SOCIAL SECURITY IN INDIA: STATUS, ISSUES AND WAYS FORWARD

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Introduction

- Social security system in a large and diverse country like India is bound to be complex.
- It is, therefore, challenge to explain the system in the allotted time.
- Hence, only overview is provided.
- The presentation is non-technical.
Indian Workforce

- Around 400 million persons in India are in the working age group.
- Less than 7 per cent are organised or in the formal sector.
- The unorganised or informal component is large.
- 93% of the workers are unorganised.
Organised sector workers

- Have sufficient and reliable access to social security.
- Have secure jobs and obtain price-adjusted salaries.
- Protected under the Law against loss/stoppage of income on account of:
  - Illness
  - Disability
  - Maternity
  - Old age
  - Death
Unorganised sector workers

- Unorganised component has been growing in the last five decades due to:
  - Shift from factory to home-based work
  - Large factories subcontracting the work to small-scale units
  - Government policies permitting small-scale units not to comply with social security norms

- This resulted in lack of direct relationship between the employer and the worker
Social security for the unorganised workers

- Unorganised workers contribute to over 60% of the national income.
- Yet, they do not have sufficient and reliable access to promotional and protective social security.
- Promotional social security implies food, housing, education and health securities.
- Preventive social security includes protection against contingencies (identified by ILO) that result in reduction or stoppage of income.
Promotional social security (1)

- Provided through nation-wide schemes and programmes such as
  - Public distribution system
  - Integrated Child Development Programme
  - Rural employment programmes, etc.
- Primarily aimed at households living below poverty line
- Plagued by problems of targeting, inefficient delivery, leakages, etc.
- Only schemes; workers do not have right to demand
Promotional social security (2)

- Lack of sufficient access to promotional social security has the following implications
  - Unemployment and insecure employment
  - Shifting places and occupations in search of employment
  - Wages lower than those fixed by the government
  - Low levels of education
  - Limited access to health delivery systems
  - Widespread poverty and deprivation

- These are particularly relevant in the case of poor unorganised workers
Protective social security

- Multiple schemes and programmes both at the Central and State levels aiming at social protection of the under-privileged.
- They have been framed at random at various points in times in response to the expedience of the day.
- They do not conform to any overall design.
- Nor do they represent a uniform policy or plan.
- The social security situation in India is characterised by the lack of a consistent policy.
- Let us examine some important schemes.
Social assistance

- National social assistance programmes for old age and maternity
- Social assistance in some states for widows and disabled.
  - Target only destitutes and persons living in households below poverty line
  - Very small amounts of benefit (Only 3 Euro as old age pension per month)
  - Implementation loopholes and difficult procedures
  - Miniscule coverage
  - Lack of organisation among workers leading to poor access
`Universal’ health insurance

- This is group health insurance scheme covering hospitalisation expenses
- Now targets only poor households
- Voluntary membership
- Government subsidy towards premiums
- Not many takers; only 0.5% unorganised workers in the scheme
- `Universal’ only in the name of the scheme
- Poor awareness of the scheme
Social insurance

- Government and public sector insurance company have started contributory group insurance scheme
  - Provides life and disability cover for workers in 40 occupational groups
  - Also incorporated educational scholarships
  - Collaboration with NGOs
  - Available for micro-finance group members

- 6.3 million workers are covered

- Renewal rate has been consistently over 60%

- *Key lesson*: *plurality of institutions and building upon the micro-finance efforts would work.*
Health insurance scheme in Karnataka

- State government and cooperatives have come together to implement health insurance scheme
- Government part subsides the premiums
- Builds on public private partnership.
- The coverage has been impressive; 2 million workers in one state!

Key lessons:
- Utilise the existing social capital base (cooperatives in this case).
- Plurality of actors is ideal
- Public private partnerships hold the key
National social security bill

- Proposed a minimum social security cover for all the unorganised workers (universal)
- Sought to cover health, disability, old age, maternity and death
- Contributions from employer, where s/he can be identified; otherwise, by the government
- This would have been a major step towards
  - Universal approach
  - Tax based financing
  - Provision of right to social security
National social security bill

- But, the bill in its present form is unlikely to be passed.
- Lack of direct relationship between employer and worker results in greater financial burden on governments
- It is now proposed that
  - National social security board will formulate `schemes’ from time to time depending on the need
  - Targeting on households below poverty line
  - Expected to be only a `scheme’; legal entitlement may be missing
Heterogeneity within unorganised sector

Key problem with the social policy in India is that it assumes homogeneity among unorganised workers.

But, this sector is heterogeneous in terms of
- Social security needs
- Ability to contribute
- Membership and participation in institutions

We can divide unorganised workers into two categories.
**Characteristics of unorganised workers**

<table>
<thead>
<tr>
<th>Ultra Poor</th>
<th>Upwardly Mobile Poor</th>
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</thead>
<tbody>
<tr>
<td>Inability to meet the basic needs</td>
<td>Fulfilled basic needs and reached the growth threshold</td>
</tr>
<tr>
<td>Not reached the growth threshold</td>
<td>Give priority to protective social security needs</td>
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<tr>
<td>Promotional social security is the basic need</td>
<td>Ability to contribute to social security is high</td>
</tr>
<tr>
<td>Find it difficult to contribute for social security due to limited and insecure livelihoods</td>
<td>Participate in wide array of economic activities</td>
</tr>
<tr>
<td>Low to medium participation in institutions for rural development</td>
<td>Medium to high participation in institutions of rural development</td>
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Ways Forward

- Move towards universal social security based on solidarity principles
- Contributions together with tax income as financing arrangement
- Promote decentralised approach wherein people will play a major role with the help of different institutions.
- Integrated approach in the provision of social security
Social security as an integral element of poverty alleviation for the Ultra Poor

- Improving service delivery systems to provide basic needs.
- Governance of these institutions to be improved in terms of inclusion, participation, accountability, etc.
- New institutions such as SHGs to be formed among them and/or, the existing ones to be strengthened for this purpose – These to advocate the cause of ultra poor.
- Subsidy to provide social protection and/or convergence of resources to provide protection against old age, ill-health, unemployment, death, maternity, etc.
- SHGs to be linked to local government at the village level for providing key basic needs and convergence of resources.
Protective social security for the Upwardly Mobile Poor

- Public policy to focus on an environmental development, economic development and provision of social security (protective)
- This has two implications.
- Improving employment opportunities for the ultra poor and greater poverty alleviation.
- Help the upwardly mobile poor not to slip back into poverty.
- No need for subsidies as they can contribute.
- What they need is inclusive, participatory, transparent and effective social security system.
- They can be linked to private insurance companies with the state playing facilitating role.
Key challenges

- How to design a social security system that provides
  - Social security
  - Provides basic needs
  - Improves environmental and economic infrastructure
Key challenges

- How to design a system that provides
  - Positive incentives to upwardly mobile poor to join in contributing social security
  - Negative incentives for them not to clamour for subsidies provided to the ultra poor

- How to provide incentives to upwardly mobile poor so that they link up with private insurance companies
Key challenges

- For effective and efficient social security system, there is a need to integrate state, market and civil society.

- But the question are.
  - Do we have sufficient social capital base in a large and diverse country like India?
  - How to improve the participation, inclusion, accountability in these institutions?
  - How to harmonise the relations among these actors?
THANK YOU