



## **Women in the Indian Informal Economy**

February 2021



## Introduction

Globally, two billion of population aged 15 years and above works in the informal economy, representing 61.2 per cent of world employment. Informal employment is a greater source of employment for men (63 per cent) than women (58.1 per cent) (ILO, 2018). In India, although the absolute numbers are lower, a slightly higher percentage of women workers are in informal employment as compared to men. With a growing informalisation all over the world, the International Labour Organization (ILO) (2018) report notes that the level of informality varies inversely with the level of socio-economic development and level of education. Emerging and developing countries therefore have comparatively higher shares of informal employment than developed countries, and in both developed and developing countries, those who have completed secondary and above levels of education are less likely to be in informal employment compared to workers who are illiterate or have completed only primary education.

In India, women are almost always involved in some kind of productive and/or reproductive activity, but much of their work is invisible, and they are largely employed in low skilled, low paid informal work with little or no social security—for instance, as domestic workers or self-employed home-based workers (Chen, 2016; Chen and Raveendran, 2012; Raveendran, 2017; Sastry,

2004). Moreover, it is worth noting that the nature and extent of marginalisation is not identical for all women. It varies by particular caste or religious group in some specific sectors, which signals a consolidation of caste or religion-based disadvantages, even within a larger context of women's marginalisation (Neetha, 2014).

Within this informal workforce with its persistent gender-based occupational segregation, the COVID-19 pandemic is intensifying pre-existing inequalities, exposing vulnerabilities across every sphere, from health to the economy, security to social protection. The immediate economic impact of the pandemic induced lockdown is already being felt by informal workers. Women are likely to bear the brunt of job losses the most, given that the pre-lockdown significant and widening gender gaps in workforce participation rates, employment and wages were expected to intensify during the post-lockdown period (Chakraborty, 2020a).

Presented below are estimates of informal employment and different dimensions of informality from a gender perspective, based on the official secondary data source, the Periodic Labour Force Survey (PLFS) (2017–18). Some evidence from micro studies is included to understand the social and economic impact that the COVID-19 lockdown and post-lockdown period has had on the lives of women informal workers.



## Measuring Informality: Statistical Definition

The term 'Informal Sector' was first introduced in 1971 by Keith Hart, who defined formal and informal income opportunities based on whether the activity involves wage or self-employment. The concept was thus limited in terms of its coverage (Hart, 1973). Subsequently, the ILO developed a conceptual framework and guidelines for the collection of statistics on the informal sector and presented it as a resolution at the 15th International Conference of Labour Statisticians (ICLS) held in 1993. The resolution was then recommended by the United Nations Statistical Commission (UNSC) and it was included in the 'System of National Account (SNA) 1993' by the United Nations Economic and Social

Council. The definition of the informal sector is based on the legal status of the enterprise. The concept of employment in the informal sector is strikingly different from the concept of informal employment, i.e. persons employed in informal jobs. The ILO recommended an international statistical definition of informal employment to complement the informal sector definition under the 17th ICLS guidelines in 2003 (see ILO, 2003, paragraph 2.67, and Appendix A2). According to this, employment in the informal sector and informal employment are two different concepts, where the first is an enterprise-based concept and the second is a job-based concept. Employment in the informal sector is defined in terms of the characteristics of the place of work of the worker, while informal employment is related to the employment relationship and social protection associated with the job of the worker.

**Table 1:**  
*Conceptual Framework of Informal Employment*

Production Units by Type	Jobs by Status of Employment								
	Own-account Workers		Employers		Contributing Family Workers	Employees		Members of Producers' Cooperatives	
	Informal	Formal	Informal	Formal	Informal	Informal	Formal	Informal	Formal
Formal Sector Enterprise					1	2			
Informal Sector Enterprise	3		4		5	6	7	8	
Households	9					10			

Source: Government of India, National Commission for Enterprises in the Unorganised Sector Report (2008), Figure 2.1: Matrix on Conceptual Framework of Informal Employment, p.12.

Table 1 presents in matrix form the conceptual framework of informal employment developed by the 15th ICLS. According to this conceptualisation, informal employment includes the total number of informal jobs, whether carried out in formal sector enterprises, informal sector enterprises or households during a given reference period. Hence, it includes the following types of jobs: (a) own-account workers employed in their own informal sector enterprises (Cell 3); (b) employers working in their own informal sector enterprises

(Cell 4); (c) contributing family workers, irrespective of whether they work in formal or informal sector enterprises (Cells 1 and 5); (d) members of informal producers' cooperatives (Cell 8); (e) employees holding informal jobs in formal sector enterprises, informal sector enterprises, or as paid domestic workers employed by households (Cells 2, 6 and 10). Informal jobs are defined as those in law or practice not subject to national labour legislation, income taxation, social protection, or entitlement to certain employment benefits such as severance

pay and paid annual leave; and (f) own-account workers engaged in the production of goods exclusively for their own final use by their own household (Cell 9), if considered employed.

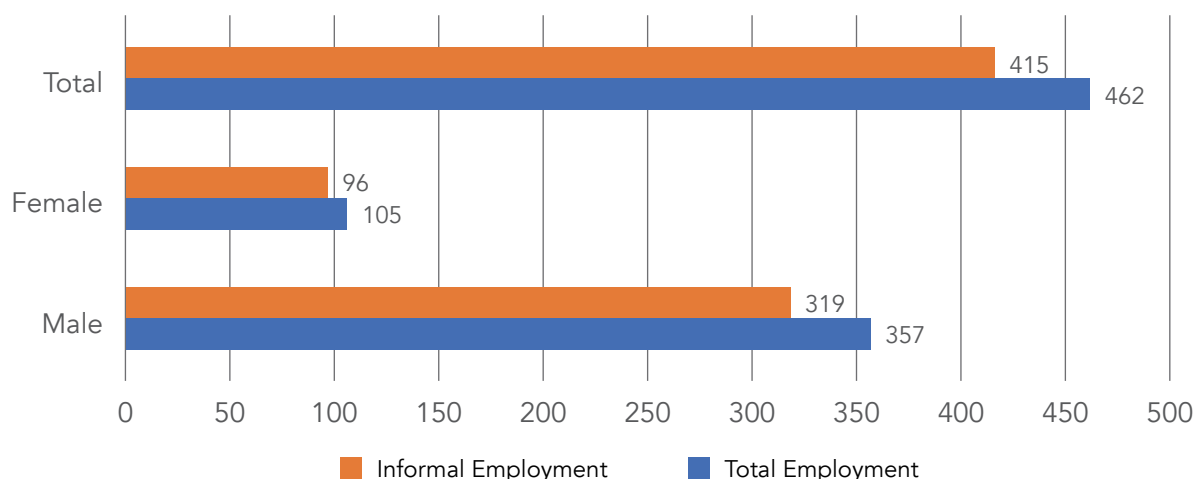
The definition of informal employment used here is based on this broad conceptual framework and includes those working in the informal sector—that is, in all unincorporated private enterprises owned by individuals or households engaged in the sale and production of goods and services, operated on a proprietary or partnership basis and with less than 10 total workers, as well as domestic workers, contributing family workers, casual day labourers and workers in the formal sector with no social security benefits provided by the employer.

## Gender Dimension of Informality: Composition and Profile of Informal Workers

Workers in the informal economy differ widely in terms of age, level of education, status of employment (own-account workers, employees, contributing family workers and employers), sector (rural vs. urban), coverage of social and employment protections and other specific socio-economic characteristics. Figure 1 shows that

employment in India is overwhelmingly informal and 90 per cent of all workers are employed in the informal economy (in 2017–18). Apart from the fact that women's unpaid work and care responsibilities influence them in making work choices that enable them to prioritise and accommodate their unpaid work along with paid work, which tends to invisibilise their economic contributions, the Indian economy over the years has shown a paradoxical trajectory of high economic growth with inadequate or poor employment generation. Formal employment has stagnated and paid employment as a share of total employment has fallen. This has pushed the majority of the workforce into self-employment, exposing them to the uncertainties of the market (Chakraborty, 2020a). Additionally, economic growth has not generated a process of employment diversification. Two-thirds of women workers are still employed in agriculture as their primary activity, remaining vulnerable to the uncertainties that the agrarian sector has been struggling with for several years now. Moreover, according to the PLFS, workers living in rural areas (91 per cent) were more likely to be in informal employment than those in urban areas (79.2 per cent), and a higher percentage of rural women were found in informal employment (93.1 per cent) than urban women (77.2 per cent) (in 2017–18).

**Figure 1:**  
Gender-wise Total Employment and Informal Employment in India during 2017–18  
(in millions)



Source: Computed from the Periodic Labour force Survey (2017–18) unit level data.  
Note: Usual Status of employment is considered.

In terms of the age profile of informality, it is observed that the level of informality is higher among young (15–24 years) people and older persons (65 years and above), and nine out of ten young persons and almost all the older persons are in informal employment in India (during 2017–18). It is also disheartening to note that the employment of older persons is more likely

to be informal than that of young people, and a substantially higher percentage of older women than men are involved in informal employment in India. Furthermore, in spite of reservation in public employment in India, there is a higher percentage of Scheduled Castes, both men and women, in informal employment relative to Scheduled Tribes and 'Others'. Similarly, across religious groups in

India, every nine out of ten Muslim workers earn their livelihoods in the informal economy, and more Muslim women are found to be in informal

employment compared to Hindu and 'Others' religions (in 2017–18) (Table 2).

**Table 2:**  
*Percentage Distribution of Women across Socio-Religious Groups in 2017–18*

	Scheduled Tribe	Scheduled Caste	Muslim	Others	Total
Informal Employment	87.1	90.4	95.1	85.7	92.1
Formal Employment	13.0	9.6	4.9	14.3	7.9

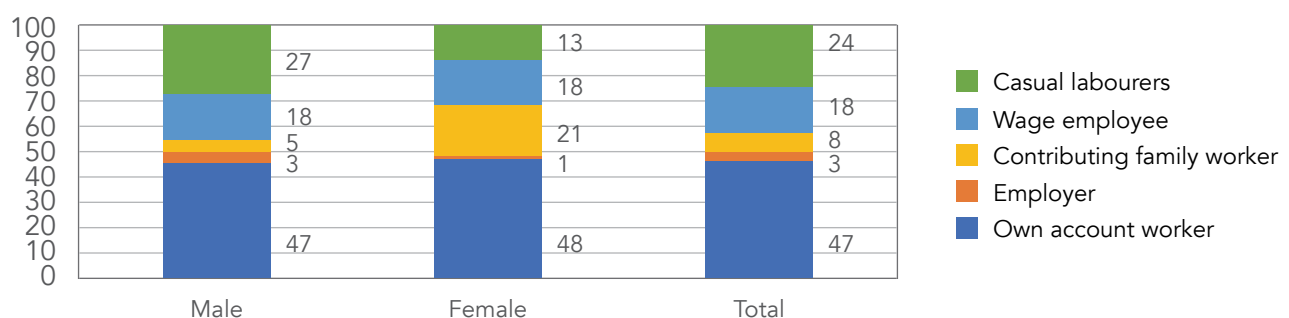
Source: Computed from the Periodic Labour force Survey (2017–18) unit level data.  
Note: Usual Status of employment is considered.

Level of informality also varies inversely with the economic status of an individual. Among the poorest consumption class, nine out of ten persons are in informal employment, whereas among the top consumption class, six out of ten are likely to be in informal employment (in 2017–18). Educational level is another key factor affecting the level of informality. In India, when the level of education increases, the level of informality decreases. Those who have completed secondary and tertiary education are less likely to be in informal employment compared to workers who have either no education or have completed only primary education.

Further, workers involved in informal employment can be divided into four categories: own-account workers, employees, contributing family workers, and employers. Among these, at the global level own-account workers and employees constitute more than 80 per cent of informal employment, whereas contributing family workers and employers account for 16.1 per cent and 2.7 per cent of informal employment, respectively (ILO, 2018). In India, own-account workers represent the largest form of employment, both for men

and women, but a major difference between men and women in informal employment is observed in terms of percentage of the population employed as contributing family workers. Figure 2 shows that the proportion of women contributing family workers is 21 per cent, and it is more than four times higher among women in informal employment relative to men. This status of employment is particularly vulnerable as workers do not get anything in return for their labour. The other important point to note is that own-account workers and contributing family workers are also significant components of informal employment in India, both for men and women, and they are hard to reach by usual tax, social security and labour regulations to improve the situation of informal workers. The ILO (2018) report shows that in most developing countries, the gender dimension of informality is closely related to poverty, indicating that women informal workers are poorer relative to men informal workers. It also signifies that most people enter informal employment not by choice but due to lack of employment opportunities in the formal economy and in the absence of any other means of earning a living.

**Figure 2:**  
*Percentage Distribution of the Employed Population in Informal Employment by Categories of Employment Status and Sex in India during 2017–18*



Source: Computed from the Periodic Labour force Survey (2017–18) unit level data.  
Note: Usual Status of employment is considered.

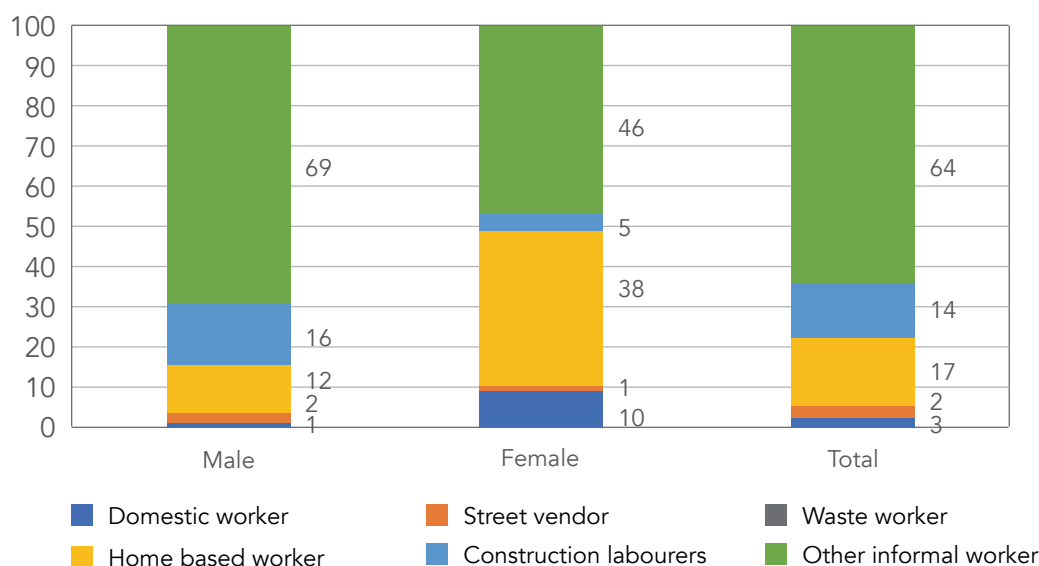


## Gendered Implications of Informality

Gender discrimination in the informal labour market is more severe than in the formal labour market and its prevalence does not seem to get reduced with an increase in the income level. Women informal workers receive less than half the male wage rate and wage gap varies across social groups (in 2017–18). Women informal workers tend to be clustered towards the lower end of the informal occupational spectrum, which helps explain why gender pay gaps are larger in the informal than in the formal sector. Women-dominated sectors tend to be lower paying compared to male-dominated ones, with home-based workers and domestic workers, for example, receiving less than half the remuneration of workers in male-dominated sectors like construction work. Even within particular sectors, wage disparities persist because of a gendered division of tasks. In India, most men garment workers receive a

regular monthly salary for producing garments, whereas women work on a piece-rate basis, which is lower (Unni et al., 2000, in Chant and Pedwell, 2008). Similarly, female domestic workers tend to be concentrated in cleaning and care services, whereas male domestic workers engage in better-paid jobs in private households as gardeners, drivers or security guards (ILO, 2013). Figure 3 shows the employment pattern of men and women informal workers in five selected categories of informal work—domestic work, home-based work, street vending, waste picking and construction—in which a large number of women workers are employed. Most have low and erratic earnings without any protection against loss of work and income. In 2017–18, the five groups combined – domestic workers, home-based workers, street vendors, construction labourers and waste pickers – accounted for 36 per cent of total informal employment (31 per cent of male and 54 per cent of female informal workers), and virtually none of them had any social protection and job contracts.

**Figure 3:**  
Gender-wise Selected Categories of Informal Workers in India during 2017–18



Source: Computed from the Periodic Labour force Survey (2017–18) unit-level data  
 Note: Usual Status of employment is considered

Given the precarity and the lack of any standard employer–employee relationship, it is not surprising that women suffer the highest decline in employment; four out of every ten women who

were working during the last year lost their jobs amidst the lockdown, while rural women were hit the hardest of all (Deshpande, 2020a and Deshpande 2020b).

## COVID-19 and Women Informal Sector Workers in India

While pre-lockdown employment is the strongest predictor of post-lockdown employment, its effect is different for men and women, and for those who are largely involved in informal work and not equipped to cope with this unprecedented shock. To capture the gendered experiences of informal workers during the lockdown and the post-lockdown period, the Institute of Social Studies Trust (ISST) conducted two Rapid Assessment Surveys on women informal workers in five different sectors in Delhi (domestic work, street vending, waste picking, home-based work and construction work). Both surveys adopted a mixed-method approach. Telephonic quantitative surveys were conducted with women respondents, and qualitative interviews with key informants and women workers, based on access, in these five sectors. In the first survey, there were 176 women respondents who were interviewed between 23 and 30 April 2020 (Chakraborty, 2020b), and in the second, which was conducted after six months (October–November 2020), there were 316 women respondents and 36 qualitative interviews held in these five informal sectors.<sup>1</sup>

The survey findings (Phase -I) indicated that out of those surveyed, 66 per cent reported an increase in inside household domestic chores, and 36 per cent stated an increased burden of child and elderly care work during this period. The closure of schools and day care centres has led to an upsurge in their volume of work and put an additional burden on women as all household members are at home. Around 83 per cent of women respondents witnessed a severe income drop, while the sector-specific results indicate some interesting patterns. All the construction workers reported a loss of paid work, while 97 per cent of the street vendors said that they had no source of income during the lockdown. During the personal interviews, women home-based workers mentioned that owing to the closure of factories, interruptions in supply chain, restrictions on

transport carrying raw materials, and payments withheld by sub-contractors/employers even for work already completed, they have not had any income in their household since mid-March 2020. Women waste pickers faced difficulties in collecting waste because of restrictions on movement, as also in segregating and selling the same as shops were closed and they were forced to sell at significantly reduced prices. The impact of the pandemic induced lockdown on domestic workers' income or wages appeared less as most of them reported that their employers had paid them salaries for March. However, they anticipated a cut in salaries for April and May if the lockdown continued. The ISST survey also probed the reasons for the drop in income and several respondents identified more than one reason: 68 per cent of respondents stated the inability to go out due to the lockdown and police patrolling, while 55 per cent reported fear of contracting the disease and unavailability of protective equipment as the main reasons for their drop in income.

A repeat study (on-going) attempts to understand the gendered difficulties in getting back to employment, the challenges women are facing at the workplace, the burden of household chores on women, challenges faced in accessing different social and public infrastructure, and the coping mechanisms they are adopting to remain safe during the post-lockdown period to get more insight on the situation of these workers. The preliminary data analysis highlights that 64 per cent of the respondents claimed to have lost the means to work, while 18 per cent reported a significant fall in income/earning even after the lockdown period. Of those surveyed, only 8 per cent women could find employment opportunities and many of them resorted to negative coping strategies such as distress sale of assets and taking loans from moneylenders at an exorbitantly high interest rate (10 per cent per month). Almost nine out of ten admitted that the COVID-19 pandemic had increased mental stress and tension in their family, and for many the fear of lost livelihoods outweighed the fear of contracting the virus.

<sup>1</sup> The sector specific reports are available on ISST website and the Macro report will be uploaded soon. Please do check: <https://www.isstindia.org/publications/>

## Conclusion and Recommendations

1. Expanding employment opportunities: More direct employment generation through increased public investment and provision of public services is highly recommended along with further reservation of women in these.
2. Improving the conditions of work in the informal economy: Recognition of all workers including those whose workplace is within the home, implementing minimum wages and reducing gender disparity in earnings through strengthened monitoring and regulation
3. Strengthening access to social protection, with focus on old age pensions and health, including occupational health concerns in all sectors, including those where women are concentrated and which may be relatively invisible; skill development to enable higher earnings
4. Enhancing investments in gender-sensitive infrastructure including ladies' toilets, creche facilities, public transport.
5. Enabling and encouraging organising of informal women workers as a strategy for collective bargaining.

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