
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 subsidises 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

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

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