



# Social Security

## 1 What is Social Security

Social security may be defined as any programme of social protection established by legislation, or any other mandatory arrangement, that provides individuals with a degree of income security when faced with the contingencies of old age, survivorship, incapacity, disability, unemployment or rearing children. It may also offer access to curative or preventive medical care.

As defined by the International Social Security Association, social security can include social insurance programmes, social assistance programmes, universal programmes, mutual benefit schemes, national provident funds, and other arrangements including market-oriented approaches that, in accordance with national law or practice, form part of a country's social security system.

Social security is essential for the well-being of people and society. It is a basic human right (though not one of the constitutional fundamental rights), and its fulfilment will contribute to achieving various developmental goals of the nation. Social security measures will have far reaching benefits in the form of reducing infant and maternity mortality rates, improving productivity and promoting sense of pride and self-respect amongst the citizens.

Such measures will also help in eradicating poverty to some extent. Starting from the minimal level of providing protection against health and life hazards in work situations, it can progressively be extended to social security welfare measures involving provision of better health care, maternity care, old age provisions, etc. Such social security can, and perhaps, be extended to one and all.

Economists Amartya Sen and Jean Dreze distinguish two aspects of social security —“protection” and “promotion.” While the former denotes protection against a fall in living standards and living conditions through ill health, accidents, the latter focuses on enhanced living conditions, helping everyone overcome persistent capabilities deprivation.

### 1.1 A Universal Right

The first social security programmes based on compulsory insurance were established in Europe in the late-19th century. It was during the 20th century, however, that national social security programmes developed more widely around the globe, not least as a result of decolonisation and the institution of new independent states after World War II. The development of social security has also been supported by various international conventions and instruments, and the recognition of social security as a basic human right was enshrined in the 1948 Universal Declaration of Human Rights.

In a few countries, for example, Germany and Brazil, social security is a right guaranteed by the Constitution. Today, most countries have some type of social security system. Worldwide, the most common type of programme is for old-age, disability, and survivors' pensions, followed by programmes for benefits for work injuries and occupational diseases, sickness and maternity, family allowances and unemployment.

According to available estimates, around 50 per cent of the global population has access to some form of social security, while only 20 per cent enjoy adequate social security coverage.

The need to extend coverage is, therefore, a key challenge for social security organisations in all regions. However, this can only be done while also addressing wider policy issues, including the demographic ageing of populations, evolving family structures, the impacts of economic globalization, the growth of informal labour markets, and epidemiological and environmental developments.

## 2 Importance of Social Security

The social importance of social security systems for society is now widely accepted. However, there is less unanimity regarding the economic importance of social security systems. Regardless, that social security systems should be understood as a productive factor in economic development is a view that is gaining ground.

When arguing the case for the economic importance of social security provision, European social security history is particularly instructive. Many European countries introduced social security programmes early in their development; before they were rich societies. European history also shows that efficient economies and efficient social security systems can grow hand-in-hand, and that the latter is not a brake on the former. Clearly, all countries must develop their social security systems according to their own socio-economic needs and circumstances. Nonetheless, on the basis of European experience, the message for developing countries is a clear one: effective and efficient social security systems are key to long term social and economic development.

## 3 Strengthening Social Protection (HDR Report 2014)

Social protection, including unemployment insurance, pension programmes and labour market regulations, can offer coverage against risk and adversity throughout people's lives and especially during sensitive phases. By providing an additional and predictable layer of support, social protection programmes help households avoid selling off assets, taking children out of school or postponing necessary medical care, all detrimental to their long term well-being.

Further, the distribution networks and mechanisms for administering social protection programmes can also be used to provide short-term emergency responses and assistance during crises such as natural disasters and droughts. Many social protections have positive spinoff effects. Unemployment insurance improves the working of labour markets by allowing the unemployed to choose jobs that better match their skills and experience rather than forcing them to simply take the first job that comes along.

Income support to households has been shown to encourage labour market participation by providing resources to enable people to search for better opportunities, including allowing members of the household to migrate to find jobs. Some contend such support may reduce the incentive to get back to work. Much depends on the design of the policy. Nevertheless, there is considerable evidence that labour market regulations have a net benefit and are able to reduce inequality.

Social protection is feasible at early stages of development and can even bring about other benefits such as stimulating spending and reducing poverty. Social protection offsets output volatility by reducing fluctuations in

disposable income. ***Strong universal social protection policies not only improve individual resilience, they also bolster the resilience of the economy as a whole.***

## 4 Need for Social Security System in India

Indian society is traditionally a Joint Family system. So social security was primarily provided by the community and the family. The state was obligated by the constitution to become a “welfare state”. However, due to limited capacity of the state just after the turmoil of the Independence a large chunk of the social security obligation were placed under the DPSP, which are non-justifiable. Also, since formal employment is a meager 7% in India, as per economic survey 2013-14, thus an overwhelming majority of the citizens were mostly dependent more on the social structure rather than on the state for their social security.

The wave of globalisation demanded greater attention and protection to informal workers as the process of globalisation has eroded employment relations, which have encouraged formal sector employers to hire workers at low wages with no social-security benefits or to subcontract the production of goods and services, which helped them maintain cost efficiency.

The need was particularly realised as the globalisation influenced policies of the government had led to increased contractualisation, outsourcing and informalisation of industries, thus leading to an increase in the size of the unorganised sector. The adverse labour market implications of the informal sector were also recognised by the government, and as a response, an unprecedented revival of the social security measures in India is observed.

Further, with the rise of migration, urbanization and demographic changes, the Institution of Joint family system is on the decline which used to act as a safe net. Also a more aware citizenry increasingly demands good governance which includes social security measures for them.

Finally, the resources with the government at present are much more than what it was at the time of independence. This all makes it imperative for the government to focus diligently upon wide social security net.

## 5 Constitutional Basis and Acts

Matters relating to Social Security are listed in the Directive Principles of State Policy and the subjects in the Concurrent List. The following social security issues are mentioned in the Concurrent List (List III in the Seventh Schedule of the Constitution of India):

- **Item No. 23:** Social Security and insurance, employment and unemployment.
- **Item No. 24:** Welfare of Labour including conditions of work, provident funds, employers' liability, workmen's compensation, invalidity and old age pension and maternity benefits.
- **Part IV Directive Principles of State Policy**
  - **Article 41** Right to work, to education and to public assistance in certain cases. The State shall, within the limits of its economic capacity and development, make effective provision for securing the right to work, to education and to public assistance in cases of unemployment, old age, sickness and disablement, and in other cases of undeserved want.
  - **Article 42** Provision for just and humane conditions of work and maternity relief. The State shall make provision for securing just and humane conditions of work and for maternity relief.
- **Acts**
  - The Employees' Provident Fund & Miscellaneous Provisions Act, 1952

- The Employees' State Insurance Act, 1948
- The Payment of Gratuity Act, 1972
- The Employees' Compensation Act, 1923
- The Maternity Benefit Act, 1961

## 6 Nature of Social Security

As the word social security conveys different meanings to different people in different contexts, it is necessary to define the components that comprise social security. The essential components of social security that need consideration are as follows:

### 6.1 Life and Disability Cover

Protection of life comes on top of all priorities in all situations. Everyone is exposed to the risk of untimely death due to disease or accident. The exposure in unorganized sector is all the more because of sub-standard living and deficient care. Whereas addressing these reasons like improving living standards is desirable on one hand, it is absolutely essential on the other to provide some sort of financial assistance for the family to carry on till emerging of alternatives. The concept of life insurance addresses this issue, but the workers in un-organized sector can hardly afford individual life insurance policy for following reasons:

- Financial inadequacies
- Not literate enough to understand concept of insurance and choose the right one
- Sustaining the protection over a period of time

The need for life insurance cover for this segment is more than those in organized sector because some or other sort of protection and benefit is available to them through employers and other institutions. What is required for this segment is a very simplistic module covering the basic element of risk cover made available to them at a very low cost.

Such protection may be made available to them either from government funds, or on co-contribution basis. Sometimes a person is left with partial or total disability as a result of accident. This not only affects his income earning capacity, but also enhances expenses on account of treatment. While detailed health care may be addressed separately, some financial protection in terms of disability cover in case of partial or permanent disability should be made an essential component of social security for all.

### 6.2 Old Age Income Security

A person makes up his living by skilled or unskilled work according to his capacity, background and opportunities available in the market. His capacity to do physical work goes on diminishing with increase in age and a stage comes when he can do no more of physical work or becomes unemployable on account of old age. In joint family system, some family support was in-built. But with disintegration of joint family system, old age quite often becomes real curse, if his financial needs are not taken care of.

To address this issue comprehensively, there should be a mandatory provision of old age pension for every unorganized worker. For this, all employers and institutions along with government may provide funding.

Nominal co-contributions may also be taken from the workers themselves so as to make the benefit more meaningful. For this purpose, a comprehensive mechanism for providing pension benefits by the Government on its own, or in collaboration with insurance companies, should be devised and the scheme should be extended to all the workers in the unorganized sector in the country.

### 6.3 Health Care and Maternity Benefit

Without a proper system of health care, country cannot go long on the path of progress and development. At present, health care system is outside the reach of unorganized workers and poor people. Some beginning in this area has been made by way of Rashtriya Swasthya Bima Yojana, which provides cash-less health care to workers and poor people.

The same can be made more broad based covering people at the mass level with a matching increase in the network of medical facilities/hospitals so that the same is within the reach of people. All in all, there should be a comprehensive health cover scheme where under a common man can avail of medical facilities without involving any cash payment and he does not have to travel much for medical care.

### 6.4 Minimum Wages Act

The Constitution of India envisages a just and humane society and accordingly gives place to the concept of living wage in the Chapter on Directive Principles of State Policy. Even though there is no uniform and comprehensive wage policy for all sector of the economy in India, mechanism exists for determination of wages in the organized and unorganized sector and their enforcement. Wages in the organized sector are determined through negotiations and settlements between employers and employees.

In the unorganized sector, where labour is vulnerable to exploitation due to illiteracy and having no effective bargaining power, minimum rates of wages are fixed both by the Central and State Governments in the scheduled employment falling within their respective jurisdictions under the provisions of the Minimum Wages Act, 1948. The

Act binds the employers to pay to the workers the minimum wages so fixed from time to time. The wages for the huge informal sector cannot be left to be determined entirely by the interplay of the market forces and, therefore, intervention of the Government becomes necessary. As of now, there is no uniform and comprehensive wage policy for all sectors of the economy in India. It is with this objective of protecting the vulnerable/less privileged strata of the society from exploitation that Government of India enacted the Minimum Wages Act, 1948. The Act provides for fixation/revision of minimum rates of wages Act, 1948 in sweating employments for invoking the authority of States.

## 7 Problems and Challenges

### 7.1 Convergence of Social Security Schemes

While there is multiplicity of social welfare scheme run by different government units at central and state level, there is bound to be some amount of confusion at the level of beneficiaries as to what exactly they are entitled to. This involves the problem of duplication of efforts, record keeping and there is also a possibility of double or multiple benefits reaching the same person under different schemes by way of manipulation.

Administration of each scheme involves huge administrative cost. Hence presence of large number of schemes for the same common cause makes up a very strong case for rationalization of the whole system leading to convergence of all schemes and benefits under one umbrella, if possible.

This will save huge costs on one hand, and simplify the system from beneficiaries' point of view on the other hand. There should be one centralized data base for all the social security schemes and access to the social security benefits should be made available against one single identity number. Further, it is felt that although technically there is lot of scope for extending social security cover to a variety of areas list here-in-above, but an all-inclusive comprehensive provision will require huge resources.

It will therefore be prudent to divide the social security needs in to two levels. The minimum social security floor involving the basic components of security at its minimal level and other security needs which can be added or built later according to convenience and affordability. As a part of minimum social security floor, following needs of social security may be addressed immediately leaving others to be added or built up later depending upon affordability and convenience.

- Life and Disability Cover : Natural and Accidental deaths and accidental disability, partial or permanent;
- Old Age Income Security : Pension solution;
- Health Care Support.

It was felt that all the state and central schemes of aforementioned nature should be converged in to one single scheme or fewer schemes keeping in mind the regulatory restrictions where under life cover and pension benefits can be provided by life insurance companies, health care can be provided by non-life insurance companies. But the central idea should be convergence of all schemes reducing to one single interface between beneficiaries on one side and the service providers on the other side. This solution should duly leverage the advancements in technological sphere so as to save on cost.

## 7.2 Implementation Issues

Strong administrative mechanism is required for implementation of universal social security scheme for all. Merits of the scheme apart, the scheme is unable to take off, sometimes, because of lack of interest on the part of key implementers. Many of the central government schemes where state government was required to commit some resources were not implemented by all states uniformly.

Minimum social security floor should be a central subject and should be mandatory for all eligible people through the length and breadth of the country. If states are willing, they can make provision for additional welfare measures or higher covers within their resources.

The greatest problem that has been faced in the past is identification of beneficiaries, their enrolment and making them aware to participate in the scheme. This will require setting up vast number of 'workers facilitation centers' near the actual location of workers, for the purpose of registration and providing a single point interface between the workers and social security service providers.

These WFCs (Workers Facilitation Centers) should be duly networked on technology so that cost effective and real time information can be processed at a fast speed. Every worker should be issued a single multi-purpose smart card on which a variety of transactions can be made. Entire history of benefits, work details, health etc should be available against this identity.

There should also be provision of 'Central Data Exchange or Warehouse' where entire information can be pooled and analyzed. The data exchange can provide important inputs on health, deployments, education etc. which can be very strategic from planning and research point of view.

## 7.3 Delivery Mechanism

There is a need for rationalization of the existing processes relating to delivery of various social security benefits to both organized as well as unorganized workers. It is felt that a number of laudable schemes had failed to deliver the desired results because of complex processes and procedures inherent in delivery of benefits under such schemes, thereby defeating the purpose of the entire scheme. Available evidence on various such programmes, including the evaluation studies on the programmes by the Planning Commission of India, almost unanimously points out delivery deficit in most of the social security programmes. Such deficit includes:

- Lack of delivery infrastructure at the level of state governments
- Lack of organizational capabilities on the part of delivery agencies
- Misidentification of the programme beneficiaries due to both type I (exclusion) and type II (inclusion) errors



- Incidence of corrupt practices, rent seeking by the administration and delivery agencies, and elite capture of the schemes
- Lack of awareness on the part of people regarding details of schemes as well as their own entitlements.

It is therefore important to identify appropriate delivery channels and design adequate delivery mechanisms for social security that have the capability to reach all the intended beneficiaries while avoiding leakages of benefits, and favouritism and rent seeking on the part of administrators of the schemes. Such channels and mechanisms should also be capable of making the beneficiaries aware of their rights and entitlements, and enhancing their participation in administering the programmes. It is also important that the delivery platforms are adequately backed and supported by relevant technology.

## 8 Social Security Programs based on Different Criteria

### 8.1 Addressing the Social Security of Indians Working Abroad

- **Social Security Agreements (SSAs)**
  - SSA, a bilateral instrument to protect the interests of Indian professionals as well as self-employed Indians working in foreign countries
  - SSAs are bilateral agreements between India and other countries designed to protect the interests of cross border workers. They provide for avoidance of 'no coverage' or 'double coverage' and equality of treatment of the workers of both countries
  - It was initiated by signing an SSA between India and Belgium on 3 November 2006
  - So far India has signed 15 SSAs with Belgium, Germany, Switzerland, France, Luxembourg, Netherlands, Hungary, Denmark, Czech Republic, Republic of Korea, Norway, Finland, Canada, Sweden, and Japan
  - These SSAs facilitate mobility of professionals between two countries by exempting them from double payment of social security contributions and enables them to enjoy the benefits of exportability and totalization
  - **This scheme is especially beneficial for poor Indians working in the Gulf region**

### 8.2 Addressing the Social Security of the Workers in the Organized Sector

- **Employees' Provident Fund**
  - The Employees' Provident Fund Organisation (EPFO) is a statutory body under the Ministry of Labour and Employment that administers social security regulations.
  - **The EPFO covers pensions and survivors' benefits in the event of an employee's death.** It is compulsory for all workers employed by companies with more than 20 staff. Employers must apply for the fund on behalf of their workers.
  - Since October 2008, all foreigners employed in India have been subject to the terms of the EPFO under the category of "international workers".
  - The employee is required to contribute 12 percent of their salary to the EPFO, which is automatically deducted by the employer. Employers must match this 12 percent contribution. Employers are legally required to deduct these contributions and remit them to the EPFO.
  - Tax-free interest is earned on contributions made to the fund at a specified rate, which is updated regularly by the government.

### 8.3 Addressing the Social Security of Workers in the Unorganized Sector

In India out of total workforce of 45.9 crore, 94% is in the unorganized sector and remaining 6% is in the organized sector. The workers in the organized sector are covered under social security legislations like Employees' Provident Funds & Miscellaneous Provisions Act, 1952 and Employees' State Insurance Act, 1948. However, the majority of workforce in the unorganized sector was devoid of any formal social security legislation. To address the social security needs of such workers, the Government enacted 'Unorganised Workers' Social Security Act, 2008.

#### The Unorganized Workers Social Security Act 2008 and National Social Security Fund

- The Act provides for constitution of a National Social Security Board and State Social Security Boards
- It will recommend social security schemes for unorganized workers
- The National Social Security Board was constituted in August 2009. It has made some recommendations regarding extension of social security schemes to certain additional segments of unorganized workers
- A National Social Security Fund with initial allocation of Rs 1000 crore to support schemes for weavers, toddy tappers, rickshaw pullers, beedi workers, etc. has also been set up

### 8.4 Addressing Social Security of the Rural Poor

#### • Indira Awaas Yojana

- The IAY is one of the six components of Bharat Nirman
- The unit assistance provided to rural households for construction of a dwelling unit under the IAY is Rs 70,000 in plain areas and Rs 75,000 in hilly/ difficult areas/ Integrated Action Plan (IAP) districts
- Under the Homestead Scheme, the unit assistance for purchase/acquisition of house sites for those rural BPL households who have neither land nor a house site is Rs 20,000 to be shared by the centre and states in a 50:50 ratio
- For effective monitoring of the IAY, MIS software '**Awaasoft**' has been put in place

#### • NRHM

- Improvement in the standard of living and health status of the population has remained one of the important objectives for policymakers in India
- In line with the National Health Policy 2002, the NRHM was launched on 12 April 2005
- Its objective is to provide accessible, affordable, and quality healthcare to the rural population
- It seeks to bring about architectural correction in the health systems by adopting the approaches like increasing involvement of community in planning and management of healthcare facilities, improved programme management, flexible financing and provision of untied grants, decentralized planning and augmentation of human resources
- In the Twelfth Five Year Plan the central outlay for health has been increased by 200 per cent to Rs 3,00,018 crore compared to the actual outlay of Rs 99,491 crore in the Eleventh Five Year Plan
- This outlay will be directed towards building on the initiatives taken in the Eleventh Plan period, for extending the outreach of public health services, and for moving towards the long-term objective of establishing a system of universal health coverage
- Better infrastructure, availability of manpower, drugs and equipment, and augmentation of health human resources in health facilities at different levels have led to improvement in healthcare delivery services.



## 8.5 Addressing the Social Security of the Pregnant and Lactating Mothers

- **Janani Suraksha Yojana (JSY) & Janani Shishu Suraksha Karyakram (JSSK)**
  - The JSY launched in 2005 aims to bring down the MMR by promoting institutional deliveries conducted by skilled birth attendants
  - Janani Shishu Suraksha Karyakram (JSSK) is a new initiative which entitles all pregnant women delivering in public health institutions to an absolutely no expenses delivery covering free delivery including Caesarean, free drugs, diagnostics, blood and diet, and free transport from home to institution including during referrals, is also in operation.

## 8.6 Addressing the Social Security of the Old Age Citizens

- **Integrated Program for Older Person**
  - The main objective of the Scheme is to improve the quality of life of the Older Persons by providing basic amenities like shelter, food, medical care and entertainment opportunities and by encouraging productive and active ageing through providing support for capacity building of Government/ NGOs /Panchayati Raj Institutions/ local bodies and the Community at large
  - It encourages the establishment of Old Age Homes, Day Care Centers, Mobile Medicare Units and Non institutional services
  - Popularize the concept of life through reinforcement and strengthening of the ability and commitment of the family to provide care to the older persons.

## 8.7 Addressing the Food Security of the Population

- **National Food Security Act**
  - In rural India today, 23 crore people are under-nourished, and 50% of children fall victim to malnutrition
  - Every third Indian in the age-group 15-49 years is feeble-bodied
  - The situation is so grim that today every fourth malnourished global citizen is an Indian
  - It is in this context that the Right to Food has been passed and now it is a statutory right of 2/3<sup>rd</sup> Indian citizens to get food at a highly concessional rate
  - States like Tamil Nadu already have a Universalized Food Security system

## 9 Present Status

The biggest gap in India, and one, which may only widen, is in social protection for the working poor. The UPA government appointed the National Commission for Enterprises in the Unorganised Sector (NCEUS) in 2004 to look into livelihood conditions and social security for unorganised workers — employed in the unorganised sector and those in the formal sector without any social protection. It found that only those in the formal sector, 8 per cent of India's workforce, enjoys social security. Over 91 per cent of workers, over 39.5 crore workers, are in the informal sector.

The Commission highlighted that there had been almost no growth in formal employment since early 1990s and almost all growth in employment was in the unorganised sector. NCEUS' finding that 79 per cent of workers in the unorganised sector lived on an income of less than Rs. 20 a day made it evident that the gains of growth were bypassing the majority of the working population.

The NCEUS proposed legislation for a national minimum security package for unorganised sector workers, social insurance, social assistance for life and health cover, old age benefits to all workers within a period of five years financed by the Centre and state governments, employers (where identifiable) and workers at a cost of less than 0.5 per cent of Gross Domestic Product after five years.

The UPA discarded the Commission's recommendations for statutory backing to social protection. "The NCEUS suggested a National Fund for this and a fund with Rs. 1,500 crore was set up. It proposed that National and State Social Security Advisory Boards were to be created but only 14 States set these up," says a senior government official.

India spends 1.4 per cent of its GDP on social protection, among the lowest in Asia, far lower than China, Sri Lanka, Thailand, and even Nepal. The NDA government has not yet indicated any support to the idea of legally guaranteed social protection for all workers. Officials say the government is proposing to issue a smart card, "U-WIN," Unorganised Sector Identification Number, to every worker in the unorganised sector with a unique identification number for accessing social schemes.

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