



Reforming India's Social Security Net

This editorial is based on [Needed, a well-crafted social security net for all](#) which was published in The Hindu on 23/08/2023. It talks about the issues and challenges faced by the Social Security Policies and possible ways to mitigate them.

For Prelims: [Periodic Labour Force Survey](#), [Code on Social Security \(2020\)](#), [Employees' Provident Fund Organisation \(EPFO\)](#), [Employees' State Insurance \(ESI\)](#), [National Pension System \(NPS\)](#), [Universal Social Security](#), [National Social Assistance Programme](#), [e-Shram](#), [Self-Employed Women's Association \(SEWA\)](#), [CAG](#)

For Mains: Social Security: Schemes, Issues, Way Forward and Best Global Practices

Around 53% of all of the salaried workforce does not have any social security benefits in India, according to the [Periodic Labour Force Survey](#) Annual Report 2021-22, and which has been cited in the media. In effect, this means that such employees have no access to a provident fund, pension, and health care and disability insurance.

Only 1.9% of the poorest 20% of India's workforce have access to benefits. Meanwhile, [gig workers](#), or approximately 1.3% of India's active labor force, rarely have access to any social security benefit. India's social security system is also ranked poorly; Mercer CFS ranked India at 40 out of 43 countries in 2021.

What is Social Security?

According to [ILO](#), Social security is the protection that a society provides to individuals and households to ensure access to health care and to guarantee income security, particularly in cases of old age, unemployment, sickness, invalidity, work injury, maternity or loss of a breadwinner.

Social security policies cover various types of social insurances, such as pension, health insurance, disability benefit, maternity benefit, and gratuity.

What are some Existing Social Security Policies in India?

- **[The Code on Social Security, 2020](#):** This is a comprehensive law that consolidates and simplifies nine previous laws related to social security. It covers employees in both the organized and unorganized sectors, and provides for retirement pension, provident fund, life and disability insurance, healthcare and unemployment benefits, sick pay and leaves, and paid parental leaves.
- **[The Employees' Provident Fund Organisation \(EPFO\)](#):** This is a **statutory body** that administers the Employees' Provident Fund Scheme, the Employees' Pension Scheme, and the Employees' Deposit Linked Insurance Scheme. These schemes provide retirement pension, provident fund, and life and disability insurance to employees in the organized sector.
- **[The Employees' State Insurance \(ESI\)](#):** This is a **self-financing social security** scheme that

provides medical care and cash benefits to employees in case of sickness, maternity, disability, and unemployment. It covers employees in the organized sector who earn less than a certain threshold.

- **The National Pension System (NPS):** This is a **voluntary**, defined contribution pension scheme that allows individuals to save for their retirement. It is open to all citizens of India, including those working in the unorganized sector. It offers multiple investment options and tax benefits.
- **The National Social Assistance Programme (NSAP):** The NSAP is a social security and welfare programme that provides support to aged persons, widows, disabled persons and bereaved families on death of the primary breadwinner, belonging to below poverty line households.

What are the Issues and Challenges related to Social Security Policies and their Implementation?

- **Lack of adequate budgetary allocation:** The **National Social Security Fund** was set up for unorganized sector workers with an initial allocation of just ₹1,000 crore, which was far below the estimated requirement of over ₹22,841 crore.
 - This shows that the government has not prioritized social security as a key component of its development agenda and has not allocated sufficient resources to meet the needs of the vulnerable sections of the society.
- **Poor Fund Utilization and Management:** The funds allocated for social security schemes have not been utilized effectively or efficiently. **For example, the CAG audit revealed that ₹1,927 crore accumulated in the National Social Security Fund since its inception had not been utilized at all.**
 - Similarly, the cess collected for the provision of social security to construction workers in Delhi was poorly utilized, with approximately 94% of the money remaining unspent.
 - These examples indicate that there are gaps in the fund management and monitoring systems, which result in wastage and underutilisation of public money.
- **Corruption and Leakage:** Another challenge related to social security policies and their implementation is corruption and leakage of funds. In the case of Haryana, where the **CAG** noted that the direct benefit scheme of the State's Social Justice and Empowerment Department had seen the transfer of ₹ 98.96 crore to the accounts of deceased beneficiaries.
 - This suggests that there are loopholes in the identification and verification of beneficiaries, as well as in the delivery mechanism of social security benefits.
 - Moreover, there are instances of fraud, bribery, nepotism, and political interference in the allocation and distribution of social security funds.
- **Inadequate Coverage and Benefits:** There is also a persistent issue of inadequate coverage and benefits of social security schemes in India. **For instance, the contribution by the Centre to old-age pension schemes has stagnated at ₹200 a month since 2006, which is below the minimum wage per day.**
 - Moreover, the eligibility criteria for some of the schemes are very restrictive and exclude many deserving beneficiaries. For example, the **National Social Assistance Programme** focuses on old-age poor individuals with no able-bodied earners in their household, who are eligible to earn a monthly pension of ₹75.
 - This **leaves out many poor elderly people who may have some earning members in their household but still face economic hardship and insecurity.**
- **Budgetary Cuts:** The reduction in budgetary allocations for the **Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)** suggests a lack of prioritization for social welfare and rural employment generation.
- **Technology and Digital Divide:** Many social security schemes are transitioning to digital platforms for registration and disbursement of benefits. However, a significant portion of the population, particularly in rural areas, may lack access to technology and the internet, creating a digital divide that hampers their participation in these programs.
- **Informal Labor Sector:** Approximately 91% (or around 475 million) of India's workforce works in the informal sector, which often lacks job security, benefits, and access to formal social security programs.

What are the Steps that can be taken up by India?

- **Universal Social Security:** The time has come for India to **consolidate its existing social security schemes/ad hoc measures and provide universal social security to its entire labor workforce**. With jobs becoming increasingly on-demand and hire/fire policies proliferating, India's workers are increasingly insecure on the job front.
 - To have the fruits of growth trickle down while offering a sense of social security, **policymakers must discard traditional supply-side economic theories to embrace policies that enable equitable growth**.
- **Expanding EPFO Contribution:** For formal workers, **expanding contributions to the [Employees' Provident Fund Organisation \(EPFO\)](#)** system can provide increased social security. This involves both employers and employees contributing to the fund.
 - **Partial Contributions for Informal Workers:** Informal workers with meaningful income, whether self-employed or in informal enterprises, could make partial contributions.
 - Encouraging informal enterprises to formalize and contribute could be part of this approach.
- **Government Support for Vulnerable Workers:** Providing government subsidies or social assistance to those unable to contribute due to unemployment, underemployment, or low earnings ensures that everyone has access to basic social security support.
- **Digitization and [e-Shram Platform](#):** Investing in digital platforms and data systems streamlines the registration, verification, delivery, monitoring, and evaluation of social security services, improving efficiency and transparency.
 - The e-Shram platform's expansion and digitization efforts have enabled the enrollment of millions of workers and extended insurance coverage.
 - However, the burden of registration should not solely rest on informal workers; involving employers could encourage formalization.
- **Mandatory Social Security for Employers:** Implementing mandatory social security entitlements for employees, enforced by their employers, would foster formalization and accountability in employee-employer relationships.
- **Pan-India Labour Force Card:** Introducing a nationwide labor force card could simplify the registration process and expand social security coverage beyond the construction and gig worker sectors.
- **Expanding Successful Schemes:** Successful schemes like the Building and Other Construction Workers Schemes could be expanded to cover a broader range of workers. This might require revisiting certain restrictions, such as the cooling-off period, for improved benefit portability.
- **Addressing Specific Worker Groups:** Special attention should be given to vulnerable worker groups, such as domestic workers and migrants. Expanding coverage of social services like child care and organizing efforts for domestic workers could provide them with more stability.
- **Strengthening Existing Schemes:** The govt may also strengthen existing schemes, for example the [Employees' Provident Fund \(EPF\)](#), the [Employees' State Insurance Scheme \(ESI\)](#), and the [National Social Assistance Programme \(NSAP\)](#), with budgetary support and expansion of coverage.
- **Administrative Simplification:** There is a need to **simplify the administrative framework** of social security programs. For example, **the existing social security framework for unorganized workers has become complex, with overlapping areas of authority between the State and Centre**, and confusing definitions being used such as between a platform worker, an unorganized worker and someone who is self-employed.
- **Raising Awareness:** There's a need for a more significant push to raise awareness about social security to ensure that more workers are aware of the available benefits. **Organizations such as the [Self-Employed Women's Association \(SEWA\)](#) which run Shakti Kendras (worker facilitation centers)**, may be funded to run campaigns (especially for women) to provide greater information on social security rights, along with services and schemes that the government offers.

What can India learn from other countries?

- **Brazil:** Brazil has a comprehensive and generous social security system that covers more than 90% of the population and provides income replacement for workers and their families in various situations.
 - India can learn from Brazil's experience in expanding the coverage and scope of its social security system, as well as implementing reforms to ensure its fiscal sustainability and efficiency.

- **Germany:** Germany has a well-developed social security system that is based on the principle of social insurance, where workers and employers contribute to various schemes that provide pensions, health care, unemployment benefits, long-term care, and family allowances.
 - India can learn from Germany's model of social insurance, which is widely accepted and trusted by the public and provides adequate protection and incentives for workers.
- **Singapore:** Singapore has a unique social security system that is based on the principle of individual savings, where workers are required to save a portion of their income in a central provident fund that can be used for retirement, housing, health care, and education.
 - India can learn from Singapore's approach of promoting personal responsibility and asset accumulation, as well as providing flexibility and choice for workers to manage their savings .

Conclusion

There is a need for more robust policy implementation, proper allocation of funds, transparent utilization of resources, and efficient oversight mechanisms. Without addressing these issues, the intended beneficiaries of social security programs may continue to face challenges and inadequate support. The Code on Social Security proposed by the government in 2020 is a positive step towards providing a statutory framework for social security for various categories of workers, including those in the gig economy and informal sectors.

Drishti Mains Question:

India's Social Security policies need an overhaul. In this light, discuss the challenges faced by Social Security Schemes and suggest measures to address them.

UPSC Civil Services Examination, Previous Year Questions (PYQs)

Prelims:

Q. Who among the following can join the National Pension System (NPS)? (2017)

- (a) Resident Indian citizens only
- (b) Persons of age from 21 to 55 only
- (c) All State Government employees joining the services after the date of notification by the respective State Governments
- (d) All Central Government employees including those of Armed Forces joining the services on or after 1st April, 2004

Ans: (c)

Q. Regarding 'Atal Pension Yojana', which of the following statements is/are correct? (2016)

1. It is a minimum guaranteed pension scheme mainly targeted at unorganized sector workers.
2. Only one member of a family can join the scheme.
3. Same amount of pension is guaranteed for the spouse for life after the subscriber's death.

Select the correct answer using the code given below:

- (a) 1 only

- (b) 2 and 3 only
- (c) 1 and 3 only
- (d) 1, 2 and 3

Ans: (c)

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