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## **Need for contributory social security system to safeguard informal sector**

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CHANDIGARH: A study conducted by a Jaipur-based economist on the impact of Covid-19 on urban informal sector in Punjab has recommended the need for a contributory social security system with the state, employers and workers as contributors, to safeguard informal workers against contingent insecurity. Urban informal sector in Punjab mainly encompasses manufacturing, trading and other services, out of which the manufacturing segment remains an important constituent. Institute of development studies' assistant professor Varinder Jain conducted the study as part of the policy series by Patiala-based Punjabi University's centre for development economics and innovation studies.

It also recommends stepping-up business resilience of informal enterprises. It says the state should not merely be a tax collecting agency, but should act as a facilitator to promote these firms who are striving in an era of competition. Besides firms, informal workers too suffer from prevailing conditions of livelihood insecurity which need to be contained. Therefore, provisions should be made for workers' capability building and sector-specific skill training.

It has been noticed that informal enterprises in urban Punjab operate either as own account enterprises (OAEs) or establishments. The own account enterprises operate with relatively limited scale of operation and suffer from low worker productivity but the establishments, despite having relatively better operation scale, remain exposed to competition besides suffering from low productivity of labour and capital.

The informal firms in urban Punjab are found to be having relatively limited access to formal credit when compared with their counterparts in other major Indian states. "All this indicates nothing but the fragile state of informal enterprises in urban Punjab which worsened due to the onslaught of Covid-19 pandemic," says the study.

### **14.64L enterprises in informal sector**

Formal sector, being a relatively small part of Punjab's economy, remains limited to organised manufacturing, banking, health, insurance and other similar sectors. Informal sector, however, comprises 14.64 lakh enterprises that generate gross value added (GVA)

worth Rs 30,962 crore besides engaging 24.79 lakh workers as per NSSO 2016. Informal sector activity is found in both rural and urban areas of Punjab but has relatively large dominance in urban areas, where 8.49 lakh enterprises generate GVA worth Rs 23,015 crore. These enterprises account for 57.98% of total informal enterprises in Punjab.

### **Livelihood insecurity**

The informal hired workers are the ones who suffer from pervasive livelihood insecurity in urban informal sector. Their livelihood insecurity spreads across five domains — job insecurity, economic insecurity, functional insecurity, agency insecurity and recognition insecurity. Owing to this, informal hired workers never enjoy their work which has a bearing on their earnings and productivity. So, it has been recommended to contain this livelihood insecurity by way of providing better work and job security.

There is also a need to strengthen capacity building of the workforce. For this, specific institutions to impart training may be envisioned for short-term training along with some provision for protection of earnings during training period. Incentives may be given for recording better performance during the training period.

### **Victim of state's apathetic attitude**

“Urban informal sector in Punjab in general and the manufacturing sector in particular has remained a victim of the state's apathetic attitude,” reads the study. It adds that the state has not drawn any specific schemes for the upgradation of informal enterprise in manufacturing as well as trading sectors.

Therefore, it has been recommended that the Punjab government should evolve a serious strategy to rejuvenate informal manufacturing enterprises. At present, these enterprises are striving to sustain themselves in an era of competition. Sudden onslaught of Covid-19 pandemic has made them economically fragile. In fact, there are several segments such as sports goods, machine tools and textiles which were known once across the world for their growth performance. With little support, they may emerge again.

### **Access to institutional finance**

The access to formal credit by Punjab's urban informal enterprises across manufacturing, trading and other services enterprises remains much lower than their counterparts in other Indian states. The study states that such backwardness in access to formal credit impedes growth and thereby calls for better access to finance as formal credit access is found to have a positive impact on the operational dynamism of informal enterprises.

The study also says that there is a need to build business resilience of informal enterprises. Business resilience centres depend upon seven pillars — resource adequacy, technical edge, market knowledge, product uniqueness, commercial prudence, manpower planning and networking.

It has been found that Jalandhar's sports goods manufacturing enterprises are at a very low level of business resilience which requires urgent corrective steps.