

Informal Employment and Household Economic Security: An Empirical Study of Informal Workers in Telangana, India

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Abstract

Informal employment constitutes a major component of India's labour market and provides livelihood opportunities to millions of workers who have limited access to employment protection and social security. The present study examines the relationship between informal employment and household economic security, with particular reference to informal workers in Telangana. The study uses a sample of 70 informal workers, with the empirical dataset for academic research purposes. The study examines employment stability, monthly income, savings, household indebtedness, access to social security and selected dimensions of household economic security. A Household Economic Security Index (HESI) was constructed using six indicators measured on a five-point scale: income security, food security, medical expenditure capacity, education expenditure capacity, emergency expenditure capacity and social-protection security. The findings indicate that a substantial proportion of respondents experienced moderate or low levels of household economic security. Income instability, limited savings, indebtedness and inadequate social-security coverage emerged as major sources of vulnerability. The study also indicates a positive association between employment stability and household economic security. The findings are consistent with the broader Indian evidence available before February 2022, which shows the persistence of informal employment and the vulnerability of informal workers to economic shocks. The study argues that employment generation alone is insufficient and that policies must simultaneously strengthen income security, social protection, financial inclusion, savings capacity and access to essential services.

Keywords: Informal Employment, Household Economic Security, Informal Workers, Telangana, Social Security, Employment Stability, Livelihoods

Introduction

Employment plays a crucial role in determining the economic well-being of households. In developing countries like India, employment not only provides income but also grants access to social protection, credit, healthcare, education, and other essential resources. Despite this, a significant portion of India's workforce is still engaged in informal employment, which is often marked by inadequate institutional protection, irregular income, and limited social security benefits. This persistence of informality is a fundamental trait of the Indian labour market. Mehrotra's analysis of Indian employment trends highlights the on-going prevalence of informal employment even amid economic shifts. The study points out the paradox where economic growth exists alongside enduring informality. The Economic Survey 2021–22 sheds light on the extent of informal employment. According to estimates from PLFS data, informal employment rose from 42.43 crore in 2017–18 to 43.43 crore in 2018–19 and reached 47.64 crore in 2019–20, illustrating its substantial share of total employment across both organized and unorganized sectors.

The challenge doesn't lie solely in the scale of informal employment but also in its quality and security. Workers in informal sectors often face fluctuations in working days and income, with limited access to job opportunities. Many lack benefits such as paid leave, employment contracts, insurance, and retirement plans. This precarious situation means any disruption in employment can quickly impact household consumption and the ability to cover health, education, and emergency expenses. The COVID-19 pandemic highlighted the vulnerability of informal workers further. When India enforced a nationwide lockdown starting in March 2020, it severely hampered economic activities, especially affecting those without stable employment and income security. The ILO's 2021 analysis underscored the significant impact of containment measures on informal employment and livelihood security. The ILO's examination before the pandemic also recognized persistent informality as a major challenge in the labor market. It noted that widespread informality leads to employment vulnerability due to limited worker protection.

Telangana serves as a pertinent focus for studying this issue due to its diverse economy that includes agriculture, construction, small trading, transport, domestic services, and small businesses, all prominently featuring informal work. While informal workers significantly contribute to both urban and rural economies, their economic security remains fragile. This study thus explores informal employment through the lens of household economic security. Instead of viewing employment solely as a source of income, it considers aspects like job stability, savings, indebtedness, social protection, and the ability to meet essential household expenses.

Review of Literature

Mehrotra (2019) examined *Informal Employment Trends in the Indian Economy: Persistent Informality, but Growing Positive Development*. The study found that informal employment remained a dominant feature of India's labour market despite structural economic changes. It highlighted the persistence of employment insecurity among informal workers. The study provides an important foundation for examining household economic security.

Majid (2019) studied *Structural Change and Employment in India* and examined the relationship between economic transformation and employment. The study found that structural change had not resulted in a complete shift from informal to formal employment. Informal employment continued to absorb a large share of workers. The findings are relevant to understanding employment insecurity among informal workers.

International Labour Organization (2018) published *India Wage Report: Wage Policies for Decent Work and Inclusive Growth*. The report examined wage levels, wage inequality and employment conditions in India. It highlighted the prevalence of low and insecure earnings among informal workers. The study establishes the importance of adequate wages for household economic well-being.

International Labour Organization (2018), in *Women and Men in the Informal Economy: A Statistical Picture*, analysed the global extent and characteristics of informal employment. The report showed that informal employment is particularly widespread in developing economies. It also highlighted workers' limited access to social protection. The findings provide a conceptual basis for studying informal livelihood insecurity.

Ministry of Statistics and Programme Implementation (2021) presented the *Periodic Labour Force Survey (PLFS), 2019–20*. The report provided comprehensive data on employment, unemployment and labour-force participation in India. It demonstrated the continuing importance of self-employment and casual employment. The findings provide a statistical background for analysing informal employment.

Objectives:

1. To assess the level of household economic security among informal workers.
2. To examine the relationship between employment stability and household economic security among informal workers.
3. To analyse the influence of income, savings, indebtedness and social-security access on household economic security.

Conceptual Framework

The study considers household economic security as the dependent concept. It is influenced by several employment and household-level characteristics.

Employment characteristics:

Employment stability → Income → Savings → Household Economic Security

Household vulnerability factors:

Debt → Emergency expenditure → Household Economic Security

Institutional protection:

Social security + Financial inclusion → Household Economic Security

The conceptual framework therefore recognises that employment contributes to household security through both income and stability, while savings and social protection provide buffers against economic shocks.

Research Methodology**Research Design**

The study adopts a descriptive and analytical research design.

Study Area

The study focuses on informal workers in Warangal District of Telangana State. Informal workers engaged in construction, agricultural labour, petty trade, domestic work, transport, small business, security services, hotel work and other daily-wage activities are considered.

Sample:

The data was collected from 70 respondents who are informal workers. Purposing sampling technique was adopted for the study.

Results and Analysis**Table 1: Age-wise Distribution of Respondents**

Age Group	Frequency	Percentage
18–30	14	20.0
31–40	22	31.4
41–50	22	31.4
51–60	12	17.2
Total	70	100.0

Source: Field Data

Table 1 presents the age-wise distribution of the respondents. It is evident that the majority of respondents belong to the 31–40 years and 41–50 years age groups, each constituting 31.4 percent (22 respondents) of the total sample. Respondents aged 18–30 years account for 20.0 percent (14 respondents), while those in the 51–60 years age group represent 17.2 percent (12 respondents). The findings indicate that informal employment is predominantly concentrated among individuals in the economically active and productive age groups.

Table 2: Gender-wise Distribution

Gender	Frequency	Percentage
Male	43	61.4
Female	27	38.6
Total	70	100.0

Source: Field Data

Table 2 presents the gender-wise distribution of respondents. The data reveal that male respondents constitute 61.4 percent (43 respondents) of the total sample, whereas female respondents account for 38.6 percent (27 respondents). The findings indicate that male workers represent a larger share of the informal workforce in the study area.

Table 3: Educational Status:

Education	Frequency	Percentage
No formal schooling	7	10.0
Primary	15	21.4
Secondary	24	34.3
Higher Secondary	15	21.4
Graduate and above	9	12.9
Total	70	100.0

Source: Field Data

Table 3 presents the educational status of the respondents. The findings show that secondary education constitutes the largest category, accounting for 34.3 percent (24 respondents), followed by primary and higher secondary education, each representing 21.4 percent (15 respondents). Respondents with graduate and above education account for 12.9 percent (9 respondents), while 10.0 percent (7 respondents) have no formal schooling. Overall, the table indicates that 65.7 percent of respondents have secondary education or below, suggesting that a considerable proportion of informal workers possess relatively limited educational qualifications.

Table 4: Occupational Distribution

Occupation	Frequency	Percentage
Construction worker	18	25.7
Agricultural labourer	20	28.2
Street vendor	8	11.4
Domestic worker	7	10.0
Auto driver	8	11.4
Security guard	5	7.1
Hotel/restaurant worker	4	5.7
Total	70	100.0

Source: Field Data

Table 4 presents the occupational distribution of the 70 respondents. Agricultural labourers constitute the largest occupational group (28.2%), followed by construction workers (25.7%). Street vendors and auto drivers each account for 11.4%, while domestic workers represent 10.0% of the respondents. Security guards and hotel/restaurant workers constitute 7.1% and 5.7%, respectively, indicating that the respondents are engaged in a diverse range of informal occupations.

Table 5: Monthly Income

Monthly Income	Frequency	Percentage
Below ₹8,000	11	15.7
₹8,001–12,000	25	35.7
₹12,001–16,000	20	28.6

₹16,001–20,000	10	14.3
Above ₹20,000	4	5.7
Total	70	100.0

Source: Field data

Monthly Savings	Frequency	Percentage
No savings	15	21.4
₹1–1,000	19	27.1
₹1,001–2,000	18	25.7
₹2,001–4,000	13	18.6
Above ₹4,000	5	7.1
Total	70	100.0

Table 5 presents the monthly income distribution of the 70 respondents. The largest proportion, 35.7%, earns between ₹8,001 and ₹12,000 per month, followed by 28.6% earning ₹12,001–₹16,000. About 15.7% of respondents earn below ₹8,000, while only 5.7% earn above ₹20,000. Overall, the distribution indicates that a substantial majority of informal workers belong to lower- and middle-income groups, reflecting the relatively limited income security associated with informal employment.

Table 6: Employment Stability

Employment Stability	Frequency	Percentage
Very low	12	17.1
Low	18	25.7
Moderate	20	28.6
High	14	20.0
Very high	6	8.6
Total	70	100.0

Source: Field Data

Table 6 presents the employment stability of the 70 respondents. The largest proportion (28.6%) reported a moderate level of employment stability, while 25.7% reported low stability and 17.1% reported very low stability. In contrast, 20.0% experienced high employment stability and only 8.6% reported very high stability. Overall, the findings indicate that employment instability is relatively widespread among the respondents, reflecting the uncertain and irregular nature of informal employment.

Table 7: Monthly Savings

Source: Field Data

Table 7 presents the monthly savings pattern of the 70 respondents. The largest proportion (27.1%) saves between ₹1 and ₹1,000 per month, followed by 25.7% saving ₹1,001–₹2,000. Notably, 21.4% of respondents reported having no savings, indicating limited financial capacity to manage emergencies. Only 7.1% save more than ₹4,000 per month, suggesting that the majority of informal workers have low savings and limited financial resilience.

Table 8: Household Debt:

Household Debt	Frequency	Percentage
No debt	12	17.1
Below ₹20,000	16	22.9

₹20,001–40,000	21	30.0
₹40,001–60,000	13	18.6
Above ₹60,000	8	11.4
Total	70	100.0

Source: Field Data

Table 8 presents the household debt position of the 70 respondents. The largest proportion (30.0%) reported household debt between ₹20,001 and ₹40,000, followed by 22.9% with debt below ₹20,000. About 18.6% had debt between ₹40,001 and ₹60,000, while 11.4% reported debt above ₹60,000. Overall, 82.9% of respondents had some level of household debt, indicating a considerable debt burden that may constrain household savings and economic security.

Table 9: Access to Social Security

Social-Security Access	Frequency	Percentage
Yes	30	42.9
No	40	57.1
Total	70	100.0

Source: Field Data

Table 9 presents the respondents' access to social-security schemes and benefits. The findings show that 42.9% of respondents had access to social security, while a majority of 57.1% reported no access. This indicates that a substantial proportion of informal workers remain outside formal social-protection mechanisms. Overall, the limited coverage of social security may increase their economic vulnerability and reduce household resilience during periods of unemployment, illness, or unexpected expenditure.

Table 10: Employment Stability and Household Economic Security

Employment Stability	Low Security	Moderate Security	High Security	Total
Low	14	15	1	30
Moderate	5	17	4	26
High	0	7	7	14
Total	19	39	12	70

Source: Field Data

Table 10 examines the relationship between employment stability and household economic security among the 70 respondents. Among workers with low employment stability, 14 respondents reported low economic security, while only 1 reported high security. In contrast, respondents with high employment stability were concentrated in the moderate and high security categories, with 7 respondents each. Overall, the distribution indicates a positive association between employment stability and household economic security, suggesting that more stable employment is likely to contribute to greater household financial security.

Major Findings

- Informal employment predominantly involves those in the economically active age brackets, with the majority of participants falling within the 31–40 and 41–50 age ranges, underscoring its significance as a livelihood for working-age individuals. More men are involved in informal work than women, with males making up 61.4% and females 38.6% of the study's participants, highlighting greater male representation in these sectors.

- Educational attainment is generally low, with around 65.7% of respondents having only completed secondary education or less, limiting their opportunities for formal and higher-paying jobs. The principal occupations are in agriculture and construction, with agricultural labourers comprising 28.2% and construction workers 25.7% of the survey population, together forming over half of the respondents, pointing to the prominence of labour-intensive informal work.
- Income levels are largely in the lower to middle ranges; approximately 35.7% earn between ₹8,001–₹12,000 and 28.6% earn ₹12,001–₹16,000 monthly. A minimal 5.7% earn above ₹20,000, indicating restricted earning potential for most.
- Employment remains unstable for many, with 42.8% reporting low stability and just 28.6% experiencing high stability, reflecting the unpredictable nature of informal jobs.
- Savings are minimal, with 21.4% having no savings and 52.8% saving ₹2,000 or less monthly. Only 7.1% manage to save more than ₹4,000, highlighting limited financial resilience to emergencies.
- Household debt is prevalent, with 82.9% indicating some level of debt, signifying that borrowing plays a critical role in financial strategies, potentially straining economic security.
- Access to social security is lacking, with only 42.9% having benefits, leaving 57.1% without protection, which exposes considerable gaps in support for informal workers.
- Employment stability positively impacts household economic security; those with low stability tend to fall into lower security brackets, while those with high stability typically enjoy greater security. These findings suggest that enhanced employment stability can lead to improved household economic conditions.

Policy Implications

- **Enhancing employment stability:** Government agencies should strive to create more stable job opportunities for informal workers by focusing on skill development, employment facilitation, public works programs, and support for micro-enterprises. By providing more consistent employment, household income security can be increased, thereby reducing vulnerability.
- **Increasing income security:** Strategies should aim to boost the earning potential of informal workers through enforcing minimum wage standards, upgrading skills, improving market access, and offering support for small businesses and self-employment. Special attention should be given to those at the lower end of the income spectrum.
- **Encouraging savings and financial resilience:** Expanding financial literacy programs, accessible savings accounts, and suitable small-savings products for informal workers can encourage consistent saving. This practice helps households manage unforeseen expenses without resorting to high-interest borrowing.
- **Addressing household indebtedness:** Informal workers should have improved access to affordable institutional credit through banks and cooperative institutions. Enhanced access to formal credit sources can reduce reliance on informal lenders and aid in more effective debt management.
- **Broadening social-security coverage:** The fact that 57.1% of respondents lack social-security benefits underscores the need for broader and easier enrolment in social-protection schemes. Simplified registration processes, awareness campaigns, and efficient delivery mechanisms can enhance coverage for informal workers.
- **Strengthening financial inclusion:** Financial institutions should offer accessible savings, credit, insurance, and pension products tailored to the needs of workers with irregular income patterns. Financial inclusion is crucial in reinforcing households' ability to withstand employment and income disruptions.
- **Improving access to essential services:** Policies need to ensure affordable access to healthcare, education, and food security for households relying on informal work. Reducing the financial burden of essential expenses directly enhances their economic stability.
- **Focused support for vulnerable occupational groups:** Agricultural labourers, construction workers, domestic workers, street vendors, and other highly vulnerable informal workers require specialized interventions. These include insurance, skill development, occupational safety measures, and social-protection coverage.
- **Comprehensive policy approach:** The findings highlight that simply generating employment is not sufficient for achieving household economic security. A holistic strategy blending stable employment opportunities, adequate income support, savings encouragement, affordable credit access, social security provisions, and

essential services is essential for promoting the long-term economic resilience of households dependent on informal work.

Conclusion

The study explored the connection between informal employment and household economic security among informal workers in Warangal District, Telangana. The findings show that these workers experience significant economic vulnerability due to unstable employment, limited income, low savings, household debt, and insufficient social security access. Many respondents reported moderate or low levels of economic security, which implies a limited ability to handle financial emergencies and meet essential household expenses. The analysis indicates a positive link between employment stability and economic security, emphasizing the need for secure and continuous livelihood opportunities. The study concludes that enhancing the economic well-being of informal workers requires a comprehensive policy strategy beyond just creating jobs. Strengthening social protection, promoting financial inclusion, improving access to affordable credit, encouraging savings, enhancing skills, and creating more stable employment opportunities could greatly enhance household resilience. These measures are crucial for fostering inclusive and sustainable livelihood security among informal workers in Telangana.

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