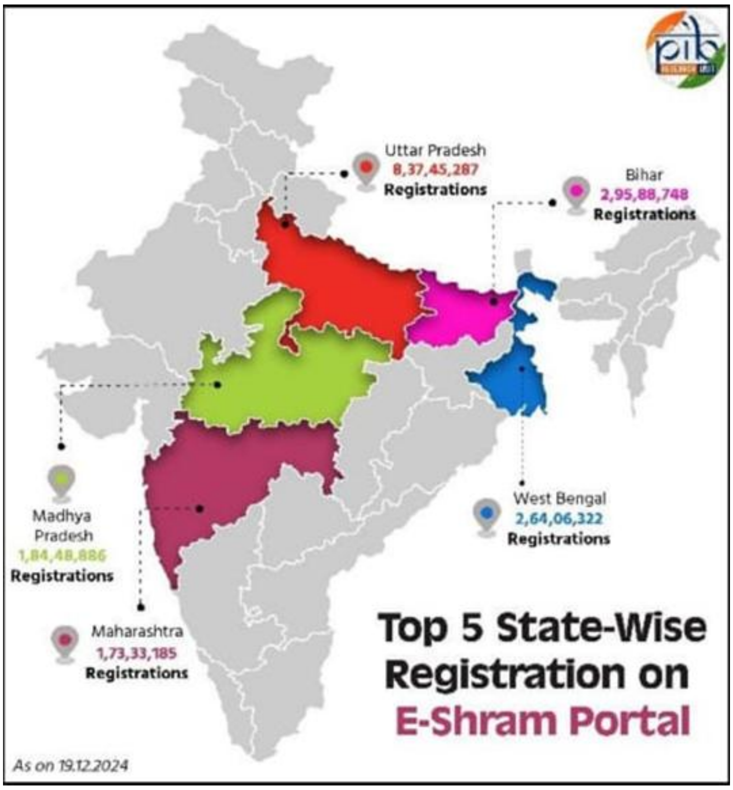
Considering the challenges of the informal sector in urban areas and the economic threat it poses to the workers, the government has introduced the following schemes and policies to address the issue of informality. The main objective is to introduce policies that (1) uplift the oppressive conditions of the informal workers in the short run and (2) formalize the informal sector to bring it under formal regulations. The government initiatives for correcting informality cover legal recognition, financial inclusion and social security for informal workers.

E-Shram Portal

E-Shram Portal, launched by the Ministry of Labour and Employment on August 26, 2021, is a flagship initiative by the Government of India with the primary aim of having a national central base of workers in the unorganised sector for better implementation of policies. It improves access to social security programs and benefits for individuals working in agriculture, construction, domestic work, and street vending. It promotes employment matching and skill enhancement possibilities and strengthens labour market resilience by including unorganised workers in the formal economy. Registering in the portal is a streamlined process, where the worker must have an Aadhaar card, a mobile number linked with an Aadhaar card, and bank details. Registered workers receive a Universal Account Number, which will enable them to access benefits all over the country. Information about migrant workers' families is collected, which helps in implementing educational programs for children and initiatives focused on women for those who have relocated with their families. Details of registered worker are shared with the respective boards, ensuring their access to schemes meant for them.

As of December 19, 2024, there are 30,48,02,313 registrations on the E-Shram portal. Individuals can register by visiting the e-SHRAM portal (www.eshram.gov.in) or the closest Common Services Centres (CSCs) and the State. The states with the highest e-Shram registration numbers are as follows: Uttar Pradesh, with 8,37,45,287 registrations; Bihar, with 2,95,88,748 registrations; West Bengal, with 2,64,06,322 registrations; Madhya Pradesh, with 1,84,48,886 registrations; and Maharashtra, with 1,73,33,185 registrations (Government of India, 2021).

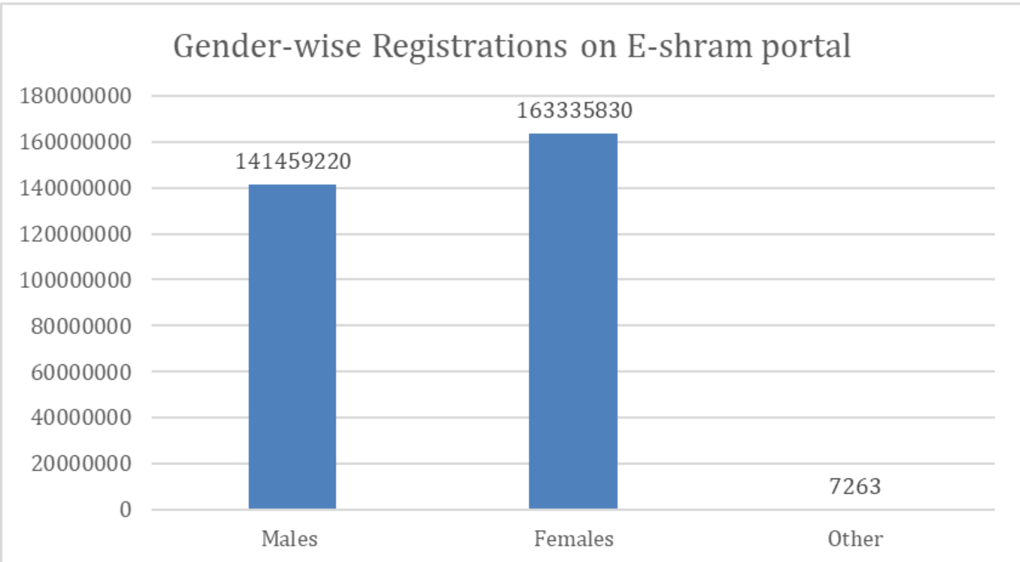
Figure 1: *Top 5 states with the highest registrations on the E-Shram portal*



Source: *Government of India (2024)*

A major note from the gender lens perspective of the portal registrations shows that more females have registered themselves than males.

Figure 2: *Gender-wise Registrations on the e-shram portal as of 19th December 2024*



Source: *Government of India (2024)*

In October 2024, there were approximately 60,000 new registrations on the e-Shram platform daily (Government of India, 2024). The E-Shram Portal is India's significant result after contributing its best in terms of good-for-nothing workers in the country. The portal is directed at narrowing the prevailing gaps in employment by creating opportunities and benefits from its central platform. With over 30 crore workers already enrolled, the E-Shram Portal is poised to substantially impact on the lives of millions and foster a more robust and resilient workforce for the future.

Pradhan Mantri Shram Yogi Maan-dhan (PM-SYM)

The Pradhan Mantri Shram Yogi Maandhan (PM-SYM) is a voluntary pension scheme initiated by the Government of India to offer social security to workers in the unorganised sector. This initiative guarantees a minimum monthly pension of ₹3,000 upon reaching 60 for unorganised workers earning up to ₹15,000 a month, and age eligibility is 18-40 years (Government of India, 2019). The Indian government matches the contributions made by workers on a one-to-one basis. In the event of the beneficiary's death, the spouse is entitled to 50% of the pension amount as a family pension. The family pension is exclusively available to the spouse. Individuals may withdraw from the program under certain conditions. Registration of PM-SYM can be done at the Common Service Centres (CSCs) anywhere in India. The steps include going to a CSC, the Aadhaar, and a savings bank account. Biometric authentication will be through Aadhaar. Fill out the online registration form. The first contribution has to be paid in cash. Select the auto-debit option from your bank account. You will receive the PM-SYM card once the registration process is completed successfully. As of March 2025, around 46,12,330 people have enrolled in the top 3 states: Haryana, Uttar Pradesh, and Maharashtra (Government of India, 2025).

Table 1: *Top 5 states with the highest number of cards issued as of 3rd March 2025*

State	*Number of Cards Issued*
Haryana	8,26,208
Uttar Pradesh	6,94,169
Maharashtra	6,21,500
Gujarat	3,91,043
Chhattisgarh	2,33,172

Source: *Government of India (2025)*

PM SVAnidhi Yojana

An important program inaugurated on June 1, 2020, by the Ministry of Housing and Urban Affairs, the PM Svanidhi schemes aim at putting in place a facility of working capital loans, at low interest, to the street vendors affected by the COVID-19 lockdown. The micro-financing is done through the Small Industries Development Bank of India (SIDBI). The scheme envisaged unsecured loan amounts of Rs 10,000 to street vendors at a low interest rate (below 12%) for one year to provide some financial succour to them. The first loan of Rs 10,000 would come, enabling one to take the second loan of Rs 20,000 after repayment. Subsequently, a third loan of Rs 50,000 is given only after the repayment of the second loan. The scheme endorses digital transactions with a 7% subsidy on timely repayments (Government of India, 2023). In one of their recent reports, SBI commented on the scheme's efficiency, where they found that 43% of the beneficiaries were female street vendors. According to the PM-SVANidhi scheme dashboard, as of October 26, 2023, 57.20 lakh loans have been approved under the first tranche, 15.92 lakh under the second tranche, and 1.94 lakh under the third tranche (Government of India, 2023). Around 68% of people repay the first loan of Rs 10,000 and take the second loan of Rs 20,000. The ratio of people who have repaid the second loan of Rs 20,000 and have taken the third loan of Rs. 50,000 is 75%.

Table 2: *Overview of achievements made by PM SVANidhi Yojana*

Eligible Applications	***1,14,60,159***
Loans Sanctioned	98,31,171
Loans Disbursed	96,06,276
Returned by Banks	12,67,955
Total Disbursed Amount	13,788 crores
Loans Repaid	46,68,694

Source: *Government of India (2025)*

The scheduled banks have disbursed Rs. 9,152 crore loans under the PM SVANidhi Scheme as of 27th January, 2025.

Table 3: *Banks with most loans disbursed*

Bank	*Proportion of Loans disbursed*
The State Bank of India	31%
Bank of Baroda	31%

Union Bank of India	10%
Punjab National Bank	8%

Source: *Government of India (2025)*

Approximately 5.9 lakh borrowers of the SVANidhi loans are distributed in 6 megacities, and 7.8 lakh borrowers come from the top 10+ million population cities.

Table 4: *Cities with most active spenders*

City	*Percentage of active spenders*
Varanasi	45%
Bengaluru	31%
Chennai	30%
Prayagraj	30%

Source: *Government of India (2025)*

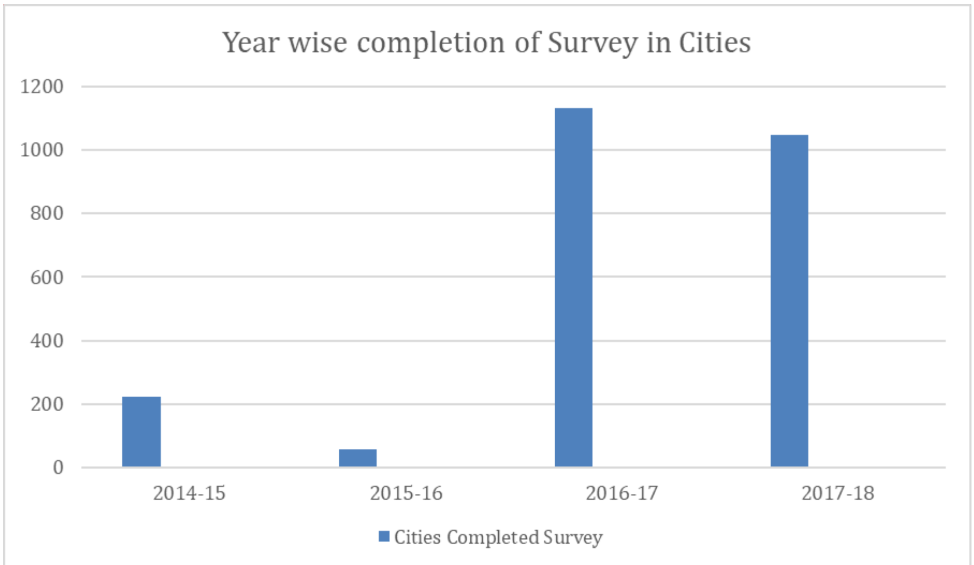
The Street Vendors (Protection of Livelihood and Regulation of Street Vending) Act

The government enacted this act through the Ministry of Housing and Urban Affairs in 2014, which came into effect on May 1, 2014. It was introduced in each state and Union territory to safeguard, protect, and regulate street vendors. It sets up a participatory governance structure by forming Town Vending Committees (TVCs), which require that street vendor representatives make up 40% of the committee members and that women street vendors comprise at least 33% of this representation (Government of India, 2014). As per the act, each Town vending committee has to conduct a survey every 5 years, provide street vending certificates to vendors, and regulate the vending zone. Provisions in the Constitution Concerning Street Vendors: Article 19(1)(g): The right to engage in any profession, occupation, trade, or business. Article 39(a): Both men and women citizens have the right to a sufficient means of livelihood. Article 39(b): The ownership and management of community resources should be allocated to best promote the common good.

Town vending plans have been successfully completed in 14 states. Andhra Pradesh, Bihar, Chhattisgarh, Himachal Pradesh, Jharkhand, Karnataka, Madhya Pradesh, Manipur, Mizoram, Nagaland, Telangana, and Uttar Pradesh have sanctioned proposals for infrastructure development in the vendor market. 2,777 Town Vending Committees have also been constructed.

Regular surveys are conducted to oversee compliance to vending regulations; however, data is unavailable for recent years.

Figure 3: *Cities and Survey Completion for Vending zones*

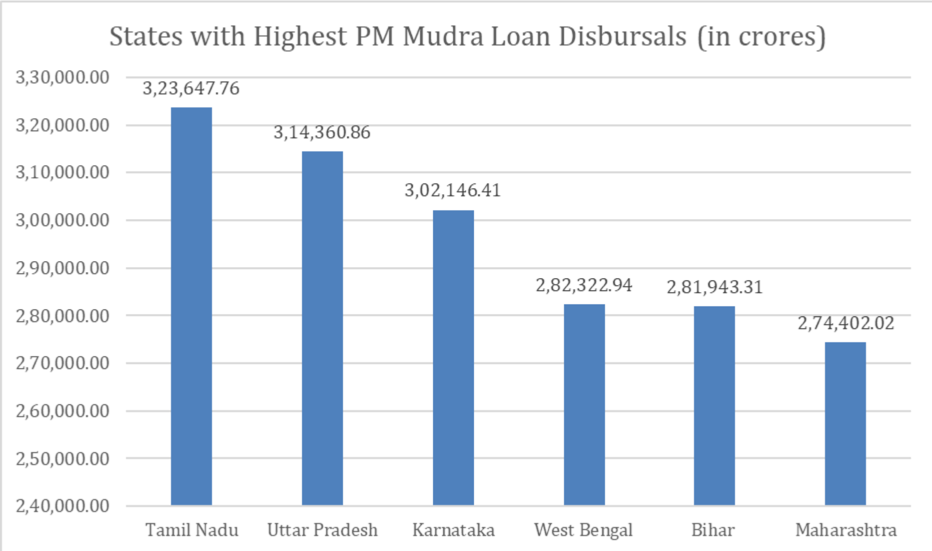


Source: *Implementation Status of Street Vendors Act, 2014*

Pradhan Mantri Mudra Yojana

PMMY is a flagship program launched by the Prime Minister on April 8, 2015, which has been introduced to provide loans to non-farm small and micro enterprises up to 20 lakhs in amount. The loans fall into the following categories: Shishu provides coverage for loans not exceeding Rs. 50,000/-. Kishore: provides coverage for loans more than Rs. 50,000/- to up to 5 lakhs. Tarun: provides coverage for loans from more than Rs. 5 lakhs to Rs. 10 lakhs. Tarun Plus: providing loans from Rs. 10 lakhs to Rs. 20 lakhs. PMMY has empowered numerous daring and aspirational individuals to enjoy self-esteem and self-reliance. As per the data, from initiation until 13-08-2017, the Mudra Scheme has sanctioned 87 million loans, of which 65.6 million were given to women (Government of India, 2025).

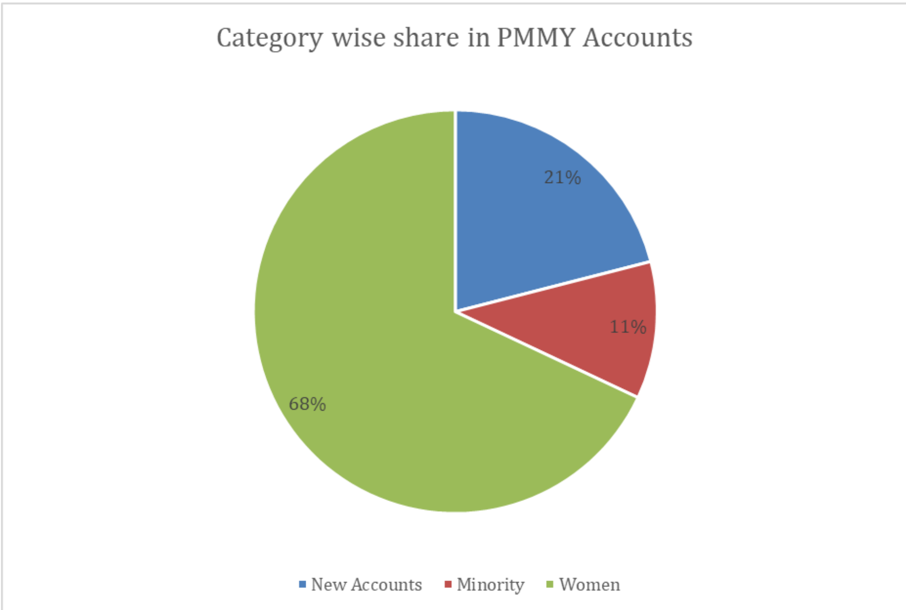
Figure 4: *Leading States and Uts in PM Mudra Loan Disbursements (As of 28th February 2025)*



Source: *Government of India (2025)*

Jammu and Kashmir is the leading UT with disbursal of Rs. 45,815.92 crore through 21,33,342 loan accounts. The share of women entrepreneurs in the PMMY indicates inclusivity and comprehensiveness.

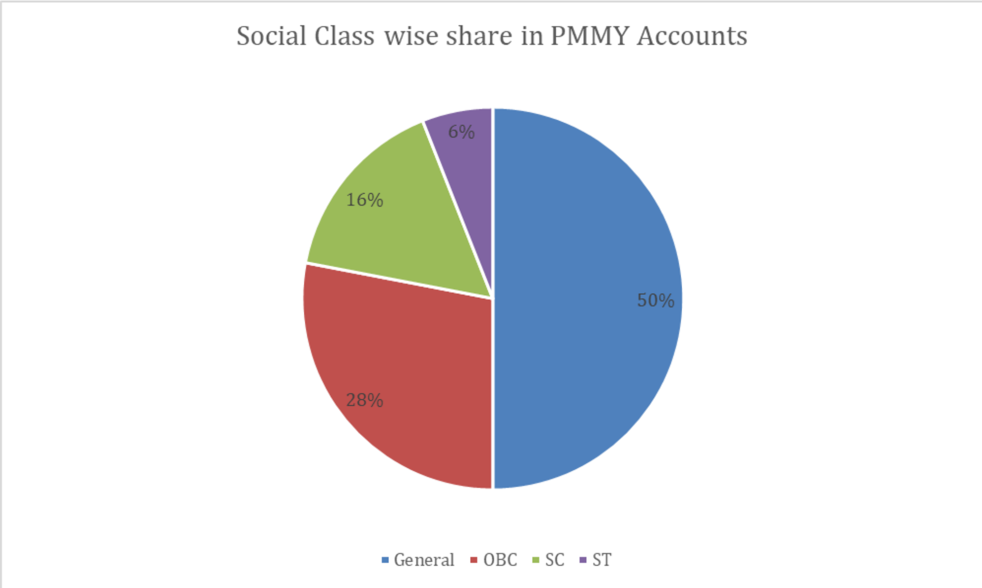
Figure 5: *Share of accounts in different categories*



Source: *Government of India (2025)*

The PMMY accounts encourage applicants of various social classes to participate and as a result, 50% of the accountholders are those of SCs, STs and OBCs who get equal opportunities to be eligible.

Figure 6: *Class-wise share of PMMY Accounts*

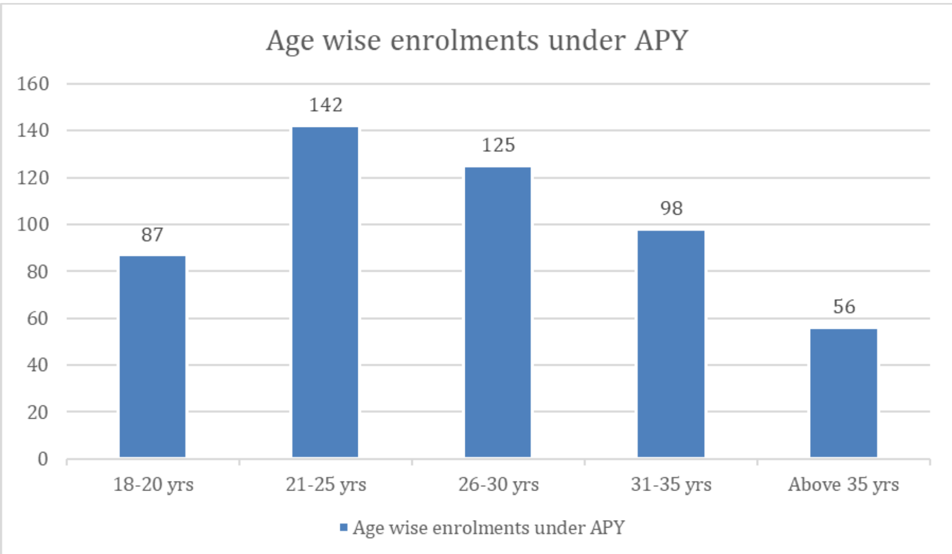


Source: *Government of India (2025)*

Atal Pension Yojana

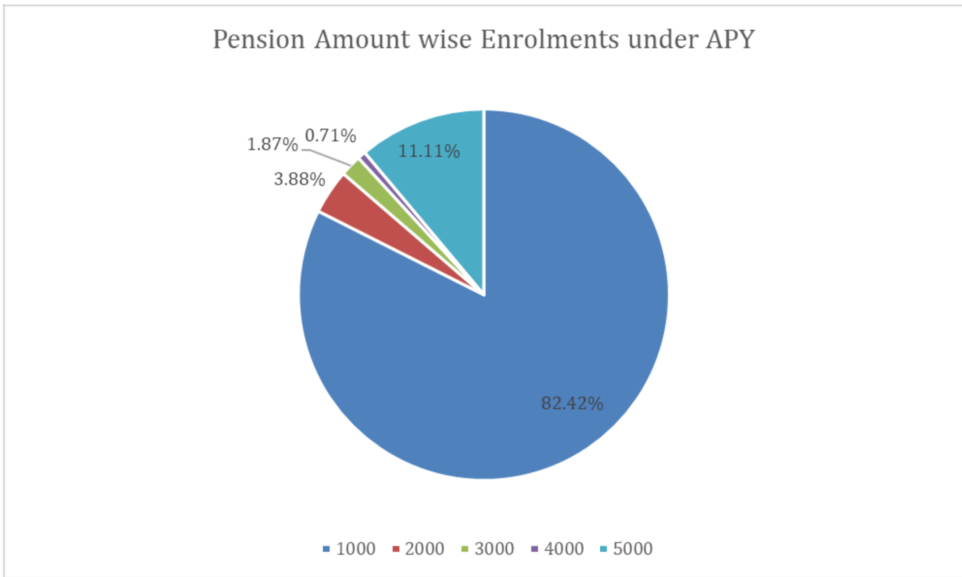
Atal Pension Yojana is a prime initiative initiated by the government of India on May 9, 2015, to provide social security to all Indians. APY has been structured to offer Sampurna Suraksha Kavach, ensuring a secure, life-defined pension for the subscriber and guaranteeing the same pension amount for the spouse after the subscriber's passing. Furthermore, it protects the family by returning the total accumulated corpus (up to the age of 60) to the nominee following the death of both the subscriber and the spouse. Approximately seven crores have gross enrolments in the Atal Pension Yojana, and today, more than 56 lakh people are enrolled for this Financial Year 2024-25. As the scheme is in its 10th year of implementation, It has achieved a massive milestone in the previous decade of providing pension coverage to the most vulnerable sections of society.More than 5 crore individuals have subscribed to APY (as of April 27, 2023) (Government of India, 2023). More than 5 crore individuals have subscribed to APY (as of April 27, 2023) (Government of India, 2023).

Figure 7: *Age-wise distributions of enrolments under the Atal Pension Yojana*



Source: *Government of India (2023)*

Figure 8: *Pension amount-wise distribution of enrolments under the Atal Pension Yojana*



Source: *Government of India (2023)*

Aam Admi Bima Yojana

The Aam Aadmi Bima Yojana (AABY) is a social security initiative introduced by the Ministry of Labour & Employment, Government of India, carried out through LIC. It offers coverage for death and disability to individuals from 48 designated occupational or vocational groups, as well as to rural landless families and unorganised labourers. Participants between 18 and 59 years of age contribute subsidized annual premiums of ₹200 for their insurance protection. Furthermore, scholarships are provided for children enrolled in grades nine and above. In case of natural death, RS 30,000 is provided, and in case of accidental death, Rs 75,000 is provided. Each of the two children of the beneficiary enrolled in the 9th to 12th Standard will be given ₹100/- monthly (for each child, the payment will be made twice a year on July 1 and January 1). If a worker gets permanently disabled due to an accident, he/she will get Rs 75,000; in case of partial disability, Rs 37,500. States with the least coverage were Chandigarh, Mizoram, Sikkim, Lakshadweep, Daman and Diu, and Dadra and Nagar Haveli.

Pradhan Mantri Jan Arogya Yojana

With an important step taken for accessible and affordable health care services across the country, Prime Minister Shri Narendra Modi inaugurated the Ayushman Bharat-Pradhan Mantri Jan Aarogya Yojana (AB-PMJAY) on September 23, 2018, at Ranchi, Jharkhand. Ayushman Bharat aims to give everyone access to health care to which they are entitled. Through Ayushman Bharat – Pradhan Mantri Jan Aarogya Yojana, the government is elevating healthcare security to a new level of aspiration. This program is recognized as the "largest government-funded healthcare initiative in the world," aimed at benefiting over 500 million people. It offers annual coverage of up to Rs. 5 lakhs for each family, specifically for secondary and tertiary care hospitalizations. Over 10.74 crore at-risk families (around 50 crore individuals) will qualify for these benefits. Over 354 million Ayushman cards have been distributed, providing innumerable families access to health insurance. A significant achievement is the approval of 7.79 crore hospital admissions, providing ₹1,07,125 crores in financial support. The gender-wise distribution reveals that 49% of Ayushman cards have been issued to women, who subsequently used 3.61 crore hospital admissions, showcasing the initiative's advancement of gender equity in health care. A total of 1.96 crore hospital admissions worth Rs. 24,315 crores have been authorized through a network of approximately 23,000 Empanelled Health Care Providers (EHCPs) (Government of India 2021).

AN ANALYTICAL REVIEW OF POLICIES

India's labour and social protection policies have experienced significant changes lately, characterized by efforts to bolster support for informal workers and improve opportunities for formal employment. Perhaps the most significant progress is the increase in social protection coverage from the International Labour Organization's data (2024–26), which has almost doubled, from 24.4% to 48.8%. This progress shows the government's aim to bring more workers under social welfare nets, particularly those who have been traditionally marginalized due to informal or unregistered job situations. A key initiative in this effort has been the E-Shram Portal, which has successfully registered over 300 million (30 crore) workers. This online platform plays a crucial role in streamlining the process for these workers to access targeted welfare benefits tailored to their specific needs (Press Information Bureau, PIB, 2025).

Nevertheless, the potential of this initiative is undermined by deficiencies in execution. Even though approximately 300 million individuals have registered on the e-Shram platform—an initiative aimed at organizing informal workers and connecting them to various social security benefits—many continue to face significant bureaucratic hurdles. These obstacles often prevent them from accessing the benefits the platform was designed to provide. Moreover, a considerable portion of the workforce remains unaware of the welfare schemes available to them. This lack of awareness translates into alarmingly low utilization rates, even among those who are officially registered on platforms like e-Shram.

In addition, there has been substantial progress in the formalization of employment. Over the last seven years, approximately 70 million (7 crore) workers have transitioned into secure, formal jobs through the Employee Provident Fund Organization (EPFO). This transition enhances their job security and ensures they receive essential benefits such as retirement savings (PIB, 2025b). It represents a step toward restructuring India's labour economy by integrating more workers into protected and regulated employment.

However, this formalization has not substantially solved the persistent problem of informality in India. This underscores a troubling reality: a staggering 90% of India's overall workforce operates in informal employment, a condition that leaves them without fundamental job security and essential benefits such as health insurance, retirement plans, or paid leave (WIEGO, 2020). The Ministry of Statistics and Programme Implementation (MoSPI) reveals a striking statistic: 61% of women workers in non-agricultural sectors are employed within the informal economy. This gender dimension shows that these formalization efforts are not reaching vulnerable groups. These numbers highlight that advancements have occurred, but are still inconsistent and inadequate in reshaping the larger employment environment.

In response to the economic challenges posed by the COVID-19 pandemic, the government has launched the PM SVANidhi scheme, which provides financial assistance to street vendors. Through this initiative, ₹5,000 crore has been disbursed to more than 5 million (50 lakh) vendors, providing them with crucial support to sustain their businesses and livelihoods in the aftermath of the pandemic. This financial aid is instrumental in helping these vendors rebuild and thrive in an increasingly competitive environment.

Nevertheless, the effectiveness and reach of PM SVANidhi are curtailed by administrative bottlenecks and varying levels of regional support. In some states, loan disbursal becomes a complicated and inconsistently followed process whereby many workers remain unaware of their eligibility for this scheme or the steps needed to access these funds. Moreover, a considerable portion of the workforce remains unaware of the welfare schemes available to them.

Informal workers face issues like income instability, lack of collateral, insufficient documentation and lack of financial literacy. All these issues create a barrier for them to engage in the formal banking sector. Although the E-shram portal aims to provide awareness about related schemes, it lacks creating awareness about the financial literacy programmes, credit schemes, etc. Hence, all these become the obstacles to meaningful change.

Additionally, capturing the fast-evolving nature of the informal sector presents substantial challenges for policymakers. These complexities ultimately undermine the effectiveness of policy implementation, leaving many workers without adequate support in navigating their precarious employment situations.

CROSS-COUNTRY COMPARISON

ILO's assertion that India's Social Protection coverage doubled from 24.4% to 48.8% in its World Social Protection Report 2025-26 is indeed an indicator of the considerable amount that has been done by the government and well-recognized internationally to address the issues of the unorganized sector in India. However, India has much to learn from developed and developing countries when it comes to dealing with the informal sector.

South Korea's National Pension Scheme has mandated participation from citizens aged 18-59 years working in the formal or informal sector. A foreign individual living in Korea must enrol in the National Pension Scheme, just as Korean citizens must. A part of the fund is contributed by the employee-employer in the formal sector, while for the informal sector, it is self-funded with some incentives. For this social security, India has enacted various schemes like Pradhan Mantri Shram Yogi Maandhan Yojana, Atal Pension Yojana, etc. All these schemes are voluntary, as in Korea, India can also mandate a universal pension scheme for the betterment of citizens, either in the informal sector or in the formal sector. Korea also has a centralized system that facilitates efficient management. Still, in contrast, there are many schemes and a decentralized system that lacks efficient management in India, where citizens are unaware of the schemes.

In Colombia, the government has implemented a Vendor Integration plan, which aims to regulate, formalize and support street vendors in every aspect. Colombia's Vendor Integration Plan to access designated vending zones, usually with high foot count and proper infrastructure, waste disposal, security, and sanitation. Also, a license is provided to them for better regulation and monitoring. In India, under the Street Vendors Act, Town Vending Committees provide street vending certificates to vendors and regulate the vending zone. But the government needs to work on the vending zones, they should have high footfall, sanitation facilities, waste management, adequate infrastructure, and more steps should be taken.

In Germany, the Dual Vocational Training System is a vocational training approach that integrates hands-on, real-world experience with theoretical learning in a classroom setting. It is regarded as one of the most successful methods for equipping young individuals for skilled professions. This helps them make a smooth transition to the formal sector. This approach can be used to enhance the Skill India Mission in a way that recognizes informal work experience of a specified time period and can be translated into formal skill certifications without additional training. Also, under this act, the government should focus on public-private collaborations and training programmes per the current industrial demand. Tax incentives can be given to companies hiring informal workers as apprentices, and helping them upskill to bridge the skill gap.

Brazil's 'Minha Casa Minha Vida' (Affordable Housing for Informal Workers): This program was created to encourage the development and purchase of new housing units for those with low and low-middle incomes. The relevant approach can be used to expand the PM Awas Yojana to provide rental and co-owned housing to groups of informal workers known as worker housing cooperatives.

A deeper overview of the policies of other countries compared to those of India reveals that India has begun the process of upliftment and formalization in most aspects, including legal recognition, financial support and social security. However, significant implementation challenges and the incomprehensiveness of policies make the initial efforts seem significantly inefficient. Implementation challenges include a lack of awareness, bureaucratic hurdles, lack of reach to targeted groups and barriers to access by vulnerable groups like women and migrants. All the policies are scattered and must be included under one umbrella to make them comprehensive and effective. The lack of real-time data on activities in the informal sector also accounts for a structural issue. With the advent of artificial intelligence and the age of digitalization, it is easier to navigate policy effectiveness and reach target groups. Financial technology also helps businesses scale. A step towards basic financial and digital literacy, along with upskilling, will go a long way to cover up for the implementation challenges and help informal workers complement the government in its effort to improve the situation of the unorganized sector.

CONCLUSION

The future of the urban areas is lined by digitalization, smart city initiatives and changing labour dynamics. However, the surge of the gig economy and application of sustainability concerns risk the informal sector's traditional work roles. Informal sector is exposed to job displacement, financial illiteracy, income instability and vulnerability to climate change. Addressing these challenges is the need of the hour as they are a substantial part of the population. To enhance the security and sustainability of workers in the informal sector regarding their living and working conditions, both the short-term challenges and the long-term needs must be addressed through a more comprehensive approach. Firstly, financial literacy programs should be expanded so that informal workers can benefit from various schemes, opt for loans and manage their income. Also, the foremost requirement is to spread awareness about the welfare and social security among the workers. The policies aiming inclusivity of urban planning and sustainable development should be prioritized. As India is moving towards digitalization, training on the same should be provided so that everyone benefits.

Priority should be given to make policies centralized and easily available to the remotest of regions for greater effectiveness, as a major workforce remains unaware of their options. Another effective idea is to make social security programmes automatically compulsory for workers when they join the workforce, reducing the chances of dropping out and ensuring greater reach.

The goal of regulating the unorganized sector is not to forcibly integrate it into the formal economy or alter its nature but to ensure the social and economic security of informal workers, whose livelihoods are far from casual and require legal protection. Like in other countries, the informal sector should continue to function as intended, but the workers within it must be safeguarded, ensuring that their lives are not treated with the same precariousness or lack of structure that defines the sector itself.

ETHICAL DECLARATION

Conflict of interest: The authors declare that there is no conflict of interest regarding the publication of this paper.
Financing: This research received no external funding.
Peer review: Double anonymous peer review.

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