



IMPACT OF THE INFORMAL SECTOR ON THE ECONOMY OF DELHI NCR

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ABSTRACT: *The informal sector is an integral part of the Indian economy, especially in the National Capital Region (NCR) of Delhi. The informal sector comprises unregistered and unorganized economic activities, including small-scale manufacturing, street vending, and household services. This research paper aims to analyze the impact of the informal sector on the economy of Delhi NCR. We have conducted an extensive review of the literature on the informal sector and its impact on the economy. The findings show that the informal sector significantly provides employment opportunities, especially for low-skilled and uneducated workers. However, the sector also faces challenges such as a lack of formalization, weak bargaining power, and inadequate access to credit and other resources. Our study suggests that policymakers should focus on promoting formalization, enhancing access to credit and technology, and providing social protection to the workers in the informal sector.*

This paper also studies how covid-19 impacted the informal sector. There are an estimated 4.92 million informal workers in Delhi, India, comprising over 80% of the city's total workforce. This report presents Delhi's findings from Round 2 of the WIEGO-led COVID-19 Crisis and the Informal Economy study that was conducted in mid-2021 to assess how specific groups of informal workers and their households were experiencing COVID-19 resurgences and ongoing economic strains, and what extent (if any) they had recovered.

1. Introduction

The Indian economy relies heavily on the informal sector, particularly in Delhi's National Capital Territory (NCT). Street vending, small-scale manufacturing, and household services are among the unorganized and unregistered economic activities in this sector. Over the past few decades, Delhi NCR's informal sector has expanded rapidly due to urbanization, population growth, and the rise of the service sector. Unskilled and low-skilled workers, in particular, are particularly well-served by the sector's employment opportunities.

The informal sector's impact on Delhi NCR's economy is the subject of this study. The paper examines the informal sector's impact on employment, GDP, and affordable goods and services. The paper also talks about the problems that the informal sector has to deal with, like the fact that there isn't much formalization, the bad working conditions, and the lack of access to social protection. The paper also includes recommendations for actions that policymakers can

take to promote the formalization of the informal sector in Delhi NCR. This paper also reviews the impact of COVID-19 on the informal sector.

1.1 Contribution of the informal sector to employment generation

The informal sector is a significant source of employment in Delhi NCR. According to the National Sample Survey Organization (NSSO), the informal sector accounts for more than 80% of total employment in India. In Delhi NCR, the informal sector provides employment opportunities to millions of workers. The sector comprises a wide range of economic activities, such as street vending, construction, small-scale manufacturing, and household services.

The informal sector provides employment opportunities for workers who would otherwise be unemployed. Many workers in the informal sector are from the unskilled and low-skilled segments of the population. The sector provides an entry point for these workers into the labor market. Many workers in the informal sector acquire skills and experience that they can use to transition into the formal sector. This can lead to higher wages and better working conditions.

1.2 Contribution of the informal sector to GDP

The informal sector makes a significant contribution to the GDP of Delhi NCR. Although it is difficult to estimate the precise contribution of the informal sector to the economy, some studies suggest that the sector contributes up to 40% of the GDP in India. In Delhi NCR, the informal sector has grown rapidly over the past few decades, driven by factors such as urbanization, population growth, and the rise of the service sector.

The informal sector in Delhi NCR comprises a wide range of economic activities, such as street vending, construction, small-scale manufacturing, and household services. The sector provides affordable goods and services to the people of Delhi NCR. Street vendors, for example, provide low-cost food and other goods to the public. The sector also includes household services, such as domestic work, which are essential for many households in Delhi NCR.

1.3 Challenges Faced by the informal sector

The informal sector in Delhi NCR faces several challenges that can have negative impacts on the economy. The lack of formalization in the informal sector can lead to poor working conditions, low wages, and limited access to social protection. Additionally, the informal sector operates outside the formal regulatory framework, which can make it difficult for policymakers to monitor and regulate the sector. The sector is also vulnerable to fluctuations in demand and supply, as many informal workers operate in highly competitive markets. Workers in the informal sector face a significant challenge in the form of poor working conditions. Long working hours, low pay, and limited access to social protection are common challenges for many workers, who also lack job security. Additionally, workers may have fewer chances to acquire new skills and advance in their careers if they do not have access to formal education and training.

Limited access to financial resources is another significant obstacle that the informal sector must overcome. To gain access to formal credit markets, informal workers frequently lack the necessary collateral or documentation. They may be unable to invest in and expand their businesses as a result of this.

1.4 Policy Implications

The casual area assumes a basic part in the economy of Delhi NCR. There are several steps that policymakers can take to encourage the sector's formalization and increase its economic contribution. Policies and programs that encourage the formalization of informal businesses are one approach. This can remember in giving preparation and training projects to laborers for the casual area, creating components for getting funds, and working on the administrative structure to safeguard laborers' freedoms and give them social security.

Promoting the integration of the informal sector into the formal economy is another strategy. This may entail offering tax breaks and access to financing as incentives for formal businesses to collaborate with informal businesses. The infrastructure and services that informal workers have access to, such as healthcare and education, can also be improved by policymakers.

2. Impact of COVID-19

The pandemic has demonstrated the extent of worker exclusion in the city. They were forced to return to the villages for survival, where they would have to take on a lot of debt and run the risk of getting the deadly virus. The coronavirus also made it abundantly clear how essential the option to fair work is for daily life in the city.

The public lockdown achieved a nearby full-scale cutback of employment for specific regions: 91% of domestic workers, 90% of street vendors, 71% of home-based workers, and 67% of waste pickers surveyed in Delhi were unable to work in April 2020 due to the lockdown restrictions.

In April 2020, street vendors, waste pickers, and home-based workers' average earnings fell by nearly 90%, but domestic workers reported no income.

Study indicates that some work has resumed since the lockdown. Practically 80% of waste pickers, 42% of locally trained professionals, and 53% of street shippers explored had proceeded with work during June 2020/July 2020, but around 25% of privately settled workers could search for the business. Be that as it may, in any event, for the people who were utilized, there was a decline in the amount of work: Every industry saw a decrease in the number of working days per week compared to before the crisis.

Compared to averages before the lockdown, workers' earnings in all four industries decreased significantly. Even in terms of the household's total income, 97% of workers surveyed reported having less money in the previous month than they did before the crisis, and 54% reported having no money in the household in the previous month.

The city must be reimagined in the master plan with workers' voices at the forefront, making it possible for them to live and work safely as the economy plummets.

2.1 COVID-19 and Delhi's Waste Pickers

Casual waste pickers as of now reuse 20% of the complete waste produced in Delhi, roughly 2500 tons each day (CSE, 2017; 2018 Chintan). Waste pickers provide the city with numerous benefits by recycling 80% of the waste it generates. These benefits include lessening the demand on landfills, reducing the amount of waste that needs to be burned, and preventing waste from gathering on the streets and near homes, preserving public health.

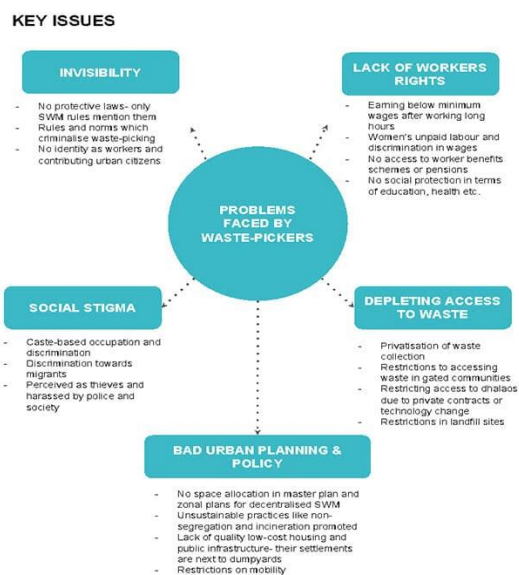


Figure. Error! No text of specified style in document..1. Problems faced by waste pickers

Waste pickers face significant health and financial risks in the city right now. Among the urban poor, informal waste pickers frequently pose the greatest risk. Migrants mostly from lower castes live in slums with poor service infrastructure. Since the pandemic hit, most haven't had the option to go out and gather squander. They make most of

their money by selling recyclables and dry waste to scrap dealers, but these junk shops have also closed because of the country's ongoing crisis. The absence of work has sent numerous into a circumstance of outright craving and hardship. They are subjected to police harassment whenever they can leave their homes for work.

During the lockdown in Delhi, a recent study of women waste pickers found that the majority of respondents had difficulty going out to collect waste because police were patrolling the streets without protective gear. 68% of those talked with, revealed that the closing down of godowns and garbage shops has made arranging and selling recyclables almost incomprehensible. Additionally, the study reveals that waste pickers faced significant food shortages and difficulties obtaining essential medications and healthcare services. Waste pickers are taking advantage of opportunities to work whenever they can because the pandemic has had such a significant impact on their lives and livelihoods that they are willing to risk their health and safety to do so.

Many waste pickers have resumed their work after the lockdown, but it appears that they are now facing an additional threat: the possibility of infection in the absence of protective gear.

Squander pickers are on the bleeding edge of safeguarding against the spread of Coronavirus, as they are dealing with the city's loss while presenting themselves to illness and disease simultaneously.

2.2 COVID-19 and Delhi's Domestic Workers

Domestic workers, in contrast to many other informal workers, have a clear relationship with their employers. As a result, public notices urging employers to compensate domestic workers for the time they were unable to do so as a result of the movement restrictions were issued as part of the lockdown announced to combat COVID-19. The majority of workers, on the other hand, received only partial compensation for the month of March and no wages for the subsequent two months, when the lockdown was extended. However, this was not enforced in any way. Instead, they had to rely on emergency food supplies from the government or civil society.



Figure.2. Issues faced by domestic workers

That's what studies discovered because pay from ladies' homegrown work is standard and frequently represents around 50% of the family pay, numerous families were driven into depleting every one of their reserve funds and became obliged. In addition to non-payment of dues, many domestic workers expressed shock at their employers' callous abandonment of them during a difficult time, whom they had cared for many years. Many of them stopped returning calls from employees and failed to reassure them that they would be returned when work could resume. Many workers were unable to move into their employer's home, despite being asked to do so by some. Muddled whether those were paid higher wages to represent the more drawn out long periods of work they were presently placing in or whether live-in specialists got sufficiently made up for the expanded work trouble because of all individuals from the businesses' family being at home the whole day.

At last, as urban communities opened up, homegrown specialists were confronted with a large group of new issues. Due to preconceived notions regarding the poor as "dirty" and "carriers of disease," many housing societies and

apartment complexes were unwilling to permit access to domestic workers despite government mandates. There were reports of discriminatory practices in the areas where they were allowed in, such as not being allowed to use the lifts or the common areas, and even going through dehumanizing ordeals of being "disinfected." These workers are more likely to get sick because they do menial work and even shop for their employers. Workers now have to walk long distances or rely on more expensive informal transportation options like rickshaws, which are also crowded and dangerous, because public transportation is still closed in many cities.

2.3 COVID-19 and Delhi's Street Vendors

Vendors have been severely impacted by the COVID-19 pandemic and the lockdown that followed. It has been devastating that distribution and consumption networks have been disrupted. For instance, there was a severe lack of vegetables, mutton, eggs, and other food items during the lockdown. Admittance to delivery was stopped because of the absence of accessible transportation and the fixing of boundaries between urban communities.

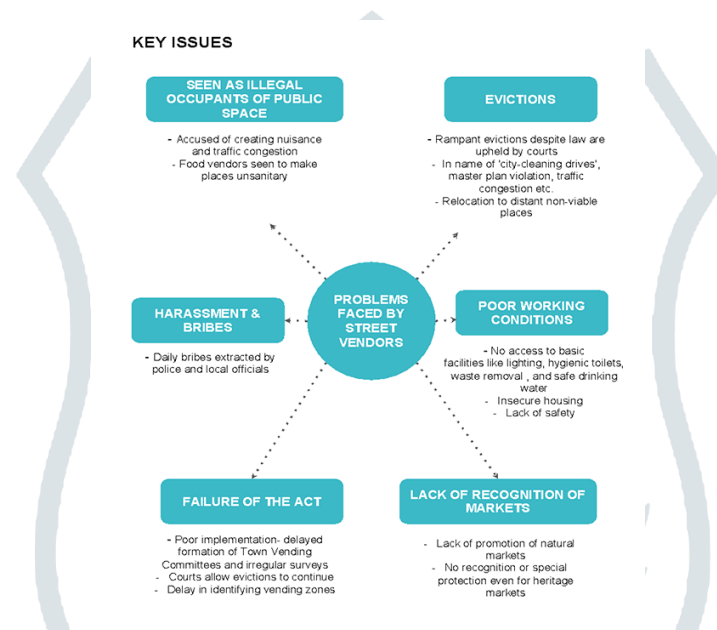


Figure 3 Problems Faced by street vendors

With the growing concern about COVID-19, buyers were not leaving their homes, leaving vendors with few customers even in areas where they had access to wholesale goods. The majority of Delhi's women vendors, according to a study, have completely lost their means of subsistence, with 97.14 percent of respondents stating that the lockdown has had a negative impact on them. Additionally, 65% of respondents stated that they were reliant on their savings to sustain the income loss.

Likewise, despite the fundamental products they give, returning to work accompanies takes a chance for merchants. There have now been many detailed occasions of provocation on account of the police, including the annihilation of merchandise and property.

One of the working groups that has benefited from a government plan to ease the blow of the COVID-19 lockdown is street vendors. In May, the Focal Government declared an exceptional credit office of Rs. 5,000 crores for road sellers, as a component of the Atma Nirbhar Bharat Abhiyan. A vendor is eligible for up to Rs 10,000 under the scheme, for the start of the working capital. Nonetheless, activists and laborers, the same have thought that the credit advance plan isn't the most ideal medium to give advantages to merchants, for whom an immediate money move would have been more suitable.

Vendors need assistance in returning to work as the city returns to some degree of normalcy, including the ability to implement the safety precautions necessary to work during a pandemic. Keeping in mind social distance and other precautions, the Delhi government recently announced that vendors would be able to resume work. Simultaneously,

the Service of Lodging and Metropolitan Issues (MoHUA) has as of late declared a meeting for arranging person-on-foot well-disposed markets. This is the ideal opportunity to exploit the public authority's energy and empower merchants to take part in the making of distributing zones and markets that turn out better for them, with the vital anticipating of social removal and cleanliness support.

3. The Delhi 2041 Master Plan-An Opportunity to include more informal workers in the City.

Delhi's 2041 master plan, which is being developed this year, provides an opportunity to remedy some of this exclusion. A livelihood-centric approach requires the plan to formally recognize informal livelihoods and make adequate land and supportive social and physical infrastructure provisions.

For example, the plan should allocate space for waste sorting centers, vending areas, and community workstations in neighborhoods. Such a formal integration of informal workers' living and working spaces into the plan can prevent penalization and stigmatization by acknowledging them as citizens of the city, with legal rights to the city they inhabit.

Such recognition in the city plan (backed with concrete land allocations) could prompt development plans for the work and housing of informal workers through other government policies as well.

Interventions like these to support informal workers would also make the city more sustainable, accessible, and safer, which would benefit the broader public. For example, decentralized waste management, through the designation of neighborhood-level waste sorting centers, can go a long way to reduce the infamous landfill problem. Increased access to vending space for street vendors means the increased provision of nutritious food at affordable rates, contributing to food security.

4. Inference

The informal sector in Delhi NCR is a significant contributor to the economy, providing employment opportunities and affordable goods and services. However, the sector is faced with challenges such as poor working conditions, limited access to finance, and a lack of formalization. Policymakers need to develop policies and programs that support the formalization of informal enterprises and promote their integration into the formal economy. The extent of worker exclusion in the city has been demonstrated by the pandemic. They had to get back to the towns for endurance, where they would need to assume a ton of obligation and risk getting the dangerous infection. The coronavirus also made it abundantly clear how important it is for city life to have access to fair employment.

5. Conclusion

The informal sector is a significant contributor to the economy of Delhi NCR, providing employment opportunities, affordable goods and services, and a source of income for millions of workers. However, the sector faces several challenges, such as poor working conditions, limited access to finance, and a lack of formalization. Policymakers can take several measures to promote the formalization of the sector and enhance its contribution to the economy. These measures can include developing policies and programs that support the formalization of informal enterprises, promoting the integration of the informal sector into the formal economy, and improving the infrastructure and services available to informal workers. By taking these measures, policymakers can help to ensure that the informal sector continues to contribute to the economy of Delhi NCR and provides opportunities for the millions of workers who depend on it.

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