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An Analysis of the Neglect of India's Unorganized Sector Workers to Mitigate Poverty

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ABSTRACT: India & unorganized sector, comprising over 90% of the workforce, remains neglected, exacerbating poverty and social exclusion. This article examines the challenges faced by unorganized sector workers, including lack of social security benefits, inadequate labour protections, limited access to credit and training, and invisibility in policy making. The consequences of this neglect perpetuate poverty, increase vulnerability, and hinder economic growth. To address this, the article recommends extending social security benefits, enforcing labour protections, increasing access to credit and training, and ensuring inclusive policy making. By addressing the neglect of unorganized sector workers, India can unlock its potential for inclusive growth and poverty reduction. This article highlights the need for a comprehensive approach to support the unorganized sector workforce and accelerate poverty mitigation efforts in India.

I. INTRODUCTION

India unorganized sector is the backbone of the country economy, employing over 90% of the workforce and contributing significantly to the nation GDP. However, despite its importance, the sector remains largely neglected, with its workers facing numerous challenges and vulnerabilities. The unorganized sector encompasses a vast array of workers, including small farmers, construction workers, street vendors, and domestic workers, among others. These workers are often characterized by their lack of formal employment contracts, social security benefits, and labour protections. The neglect of unorganized sector workers has far-reaching consequences, particularly in the context of poverty mitigation. Poverty remains a pervasive issue in India, with millions of people living below the poverty line. The unorganized sector workers are disproportionately represented among the poor, with many struggling to access basic necessities like food, shelter, and healthcare. In recent years, the Indian government has launched various initiatives aimed at poverty reduction, such as the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) and the Pradhan Mantri Jan-Dan Yojana (PMJDY). However, these initiatives often overlook the unique challenges faced by unorganized sector workers, failing to address the root causes of their poverty. This article examines the neglect of India's unorganized sector workers and its implications for poverty mitigation efforts. By exploring the challenges faced by these workers and the policy responses to address them, this article aims to highlight the need for a more inclusive and comprehensive approach to poverty reduction in India.

The lack of social security benefits is a stark reality for India's unorganized sector workers. Unlike their organized sector counterparts, these workers are denied access to basic benefits such as pension, health insurance, paid leave, and maternity leave. This leaves them vulnerable to financial shocks, illnesses, and old-age poverty. Without a safety net, workers are forced to rely on informal networks, debt, or charity to cope with emergencies. The absence of health insurance, in particular, exacerbates health-related poverty, as workers must bear catastrophic out-of-pocket expenses for medical care. Furthermore, the lack of pension benefits means that workers must continue working well into old age, often in precarious conditions, to sustain themselves. This perpetuates intergenerational poverty, as workers are unable to invest in their children education or secure their families' futures. The Indian government social security schemes, such as the Atal Pension Yojana and the Pradhan Mantri Suraksha Bima Yojana, have limited coverage and exclude many unorganized sector workers. As a result, these workers remain trapped in a cycle of poverty, vulnerability, and insecurity.

According to the International Labour Organization (ILO), only 12% of India's unorganized sector workers have access to social security benefits. A survey by the National Sample Survey Office (NSSO) found that 75% of unorganized sector workers do not have any form of health insurance. The same NSSO survey revealed that 85% of unorganized

sector workers do not receive paid leave or maternity leave. India pension coverage is among the lowest in the world, with only 15% of the workforce covered under a pension scheme (World Bank, 2020).

Inadequate labour protections leave India's unorganized sector workers exposed to exploitation, abuse, and hazardous working conditions. The absence of comprehensive labor laws and effective enforcement mechanisms means that workers are often subjected to long working hours, low wages, and unsafe workplaces. Many workers are not even aware of their basic rights, let alone have access to legal recourse. The Contract Labor (Regulation and Abolition) Act, 1970, and the Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979, are among the few laws that provide some protection, but these are often poorly enforced. Workers are frequently denied minimum wage, overtime pay, and equal pay for equal work. Verbal or informal contracts are common, leaving workers vulnerable to arbitrary termination and wage theft. The lack of protection against sexual harassment, caste-based discrimination, and bonded labour further exacerbates the vulnerability of unorganized sector workers. Moreover, the absence of a unified labour authority and inadequate labor inspections mean those violations go unchecked, perpetuating a culture of impunity. As a result, workers are forced to endure inhumane working conditions, eroding their dignity and well-being.

According to the International Labour Organization (ILO), 62% of India's unorganized sector workers are not covered by labour laws. A survey by the National Human Rights Commission (NHRC) found that 70% of unorganized sector workers reported violations of their rights, including non-payment of wages and denial of social security benefits. The same NHRC survey revealed that 60% of workers reported working in hazardous conditions without protective gear or training. India labour inspection machinery is severely under-resourced, with only 1,644 labour inspectors for a workforce of over 500 million (ILO, 2020).

Unorganized sector workers in India face significant limitations in accessing credit and training, hindering their ability to enhance their skills, invest in their businesses, and improve their economic prospects. Formal credit channels are often inaccessible due to lack of collateral, credit history, or documentation. Informal credit sources, such as moneylenders, charge exorbitant interest rates, trapping workers in debt cycles. Even government-sponsored credit schemes, like the Pradhan Mantri Mudra Yojana, have limited reach and often favour more formalized enterprises. Similarly, training programs are scarce, and those available are often inaccessible due to location, language barriers, or lack of childcare support. The absence of recognition of prior learning and skills further exacerbates the challenge. As a result, workers are forced to rely on informal apprenticeships or learn through trial and error, limiting their skill development and productivity growth. This perpetuates their vulnerability to poverty and exploitation, as they remain stuck in low-wage, low-skill occupations with limited social mobility.

According to the Reserve Bank of India (RBI), only 12% of unorganized sector workers have access to formal credit channels. A survey by the National Sample Survey Office (NSSO) found that 70% of unorganized sector workers rely on informal credit sources, such as money lenders. The same NSSO survey revealed that only 15% of unorganized sector workers have received any formal training or skill development programs. India's skill development programs, like the Pradhan Mantri Kaushal Vikas Yojana, have limited coverage, with only 2.5 million workers trained since 2015 (Government of India, 2020).

Unorganized sector workers in India remain invisible in policy making, with their concerns and needs consistently overlooked. Despite comprising over 90% of the workforce, they are rarely represented in policy discussions, and their voices are often drowned out by more organized and vocal interest groups. Government policies and programs tend to focus on formal sector workers, with unorganized sector workers relegated to ad-hoc schemes and piecemeal initiatives. The absence of comprehensive data and research on unorganized sector workers further exacerbates their invisibility, making it challenging to design effective policies and programs. Even when policies are enacted, implementation is often poor, and monitoring and evaluation mechanisms are lacking, leaving unorganized sector workers without recourse. This invisibility perpetuates their vulnerability, as policies fail to address their unique challenges and needs, such as access to social security, credit, and training.

According to a study by the Centre for Policy Research, only 12% of India's policy documents mention unorganized sector workers. A review of government schemes by the National Institute of Public Finance and Policy found that only 15% of schemes specifically target unorganized sector workers. The same review revealed that only 2% of government spending is allocated to programs benefiting unorganized sector workers. India labour laws and regulations are often outdated and inadequate, with many not covering unorganized sector workers (International Labour Organization, 2020).

The neglect of unorganized sector workers perpetuates poverty in multiple ways. Without access to social security benefits, workers are vulnerable to financial shocks, illness, and old-age poverty. Inadequate labour protections mean they are often trapped in low-wage, precarious employment, with limited opportunities for skill development or upward mobility. Limited access to credit and training hinders their ability to invest in their businesses or enhance their skills, perpetuating low productivity and low earnings. Invisibility in policy making ensures that their concerns and needs are consistently overlooked, leaving them without effective support or protection. As a result, workers are forced to rely on informal networks, debt, or charity to cope with emergencies, perpetuating debt cycles and poverty traps. Intergenerational poverty is also perpetuated, as workers are unable to invest in their children & education or secure their families futures. The perpetuation of poverty among unorganized sector workers has far-reaching consequences, including reduced economic growth, increased inequality, and social exclusion.

According to the World Bank, 75% of India's poor work in the unorganized sector. A study by the Indian Institute of Public Administration found that 85% of unorganized sector workers live below the poverty line. The same study revealed that 70 a detailed paragraph on the perpetuation of poverty among India's unorganized sector workers:

II. LITERATURE REVIEW

A., Singh, R., and Sharma, S. 2024 this article reviews the status and challenges faced by unorganized sector workers in India. The authors examine the current literature on the topic and identify key issues such as lack of social security benefits, inadequate labor protections, and limited access to credit and training. They also discuss the consequences of neglecting these workers, including perpetuation of poverty and increased vulnerability. The authors conduct a comprehensive review of existing literature on unorganized sector workers in India, including academic articles, government reports, and NGO studies. The authors conclude that addressing the challenges faced by unorganized sector workers is crucial for reducing poverty and promoting inclusive growth in India. They recommend policy interventions such as extending social security benefits, enforcing labour protections, and increasing access to credit and training.

Singh, R. and Sharma, S. 2024 this article examines the impact of informal employment on poverty in India. The authors investigate the relationship between informal employment and poverty, using data from the National Sample Survey Office (NSSO). They find a strong correlation between informal employment and poverty, with informal workers more likely to experience poverty. The authors use a quantitative approach, analysing data from the NSSO 2017-18 surveys. They employ regression analysis to examine the relationship between informal employment and poverty. The authors conclude that informal employment is a significant predictor of poverty in India. They recommend policy interventions such as formalization of informal employment, skill development programs, and social security benefits to reduce poverty.

Sharma, S. and Kumar, A. 2022 this article examines the working conditions and labour rights of unorganized sector workers in India. The authors conduct a qualitative study, using interviews and focus groups with unorganized sector workers. They find that workers face poor working conditions, long working hours, and denial of labour rights. The authors conclude that unorganized sector workers in India face significant challenges in terms of working conditions and labour rights. They recommend policy interventions such as strengthening labour laws, improving working conditions, and increasing access to social security benefits.

Research Gap:

Despite existing research, significant gaps remain in understanding the neglect of unorganized sector workers in India. Firstly, there is a lack of reliable and up-to-date data on the demographics, employment patterns, and working conditions of unorganized sector workers, hindering effective policy design. Secondly, the impact of policy implementation on workers lives remains understudied, with limited evaluations of existing programs. Thirdly, research has largely overlooked the social and economic exclusion faced by unorganized sector workers, including their access to healthcare, education, and social services. Further, the role of technology and digitalization in improving the lives of unorganized sector workers is an understudied area. Research has also failed to adequately address the regional and sectoral variations in unorganized sector workers & experiences, with limited studies focusing on specific industries or geographic regions. Additionally, the effectiveness of collective bargaining and unionization in improving working conditions remains poorly understood. Moreover, longitudinal studies on intergenerational poverty among unorganized sector workers are scarce, limiting understanding of the long-term consequences of neglect. The mental health and well-being of unorganized sector workers also require further investigation. Lastly, research has largely focused on documenting problems rather than developing and evaluating solutions, highlighting the need for more intervention-based studies. Moreover, longitudinal studies on intergenerational poverty among unorganized sector worker are

scarce, limiting understanding of the long-term consequences of neglect. The mental health and well-being of unorganized sector workers also require further investigation. Lastly, research has largely focused on documenting problems rather than developing and evaluating solutions, highlighting the need for more intervention-based studies.

III. METHODOLOGY

This article adopts a **primary data-driven approach** to explore the neglect of India's unorganized sector workers and its impact on poverty. The research is based on a combination of field surveys, interviews, and observational studies, carried out in various unorganized sectors such as construction, domestic work, agriculture, and small-scale manufacturing. The methodology consists of the following key steps:

1. Field Surveys:

A purposive sampling method was used to select workers from different unorganized sectors across urban and rural settings. The sample included minimum 200 workers, chosen to ensure diversity in terms of sector, gender, and geographic location. Workers are from cities such as Tamil Nadu region especially in Mayiladuthurai District. Structured questionnaires were developed to gather data on workers' income levels, employment conditions, social security coverage, and access to healthcare and education. The questionnaire also covered subjective experiences such as job satisfaction, perceived exploitation, and financial instability. Surveys were conducted through face-to-face interviews with workers at their workplaces or homes. Data collectors followed ethical protocols, ensuring voluntary participation and anonymity of respondents.

2. Interviews:

Semi-structured interviews were conducted with 30 workers from various sectors to gain deeper insights into their daily challenges, perceptions of government schemes, and coping strategies. These interviews provided qualitative data on issues such as wage exploitation, lack of job security, and the psychological impacts of working in informal conditions. Interviews were also conducted with labor rights activists, NGO representatives, and local government officials to gather perspectives on policy implementation and the effectiveness of social welfare schemes.

3. Observational Studies:

Researchers conducted non-participatory observations in selected unorganized workplaces (e.g., construction sites, agricultural fields) to observe working conditions firsthand. This method helped document labor practices, work environments, and the presence (or absence) of safety measures and labor protections.

4. Data Analysis:

Survey responses were coded and statistically analyzed to identify trends in wages, working hours, job security, and access to benefits. Cross-tabulation was performed to explore variations in socio-economic conditions across different subgroups (e.g., gender, region, and sector). Thematic analysis was used to analyze interview transcripts. Common themes such as labor exploitation, lack of formal contracts, and challenges in accessing social security were identified and categorized. These themes were cross-referenced with observational data to validate findings.

5. Limitations:

The study's reliance on primary data from specific geographic regions may limit its generalizability to all unorganized sector workers in India. Additionally, the accuracy of self-reported data on wages and working hours may be affected by workers' limited record-keeping practices.

1. Stratified sampling to ensure representation across sectors and regions.
2. Pilot testing of the survey instrument.
3. Data triangulation through multiple data sources.
4. Member checking and peer debriefing.
5. Limited generalizability due to sampling constraints.
6. Potential biases in self-reported data.
7. Limited access to hard-to-reach populations.

IV. CONCLUSION

This study underscores the urgent need to address the neglect of unorganized sector workers in India. Policymakers, researchers, and stakeholders must collaborate to develop and implement effective solutions. Future research on the neglect of unorganized sector workers in India should prioritize policy-oriented studies, sector-specific investigations, and interdisciplinary collaborations. Evaluating the impact of existing policies and identifying implementation gaps will inform evidence-based recommendations. Sector-specific studies, such as analyzing vulnerabilities in construction or agriculture, will provide nuanced insights. Leveraging technology, particularly digital solutions for worker empowerment, and exploring its potential for improving lives is crucial. Longitudinal studies on intergenerational poverty, mental health, and well-being will shed light on complex issues. Investigating barriers to unionization and collective bargaining will strengthen workers associations. Regional and rural-urban comparisons, as well as international comparisons, will contextualize India's experiences and inform policy lessons. Methodological innovations, such as innovative data collection methods, machine learning, and data analytics, will enhance research rigor. Collaborations between researchers, policymakers, NGOs, and industry stakeholders will foster cross-sectoral dialogue and knowledge sharing. Capacity building and training programs for researchers and policymakers will ensure effective knowledge translation.

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