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SOCIAL SECURITY IN INDIA: NEED TO WIDEN THE HORIZON

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Abstract: *Social security is the protection which is being provided 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 has a powerful impact at all levels of society. Social security has been recognized as an instrument for social transformation and progress. India has vast network of social security provisions both in organized and unorganized sector of economy. However, there is vast scope to widen the horizon of social security as present coverage of workers and employees under social security net is very low. India also needs a strong machinery for legal compliance by the establishments, industries and organizations and effective implementation of social security schemes. Against this view point, present paper purports to review the social security system in India and suggesting the policy measures for effective regulation and implementation of social security schemes.*

INTRODUCTION

India has taken up the responsibilities of extending various benefits of social security and social assistance to its citizens. Directive Principles of the State Policy in the Constitution of India has made the provisions of welfare society which provide directions to the social security legislations. However, out of an estimated work force of about 400 million, around 35 million workers are having the benefit of formal social security protection in India. Rests of the workers are in the unorganized sector. Social security is an integral

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part of the development process. It helps in increasing efficiency and productivity of workers. The main objective of social security system is the provision of a socially adequate and equitable retirement protection system on a sustainable basis. The objective may be achieved through policy environment and legislation. There are 6 core functions which any provident or pension fund organizations needs to perform. These include the reliable collection of contributions, taxes and other receipts; the payment of benefits in a timely and correct way without any side payment; timely repayment in case of preretirement loans; the effective financial management and productive investment of the assets; the maintenance of an effective communication network; and the provision of adequate support for all these activities, including the production of financial statements and reports.

CONCEPT OF SOCIAL SECURITY

Social security is both a concept and a system. It represents the system of protection of individuals by the State as an agent of the society. The ILO concept of social security is based on the recognition of the fundamental social right guaranteed by law to all human beings who live from their own labour and who find themselves unable to work temporarily or permanently for reasons beyond their control. Social security has been recognized as an instrument for social transformation and progress and must be preserved, supported and developed as such.

Social security means protecting a worker and his family against work or health related eventualities. Eventualities include sickness, maternity, disability, death, unemployment, old age. Social security in India covers treatment, rehabilitation or compensation. Lack of social security in India leads to destitution, crime, child labour, etc, Recognized, government approved provident fund schemes are exempted from income tax. Provident funds are generally invested in government schemes, which low interest rates compared to other options like Bank have fixed deposits and mutual funds. However, inflation erodes the real value of savings. These funds are inadequate for risks occurring early in the working life as not much amount is accrued.

SOCIAL SECURITY LEGISLATION

The social security laws in India can be broadly divided into two categories, namely, the contributory and the non-contributory. The contributory laws are those which provide for financing of the social security programmes by contributions paid by workers and employers and in some cases supplemented by contributions/grants from the Government. The important contributory schemes include the Employees State Insurance Act, 1948 and the Provident Fund, Pension and Deposit Linked Insurance Schemes framed under the Employees' Provident Funds and Miscellaneous Provisions Act, 1948. The three major non-contributory laws include the Workmen's Compensation Act, 1923, the Maternity Benefit Act, 1961 and the Payment of Gratuity Act, 1972 (Planning Commission, 2001). Five main laws have been enacted to provide social security benefits to workers in India, viz., the Employees' Compensation Act, 1923; Employees' State Insurance (ESI) Act, 1948; Employees' Provident Funds and Miscellaneous Provisions Act, 1952; Maternity Benefit Act, 1961; and Payment of Gratuity Act, 1972. The brief description of these ligations is explained below:

Employees' Compensation Act, 1923: The Act provides for payment of compensation by the employer to employees in the event of death or permanent or temporary disablement. In the event of death, compensation is to be paid to the dependants. The law provides for compensation to be paid for death or disablement of the employee. It also prescribes the criteria for calculating the amount of compensation. The injury may result in temporary or permanent disablement, and when the disablement is permanent..

The Employees' State Insurance Act, 1948: The legislation is the most comprehensive social security legislation in the country, covering medical care, sickness, maternity, employment injury, disablement, dependants and unemployment. Government establishments in receipt of benefits substantially similar to those available under the Act were excluded from its purview. At present, it also applies to shops, hotels, restaurants, cinemas, road transport undertakings, newspaper establishments, and educational and medical institutions with more than 20 employees. In several states,

the minimum number of employees has been reduced from 20 to 10 in the case of shops and establishments. As on March 31, 2015, there were 17.9 million employees covered by the ESIS and about 1.3 million coverable employees in geographical areas to which the scheme has not been extended.

Employees' Provident Funds and Miscellaneous Provisions Act, 1952 : The Employees' Provident Funds and Miscellaneous Provisions Act, 1952, is a central legislation which provides the framework for introducing schemes for provident funds, pension funds and deposit-linked insurance funds for employees working in factories and other establishments. At present, there are three schemes in operation for the purpose of giving old age benefits to employees of covered organizations, namely, Employees' Provident Fund Scheme, Employees' Pension Scheme and Employees' Deposit Linked Insurance Scheme. These are all administered by the Employees Provident Fund Organization. The comparison between provident fund and pension fund is shown in chart 1.

The Payment of Gratuity Act, 1972: The Act applies to factories, mines, oilfield, plantations, ports, railways and shops and establishments having a minimum of 10 employees. The gratuity to be paid by the employer to the employees at the end of service is 15 days' pay for every completed year of service, with a maximum entitlement of Rs 10 lakh.

The Maternity Benefit Act, 1961: This Act applies to factories, mines, plantations and circus establishments and shops and establishments having a minimum of 10 employees, except that in establishments covered by the Employees' State Insurance Act, 1948, employees qualified to claim benefit under section 50 of that Act will not be entitled to the benefit under this Act.

The National Pension System: It was initially introduced for the mandatory participation of new employees of the central government and autonomous bodies under the central government who joined service on or after January 1, 2004. In 2009, it was opened up for voluntary participation by corporates and by all citizens. In the NPS in general, there are two types of account, Tier I and Tier II. Tier I contributions by employer/employee are non-withdrawable

Chart 1: Comparison between Provident Fund and Pension Fund

Basis for Comparison	*Provident Fund*	*Pension Fund*
Meaning	A fund in which employer and employee make a contribution while an employee is in employment with the organization is known as Provident Fund.	A fund created by the employer in which he contributes an amount of his salary for providing retirement benefits to the employee is known as Pension Fund.
Who makes the contribution	Both employer and employee.	Employer and Central Government.
Statute	Employee's Provident Fund Scheme.	Employees' Pension Fund Scheme.
Nature of amount received	Lump Sum.	Either Lump Sum or in the form of regular income depends on pension opted by the member.
Basis of the amount	The contribution made by both the parties, plus interest thereon.	The pension amount will be based on an average of last 12 month's salary and years of service.
Withdrawal	A person can withdraw the entire amount of provident fund. Partial withdrawal allowed for House Construction, Marriage, Higher Education, Illness etc.	Only one-third amount can be withdrawn.

and are meant for retirement benefit. Tier II, on the other hand, is a voluntary savings facility from which the subscribers are entitled to withdraw funds whenever they wish.

SOCIAL SECURITY BENEFITS FOR THE UNORGANIZED SECTOR

In the post-reform period after 1992, the central government undertook several initiatives for social security for workers in the unorganized sector but the approach remained fragmented. One of the major initiatives was the enactment of The Building and Other

Construction Workers' Welfare Cess, Act, 1996.The Act provides for the constitution of welfare boards by state governments and for the levy of a cess at rates between 1-2 per cent on construction works to raise resources for them. The government has notified the cess at the rate of 1 per cent. In 2004, the central government set up the National Commission on Enterprises in the Unorganized Sector (NCEUS) to recommend measures to enhance the competitiveness of the unorganized sector in the emerging global environment. NCEUS (2006) suggested a comprehensive approach to secure social security benefits for the un-organized sector, based on defined contributions from beneficiaries and the government (NCEUS, 2006).

The social insurance schemes available to the unorganized sector are operated through the LIC such as Social Security Group Insurance Scheme. All persons in the age group of 18 to 60 years belonging to the 24 approved occupation groups i.e. Beedi Workers, Brick-Kiln Workers, Carpenters, Cobblers, Fishermen, Hamals, Handicraft Artisans, Handloom Weavers, Handloom & Khadi Weavers, Lady Tailors, Leather & Tannery Workers, Papad Workers attached to SEWA, Physically Handicapped Self-employed persons, Primary Milk Producers, Rickshaw Pullers/Auto Drivers, Safai Karmacharis, Salt Growers, Tendu Leaf Collectors, Urban Poor, Forest Workers, Sericulture, Toddy Tappers, Power loom Workers, Women in Remote Rural Hilly Areas are covered under scheme.

The following social security schemes were established for the unorganized sector up to 2008 (Hoda, 2017) :

- The Indira Gandhi National Old Age Pension Scheme, launched in November 2007, envisages a monthly pension for persons of BPL families
- The National Family Benefit Scheme is one of major components of National Social Assistance Programme which came into effect on August 15, 1995. The scheme entitles families in BPL households to a lump sum payment in the event of death of the primary bread winner.
- The Janani Suraksha Yojana was launched in April 2005 by modifying the National Maternity Benefit Scheme. It entitles

new mothers to a cash benefit for institutional delivery. The beneficiaries in low performing states such as Uttar Pradesh and Bihar are entitled to receive higher amounts.

- The Janshree Bima Yojana was introduced on August 10, 2000 covering 45 occupational groups including beedi workers, brick kiln workers, carpenters, cobblers, construction workers, handicraft artisans, handloom weavers and other vocations in the age group of 18-59.
- The Rashtriya Swasthya Bima Yojana was launched on October 1, 2007, for BPL families in the unorganized sector, entitling them to smart card based cashless insurance cover of Rs.30,000 per family per annum.
- The Aam Admi Bima Yojana, administered through the Life Insurance Corporation of India, was launched on October 2, 2007, providing for death and disability in the age group 18-59 originally for rural landless households. Subsequently, the Jan Shree Bima Yojana was amalgamated into Aam Admi Bima Yojana, which now provides death-cum-accident cover also to 48 identified vocational groups against 45 groups covered originally by the Jan Shree Bima Yojana.
- The Swavalamban Yojana, was launched on September, 2010, as a scheme under the National Pension Scheme administered by the Pension Fund Regulatory and Development Authority.
- The Pradhan Mantri Jeevan Jyoti Bima Yojana scheme was introduced on June 1, 2015, by the central government, which is relevant for workers in the unorganized sector.
- The Pradhan Mantri Suraksha Bima Yojana was introduced on June 1, 2015 for death or disability due to accident, which is appropriate for the unorganized sector.
- The government introduced a scheme In 2010-11 for maternity benefit, on a pilot basis in 53 districts, under the Indira Gandhi Matritva Sahayog Yojana . Pregnant and lactating mothers receive a grant of Rs. 4000 (increased to Rs. 6000 from July 2013) as a cash incentive for improved

health and nutrition. The idea was also to partly compensate for wage loss to women prior to and after delivery.

In India, the coverage gap is about 90 percent of the total estimated workforce. Coverage gap refers to workers who do not have access to any formal scheme for old-age income. Addressing social security in India with particular reference to retirement income for workers within the coverage gap is the need of the hour. Liberalization has shown direct impact on the labour market policies of the country. The coverage and registration of the workers by the Employees' Provident Fund Organization is guided by the statutory provisions of the Act and is employer centric. The provident fund commissioners do not go on a coverage drive and cover the establishments on their own. The compliance and enforcement is another area of the social security administration particularly where the employer liability is involved through some statutory provisions. India urgently needs a comprehensive social security programmes to address the issues of workers in the formal and informal sectors. There is a requirement of redesigning the existing programmes, integrating the administration of schemes, drawing up a comprehensive social security policy, taking legislative decisions and setting up comprehensive administrative system. India should take immediate policy decision to extend social security benefits like old age, survival medical and sickness benefits to all working population. It is also suggested that National Social Security Commission of India should be to oversee the social security provisioning in the country and monitor income generating activities. Separate Ministry of Social Security is also required so that all the social security schemes and programmes being run by different ministries may transfer to the Ministry for their effective implementation (Rao, 2005).

India has already shifted from the new pension scheme to national pension system which is defined contributing pension system administered and regulated by the Pension Fund Regulatory and Development Authority. Investment pattern for government sector subscribers also demonstrates that NPS contributions of government employees are allocated to three pension funds viz., SBI Pension Funds, UTI Retirement Solutions and LIC Pension Fund

in the ratios of their performance. The employees own contribution upto 10 per cent of salary to NPS are tax deductable under Section-80CCD (1) of Income Tax Act, subject to a ceiling of Rs. 1,50,000. Jan Suraksha Yojana launched by Government of India presently benefiting more than 16 crore people while under Pradhan Mantri Suraksha Bima Yojana, about 13 crore people have already enrolled. Under the scheme of Pradhan Manri Jeevan Jyoti Bima Yojana over 300 crore persons have been enrolled for life insurance. As on June 3, 2017, there are over 10.7 million subscribers under the NPS with a contribution of Rs. 142263 crores and total assets under management of Rs. 184948 crores. Presently, nearly 13.5 per cent of total NPS portfolio is invested in equity shares, about 48 per cent in government securities, 35.5 per cent in corporate bonds and rest in the short term money market instrument.

India's has a complex social security system (Asher, 2003). It can be broadly divided into the 5 components (1) Employees Provident Fund Organizations Scheme; (2) Civil Service Schemes of the Central and State Governments, (3) Public Sector Enterprises, (4) Voluntary Tax Advantaged Savings Schemes and (5) Public Assistance and Other Schemes for the life time poor at the Centre and in the states. India's social security system is pre-dominantly welfare oriented. There is substantial scope for greater professionalism in the design, governance and organizational structures, and administration of social security scheme under various components. This requires greater emphasis on efficiency and minimization of transaction cost. The components of India's social security system have been developed separately, without any agency responsible for a system wide perspective. Thus, there is no overall independent machinery for regulation of social security system in India.

India has developed a complex social security system since Independence. However, it lacks system wide perspective for implementation of social security in India. Though, India has already initiated reforms in Providion and Pension Fund and it has focused on widening the coverage of social security net. India has been pioneer in introducing the social security and social protection being welfare state. India introduced social security system in 1923 with

the enactment of Workmen's Compensation Act. A number of countries have setup an autonomous agency to administer most social security benefits / schemes. In India, there are multiple social security provisions which are being poorly implemented (Lhariya, 2017). Thus, an autonomous agency at National and state level would bring efficiency and effectiveness in implementation of social security schemes. It is to be noted that universal health coverage as a part of social security measures is still lacking in India and therefore, substantial investment on the scheme such as Rashtriya Swashya Bima Yojana is called for. A national level health protection scheme is also required with substantial government investment in order to increase universal health coverage as a part of social security measures. Social sector investment plan with innovative financial mechanism also needs to be developed.

A high proportion of socially and economically underprivileged sections of society are concentrated in the informal economic activities (Ghosh, 2017). A majority of workforce in unorganized sector particularly informal economic activities is devoid of any formal social security protection. There is dearth of formal social security protection. Moreover, current social security administration in the country faces challenges of multiplicity of policy, schemes and agencies; poor coverage and outreach; inadequate benefits; fragmentation; poor quality of implementation; high costs and exclusion of large sections particularly unorganized sector workers. The provision of pension is an important component of social security net. It provides a mechanism to alleviate or reduce the risk of old age poverty and a means to provide life time sustenance to maintain living standard after retirement (Bhandari, 2017). Traditionally, old age income security in India has been provided by the joint family system however, with the change of time, there is gradual disintegration of joint family system and aged are being neglected by the nuclear families. The aged need social protection and security in order to reduce the risk of old age poverty.

CONCLUSION

Social security has gained momentum in the context of globalization, economic liberalization and privatization of economy. Due to

increasing urbanization, an emergence of nuclear families, and increasing cost of living, there is gradual decline in the joint family system which provided old age income security, the vulnerability, marginalization and economic risk has increased. While pension was ensured for all government employees post retirement and was one of the key attractions of government service, the government is gradually shifting towards contributing pension scheme while a coverage of social security net in unorganized sector and private sector is found to be petty low. Pension and provident funds benefits could not be extended to the large segment of workers and therefore, reforms in the regulation of social security system were demanded. The government has also made a conscious moved to shift from the defined unfunded pension system to defined contribution funded pension system initially called the new pension scheme and rechristened as national pension system being regulated and administered by Pension Fund Regulatory and Development Authority. The social security framework needs to be widened to cover the remaining workers under the social security net while substantial amount of investment on social security schemes related to health insurance is imperative. Besides, national level machinery for effective implementation of social security schemes and programmes will be required and thus, a separate Ministry should be setup in order to ensure effective implementation of social security schemes, programmes as well as effective enforcement of social security legislations.

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