

## BUSINESS

## The call for a large safety net



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**Social security cover for all, even informal workers, is an ambitious target for the Centre and stumbling blocks pave its path.**

The Union government on Thursday proposed an ambitious law to provide social security net to the 47.41 crore-strong workforce of the country.

The proposed code on 'Social Security and Welfare' intends to make a drastic shift in the social security framework of the country from an employment-based approach to a rights-based approach followed by some developing countries such as South Africa.

This means claiming social security benefits will become a right for everyone who joins the workforce. At present, the social security set-up in India is only restricted to the formal sector where the employers make a contribution towards social security schemes such as provident fund, insurance and pension of the workers.

Only about 8% of the informal sector is covered under any social security scheme, according the National Commission for Enterprises in the Unorganized Sector (NCEUS). At present, 82.7% of the 47.41 crore workforce is in the unorganised sector and

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When the draft code takes final shape in the form of a law, there will be universal coverage of social security schemes guaranteeing equal treatment to all the workers.

#### One for everyone

According to the proposed law, factories employing even a single worker will have to contribute towards social security benefits. Also, even households employing domestic help will also have contribute towards schemes including provident fund and gratuity for the worker. Self-employed persons, including agricultural labourers, will also make contribution towards the schemes on their own.

Significantly, casual, part-time or self-employed workers earning less than the stipulated minimum wages will not have to pay any contribution towards the social security schemes but will be entitled to these benefits through a fund set up by the government, according to another proposal.

The existing social security schemes have a limited reach due to application of thresholds based on income and number of workers in a factory. For instance, the provident fund and pension contribution, administered by the Employees' Provident Fund Organisation (EPFO), is mandatory only for factories employing at least 20 workers.

"We feel that only a rights-based approach can lead the reform process to achieve universal social security cover for the workforce," a top labour ministry official said. "The draft code clearly states the entitlement of beneficiaries to benefits and any denial of the same would justify recourse to legal remedies. It will become a right for the claimant as it will be enforceable by law," the official said.

Various researches have pointed out significant flaws in the present social security framework of the country. The International Social Security Association (ISSA) in its 'Social Security Coverage Extension in the BRICS' report said that the best way to describe the social security coverage in India "is a patchwork" as there was a "total mismatch between the labour market realities and the history of social security laws."

"Despite attempts over several years by Central and State governments to extend social security coverage to marginalised groups of workers, the current state of affairs is still wholly unsatisfactory, as revealed by evidence-based research," according to a report titled, 'Social Security Reform in India' submitted by Professor Marius Olivier to the International Labour Organisation in May 2016. It noted that only 1% of the agricultural workers have reportedly been provided social security cover, even as close to all the casual workers are deprived of any benefits and socially or economically deprived people had much less coverage than the others. It also said that wage workers in the unorganised sector too had close to no social security benefit.

#### Informal workers increase

Even the proportion of wage workers covered under any social security law declined from 32.6% in 1999-2000 to 28.6% in 2004-05 and further to 26.4% in 2009-10 due to increased casual workers entering the workforce and a rise in informal sector.

In this context, K.R. Shyam Sundar, labour economist and professor of human resources management at XLRI said the proposed code on Social Security and Welfare is a landmark step. "This is a huge step forward towards inclusive social security coverage," Mr. Sundar said. "This would be the most radical development that can happen in terms of workers' benefit in India," according to him.

Universal social security to all workers has been one of the main demands of the central trade unions. "The idea of providing social security to all workers is good and has been our long-standing demand," said All India Trade Union Congress (AITUC) national secretary D. L. Sachdev. "Social security should be a fundamental right for all the citizens of the country," he said.

#### Employers urge 'choice'

However, the employer representatives are not amused by the proposed law. "The only social security measure that a country of our size can afford to provide at the moment is formal jobs to the youth at a time when a million people are entering the workforce," said TeamLease Services Executive Vice President and Co-Founder Rituparna Chakraborty. "This draft law will make situations worse as it will give rise to the informal sector," he said.

should be exercised by the employee and not a compulsion,” Mr. Chakraborty said.

An industry executive, on conditions of anonymity, said it would be difficult for small industries in India, which are mostly not covered under social security law at present, to provide such security to all the workers.

Mr. Sundar said providing social security to all workers with the present infrastructure will be a difficult task. “I do not see how effectively the households will register voluntarily towards the social security of the domestic workers as a contribution towards social security schemes will be a tax on them. Also the moment you register them, the nature of employment becomes formal and in some states households will have to provide the minimum wages to domestic helps,” Mr. Sundar added.

One of the major issues with the draft law is that workers in the unorganised sector mostly are daily wage earners and providing monthly contribution towards their social benefit schemes would be a big task, Mr. Sachdev said. A senior labour ministry official acknowledged this issue and said that the “government can notify a different contribution period for such sectors.”

Collection of contribution from the self-employed and the unorganised sector will also be another grey area.

“The present social security system is already under tremendous pressure to increase the coverage in the formal sector. The level of services provided by Employees’ State Insurance Corporation also needs drastic improvement. In all these circumstances, the government is looking at covering the entire workforce,” Mr. Chakraborty said.

However, some trade union leaders feel implementation will not be an issue with the proposed framework under which a National Social Security Council will be set up headed by the Prime Minister to streamline, monitor and make policies. “This is a historic step proposed by the government and can be fully implemented across the organised and the unorganised sector,” RSS-affiliated Bharatiya Mazdoor Sangh (BMS) general-secretary Virjesh Upadhyay said.

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