

**SOCIAL SECURITY FOR THE UNORGANIZED IN INDIA – AN  
APPROACH PAPER  
(P.MADHAVA RAO)**

**I. INTRODUCTION**

It is said that ninety percent of the world's population does not have the social protection. The statement however true does not concern us much as we are some times least worried about the problems of the neighbor at least not to speak of the town we live in, but the problem for our policy makers is not that of the world but of our own population and to be more nearer to the issue it is not even the population but the working population in the country. Therefore, the statement goes that the ninety percent of the working population in our country do not have any kind of social protection excepting that they take their own case. Particularly the people in the informal sector are not covered by any type of social security protection, i.e. either by a contribution based insurance scheme or by any social assistance scheme. If one takes the number of covered persons as a percentage of number of persons working, it is estimated that in India, roughly 90 percent of the working population do not have any formal arrangements for social security coverage.

Traditionally the ILO and ministries of labour world over believed that all workers would eventually end up in large enterprises, or at least in the formal sector. However, the experience in the developing countries and recently in the developed countries this has been proved otherwise. On the contrary, voluntary retirement schemes, out sourcing the employment and casualization have become the key words of the corporate world these days. So the extension of formal social security programs cannot be the simple answer to satisfying the social protection needs of increasing number of workers and their families outside the formal sector. The most vulnerable groups outside the formal labour force are the labour force in the informal sector and disabled and old people who cannot count on their family support, who cannot be reached by other social policies and who have not been able to make provisions for their own pension due to meager or no income. New institutions and forms of social

security will have to be developed to meet the specific security needs of these various groups. It is therefore attempted in this paper to suggest some kind of social protection to these groups and administrative arrangements there for.

## **II. WHAT IS SOCIAL SECURITY?**

Many authors have defined social security by many ways. For our understanding, we consider the social security as the continuous economic support to a human being for his or her social well being- at least in the evening years of his/her life. It is therefore necessary to link up traditional social security policies and economic policies in general. Getubig for instance defines social security for the developing countries as “ any kind of collective measure or activities designed to ensure that members of the society meet their basic needs. As well as being protected from contingencies to enable them to maintain a standard of living consistent with social norms” Dreze and Sen distinguish two aspects of social security, which they define as the use of social means to prevent deprivation and vulnerability to deprivation. The focus of the social security is to enhance and protect people’s capabilities to be adequately nourished, to be comfortably clothed, to avoid escapable morbidity and preventable mortality. The average experience of poorer populations understates the precarious nature of their existence, since a certain proportion of them undergo severe and often sudden dispossession, and the threat of such a thing happening is ever present in the lives of many more. The decline may result from changes in personal circumstances or from fluctuations in the social surroundings. Therefore, we may understand the social security as “ the provision of benefits to households and individuals through public or collective arrangements to protect against low or declining standard of living arising from a number of basic risks and needs. For clearer understanding we may enlist the social security measures or programmes for income sustenance income maintenance end for medical as:

- (1) Provident Funds/Gratuity,
- (2) Oldage, survivor, widow and disability pension,
- (3) Medical care of all sorts and
- (4) Protection from all kinds of risks life and non life affecting the social existence of individual.

It is proposed in this paper therefore to suggest the social security technique that is more appropriate for the target population keeping in view the economic constraints both of contributor and the Government.

### **III. UNORGANIZED SECTOR WORKERS.**

The so-called unorganized sector has not been defined anywhere scientifically. Nor was there any serious attempt to define this word or phrase. However, this term was used to speak of availability or non-availability of certain benefits or rights to the working class outside the organized sector. Some times this sector is also termed as informal sector. The first National Labour commission has however tried defining this term to some extent for the purpose of their report. We may use the same analogy for our understanding. The commission opined “ the group of workers, who cannot be defined by definition but could be described as those who have not been able to organize in pursuit of a common objective because of constraints such as:

- Casual nature of employment
- Ignorance and illiteracy
- Small size of establishments with low capital investment, persons employed
- Scattered nature of establishment, and.
- Superior strength of employer operating singly or in combination.

This definition or analogy of the first national labour commission will help us understand what the unorganized sector is. Therefore based on this we can identify the workforce with the above attributions in:

- Agriculture
- Contract labour including construction workers
- Casual labour
- Labour employed in small-scale industry
- Handloom and power loom workers
- Bidi and cigar workers
- Employees in shops and establishments
- Sweepers and scavengers
- Workers in tanneries and;
- Tribal labour,

Domestic servants and other workers who do not fall under any of the above category but earn their lively hood by manual work and those self employed &not the masters of any other employees also form part of these unorganized work force. The social security programs designed for the work force should be so formed that they should go beyond any definition; however, for

financing constraints, these definitions are necessary, and identification of the richest among the poor would become easier.

While the increasing labor force in the country and the decrease in the organized labor in proportion to the growth is a major challenge to the social security systems in the country, the growth of the aged population which is either dependant on the young or unemployed or working for food during the evening yeas of their life is another challenge to the social security systems in the country. As there is no correct definition to the aged, we consider for our study population above the age of sixty as aged. This can be safely taken as the retirement age in the organized employment in the country is between 58 years to 60 years on majority.

According to the data available from the decennial census the number of aged has increased from about 19.8 million in 1951 to 56.7 million in 1991 or by 189 percent over 40 years period. Their share of population increased from 5.5 to 6.8 percent. However in effect, nearly 72 percent of the increase in the number of the aged has to be attributed to population growth, where as the balance 28 percent has been due to the aging of the population.

Here we should not forget one thing. Majority of the people in India do not know their actual age, therefore the statisticians or the demographers adopt a technique of smoothening the age. To illustrate the smoothed data in 1961 and 1971 indicated the number of the aged in India as a whole to be 21.32 and 28.25 millions or about 14 percent less than the reported figure of 24.71 and 32,70 million respectively. In 1981, the reported and the smoothed differed to 3.3 percent. The smoothing for the population for 1991 age distribution has lowered the number of the aged only 1.3 percent and their share in the population from 6.8 to 6.7 percent.

**Number [in millions] and percentage of the aged [60 and above] in India**

**According to the census data for 1961-1991**

	1961	1971	1981	1991
Males (US)				
Number	12.36	16.87	22.02	29.63
Percentage	5.6	5.9	6.2	6.7
Smoothed				
Number	10.61	14.78	21.31	29.28
Percent	4.7	5.2	6.0	6.7
Females (US)				
Number	12.35	15.83	21.14	27.56
Percent	5.9	6.0	6.4	6.8
Smoothed				
Number	10.71	13.47	20.41	27.17
Percent	5.0	5.1	6.2	6.7
Both sexes (US)				
Number	24.71	32.7	43.16	57.19
Percent	5.6	6.0	6.3	6.8
Smoothed				
Number	21.32	28.25	41.72	56.45
Percent	4.9	5.2	6.1	6.7
Sex ratio				
un-smoothed	1001	1066	1042	1075
Smoothed	991	1097	1044	1078

Source: census of India 1961,71,81,91

The process does not end here; the constant aging process will disturb the mood of the policy makers if we look at the projections of the aged in the population in the years to come. If we assume a closed population unaffected by immigration or emigration, persons in the age group 60 and above over the next 25 years will be survivors of those who are already in the age group of 35 and above.

**India projected figures of the population aged 60 and above  
1996-2026**

**a. Official projections for the 9<sup>th</sup> plan.**

<b>Year</b>	<b>Males</b>	<b>Females</b>	<b>Persons</b>
<b>1996</b>	<b>32.32</b> [6.67]	<b>29.99</b> [6.67]	<b>62.32</b> [6.67]
<b>2001</b>	<b>36.21</b> [6.91]	<b>34.36</b> [7.03]	<b>70.57</b> [6.97]
<b>2006</b>	<b>41.83</b> [7.41]	<b>39.99</b> [7.55]	<b>81.81</b> [7.48]
<b>2011</b>	<b>48.86</b> [8.05]	<b>47.06</b> [8.23]	<b>95.92</b> [8.14]
<b>2016</b>	<b>57.36</b> [8.84]	<b>55.60</b> [9.05]	<b>112.96</b> [8.94]

**b. Alternative long-term projections.**

<b>1996</b>	<b>31.02</b>	<b>32.81</b>	<b>63.83</b>
<b>2001</b>	<b>36.42</b>	<b>38.52</b>	<b>74.94</b>
<b>2006</b>	<b>42.68</b>	<b>45.33</b>	<b>88.01</b>
<b>2011</b>	<b>50.30</b>	<b>53.41</b>	<b>103.71</b>
<b>2016</b>	<b>60.20</b>	<b>63.86</b>	<b>124.06</b>
<b>2021</b>	<b>72.58</b>	<b>76.93</b>	<b>149.52</b>
<b>2026</b>	<b>87.16</b>	<b>92.20</b>	<b>179.36</b>
<b>2031</b>	<b>103.35</b>	<b>109.47</b>	<b>212.82</b>

Source: census of India 1991, population projections for India and states, 1996-2016  
Registrar general, India, New Delhi, 1996

According to these population projections summarized in the table above, the number of persons aged 60 and above is expected to rise from 54.5 million in 1991 and 62.3 million in 1996 to 70.6 million in 2001, 81.8 million in 2006, 95.9 million in 2011, and 113.0 million in 2016. In other words, while the total population is projected to increase by 49 percent from 846.2 million in 1991 to 1263.5 million in 2016, the number of the aged is likely to grow by 107 percent over the 25-year period. The share of the aged in the total population will rise to 8.9 percent. Unlike during 1951-1991, the contribution of the changing age structure to the growth in the number of the aged will be a major factor accounting for 55 percent of the projected growth.

The characteristics of the aged as per a survey conducted by the national sample survey is relevant for us to understand the problems of the old who require social protection.

- Only 4 to 5 percent of the aged live alone. Less than 1 percent were inmates of old age homes. About 11 percent of rural aged and 8 percent of the urban aged

lived with the spouse only, about 46-47 percent lived with spouse and other relatives. Among others, 33 to 35 percent lived with their children. About 5 percent of the aged lived with “other relations or non-relation”.

- About 30 to 31 percent of the aged males in rural and urban areas reported that they were fully dependent on others. The corresponding figures for females in rural and urban areas were 71 and 76 percent, respectively.
- About 30 to 31 percent of the aged reported that they were not dependent on others. The percentage was much lower for females {11 to 12}.
- Only about 5 to 6 percent of the aged reported that they did not have a surviving son or daughter. Almost 88 percent had two or more living children.
- About 76 percent of the aged, who were economically dependent on others, received support from their children or grand children. About 14 to 15 percent depended on their spouse. Only 6 to 7 percent reported they have depended on others. For about 3 percent of them, no response was recorded.
- About 54 percent of both the rural and the urban aged reported having financial assets, and a majority of them managed as well. About 70 percent of the aged males reported possession of assets, whereas the proportion was much lower among females {39 and 38 percent in rural and urban areas}.
- About 63 percent of the rural aged and 58 percent of the urban aged reported possession of property. A majority of them managed it also.

About 52 percent of the rural aged and 54 percent of the urban aged reported that they suffered from a chronic disease. The most frequently reported ailments were “problem of joints”, cough, and a high or low blood pressure. The problem of cough was



reported by 22 percent of the rural aged and 16 percent of the urban aged; the corresponding figures for blood pressure were 11 and 23 percent, in rural and urban areas respectively. These chronic ailments would raise the need of the aged for medical or health-related expenditure.

This situation of the old requires the urgent attention of the policy thinkers or the policy makers of the social security. Keeping these problems in view and the growth of the workforce in the population we will further our study of available social security and their adequacy.

**Further the unorganised workers have the following insecurity dimensions:**

1. **Poverty Levels.** Poverty levels in the country are increasing every year though there has been a marginal improvement in the recent past. The unorganized labourers are directly hit either by inflation rise or by the price rise since their wage rise is always not indexed to the inflation trends in the country on the lines of their counter parts in the organized sector. Unorganized as the very definition goes are unorganized and they cannot organize themselves for the common objective of any nature like wage increase, working conditions, or the working hours. Therefore the unorganized suffer from any increase in the price of essential commodities or from any wage hike for the organized sector or for the employees in public sector. This throws the unorganized poor into more poverty than they were in before price rise or inflation rise. However, has there been any marginal increase in the wage structure for the unorganized in the rural and urban settings, this has not been in proportionate to the wage rise for the organized sector.

2. **Casualisation of employment.** Another great problem faced by the labour market is the process of casualisation and outsourcing the employment by the industry. The uncertainty has been increasing in the urban as well as

rural employment market with more emphasis on the out sourcing the work force requirement by the organized industry. The casual labour suffers more from the poverty and from uncertainty of income because of casual nature of employment. The table given below shows the trends in casualisation and decreases in regular wage employment over the years.

Employment status of Workforce, 1972-3 and 1993-4[in percentage]

		Self employed		Regular wage workers		Casual workers		All workers	
Areas	Gender	1972-3	1993-4	1972-3	1993-4	1972-3	1993-4	1972-3	1993-4
Urban	Male	39.2	41.7	50.7	42.1	10.1	16.2	100.0	100.0
	Female	48.4	45.4	27.9	28.6	23.7	26.0	100.0	100.0
	All	41.2	42.3	46.3	39.4	12.5	18.3	100.0	100.0
Rural	Male	65.9	57.9	12.1	8.3	22.0	33.8	100.0	100.0
	Female	64.5	58.5	4.1	2.8	31.4	38.7	100.0	100.0
	All	65.3	58.0	9.3	6.4	25.4	35.6	100.0	100.0
Total	Male	60.5	53.7	19.8	16.7	19.7	29.6	100.0	100.0
Country	Female	63.1	56.8	6.3	6.2	30.6	37.0	100.0	100.0
	Total	61.4	54.8	15.4	13.2	23.2	32.0	100.0	100.0

Source: P. Visaria [1996] Structure of the Indian Workforce,1961-1994, in the India Journal of Labour Economics, New Delhi,October.pp.737-8

The above table shows both in the rural, urban employment markets the regular wage earners are decreasing, and casual workers are increasing. Interestingly and ironically, the self-employed have become casual worker over the time thus creating more dependency on the wage employment than on the self-employment. If look at the all India figures of self-employed and the shift in the market, there has been a decrease of 6.6 percentage points in the self employed over the twenty years under examination, this works out a decrease of roughly over 10 percent within the self employed sector.

3. **Gender inequalities.** Another malady of the unorganized labour is the gender inequality. If look at he above table again, we find that the female are more in casual employment than the males both in urban and the rural labour markets. We find same phenomenon in the self-employed segment also.

4. **Old aged and the Child Labour.** In the unorganized sector, we find more child labour and the persons aged above 60 years of age. Since the economy is not fully developed to replace the child labour and put the child only on education, the economy of the country still gains from the contribution of the child labour. It is the case with the aged population also. Roughly, 20.6 million persons above the age of 60 still earn their lively hood on their own.

5. **No enforceable labour laws.** The unorganized in the country do not have any enforceable labour laws. Even bonded labour abolition has not been able to wipe out the bonded labour fully in the country. Many studies reveal that the bonded labours are in a better position than the casual labourers in the rural India for the food at least in many cases is assured. The minimum wages act has never been fully enforced even in the organized industrial markets for the casual labour they engage. The industrial disputes Act, The trade Unions Act etc. are from the reach of the unorganized workforce thereby making them more insecure than their counterparts in the organized sector.

Thus, the insecurity in the unorganized labour market is multi dimensional with rough surfaces. The workforce in the unorganized sector therefore requires immediate attention from the policy makers.

Before we make any analysis or comment on the status of the unorganized in the country, we should look at their composition in the working population. The table given below is an attempt to assess such composition.

**III. (i) COMPOSITION OF THE UNORGANIZED IN THE WORKING POPULATION.[ in Millions]**

YEA R	ORGANIZED		UNORGANIZED		TOTAL	
	Worker s	% Growth	Workers	% Growth	Workers	% Growth
1973	18.82	7.61	217.48	8.74	236.30	7.96
1978	21.24	13.39	249.46	14.70	270.70	7.85
1983	24.01	13.04	278.69	11.71	302.7	7.93
1988	25.71	7.08	296.29	6.31	322.00	7.99

1991	26.73	3.96	315.17	6.37	341.9	7.82
1994	27.38	2.43	344.72	9.37	372.1	7.36
1998	28.37	3.61	371.63	7.80	400.00	7.09

Compiled by the author on the basis of figures from DGE&T.

If we look at the above table, it shows that the composition of organized and unorganized in the total work force of the country over the past 25 years beginning from 1973. In the organized sector we see an average growth of 0.38 million workers per annum and in terms of percentage, there has been an annual average growth of 2.02 percent over the last 25 years. In case of the unorganized sector the annual average growth registered is 2.77 percent i.e.0.75percentage points more than the organized workers. The annual growth in the workforce recorded has been 6.16 million per annum on an average. This is 16.22 times more than the workers in the organized sector. If we consider the trends only from 1991, we see a growth of 8.07 million workers in the unorganized sector and .020 million workers in the organized sector. This is attributable to the trends of casualisation and out sourcing of employment within the organized sector.

Further, in 1973, there were 11 workers in the unorganized sector for every one worker in the organized sector. This is grown to 14 unorganized workers for each organized worker. During the period between 1994 and 1998 itself, there has been a growth of 27 workers in the unorganized sector for each of the worker added to the organized sector. Even the population of the country has not grown at this pace during the period between 1991 and 1998. This abnormal growth of employed class in the population reveals the health of the economy that is producing wage employment to the population at the same time it is ma major concern for the employment so created is neither remunerative nor permanent to the employee. In addition, these workers neither have income sustenance nor income maintenance programs either run by the state or by their employer. State too has concerns for them but it could not provide the social protection programs to these underprivileged lots.

Unorganized sector therefore requires to be given more importance than their counter parts in the organized sector for they are the major breadwinners to the economy of

the nation. The table given below throws some light on this aspect. It can be seen from the below table all through the years the unorganized sector only saved the economy by adding more than 60 percent value. This is really a state of concern for the economy, which is sustained by the help of the unprotected lot, but their interests are not protected.

**III (ii) VALUE ADDED FROM ORGANIZED AND UNORGANIZED SECTOR**

<b>YEAR</b>	<b>% Share organized</b>	<b>% Share unorganized</b>	<b>YEAR</b>	<b>% Share organized</b>	<b>% Share unorganized</b>
1980-81	30.0	70.0	1988-89	35.8	64.2
1981-82	31.5	68.5	1989-90	36.3	63.7
1982-83	33.6	66.4	1990-91	36.2	63.8
1983-84	33.6	66.4	1991-92	36.7	63.3
1984-85	34.7	65.3	1992-93	36.5	63.5
1985-86	35.1	64.9	1993-94	37.7	62.3
1986-87	36.8	63.2	1994-95	38.3	61.7
1987-88	37.0	63.0	1995-96	40.3	59.7

The unorganized sector thus added substantial amount to the national economy all through their life. Their participation in major industrial activities reveal what actually had they contributed to the building of the nation. The statistics of labour force participation in major industrial activities show us the involvement of the unorganized sector as detailed hereunder. As it is repeatedly said that Indian economy is predominantly an agricultural based economy, it is also true in case of the unorganized work force who to a major extent dependent on agriculture. The other area where the unorganized in large number for that matter more in number than the total work force in the organized sector are in the sectors like, Manufacturing, Services and whole sale and retail business. In these sectors the unorganized work forces in the order of 33.65, 27.79, and 26.42 Million respectively. We have also seen their contribution to the national domestic product.

**Labour force participation in major industrial activities  
{1997 in millions} national sample survey**

Industry division	Organized sector		Unorganized	Total
	Public sector	Private Sector		
Agriculture, forestry and fishing and huntung	0.53	0.91	234.56	236
Mining and quarrying	0.978	0.092	0.79	1.86
Manufacturing	1.661	5.239	33.65	40.55
Electricity, gas and water	0.957	0.041	0.492	1.49
Construction	1.134	0.055	12.30	13.39
Wholesale and retail trade and restaurants and hotels	0.164	0.317	27.79	28.27
Transport, storage and communication	3.092	0.063	8.00	11.16
Services	11.04	1.967	26.42	39.43
Total	19.559	8.686	343.75	372.00

Other predominant feature of our economy is the existence of people below the poverty line. However wealthy our economy is and however rich in storing our food grains and claiming that we have to certain extent achieved the food security we are unable to wipe out the presence of poverty in our country and the people below the poverty line. Against the total population of 846.3 Million as per 1991 census, we have about 35.97% people below the poverty line. This indicates that 304.4 Million people are below poverty line. Another awkward status of the elderly population of the country, persons above the age of 60 too need to work instead of spending their evening years of life in peace. On the other hand, their counter parts in the organized sector retire at the age of 58 or 60 years and live with the support of pension largely. The composition of the population above 60 years of age who are still working is as under.

**Work force participation rates as per 1991 census**

[Registrar general of India]

Age group	Persons [millions]			Workers [millions]			Work force participation rate		
	Male	Female	Persons	Male	Female	Persons	Male	Female	Persons
60-69	18.40	17.21	35.61	12.95	2.51	15.45	70.37	14.56	43.40
70-79	7.64	7.06	14.70	3.51	0.44	3.95	45.93	6.27	26.88
80+	3.32	3.05	6.37	1.09	0.12	1.22	32.87	4.03	19.06
60+	29.36	27.32	56.68	17.55	3.07	20.62	59.77	11.24	36.38

Again, irony here is that 20.62 Million people above the age of 60 years are earning their own lively hood. This composition is very nearer to the total work force in the organized sector [26.73 million as per 1991 census] that retired at 58 years or 60 years of age. Still further 19.06 percent of the total aged above 80 years also work and contribute to the net domestic product, of course calculations of their contribution are not available for analysis. Strangely enough, 43.40 percent of the total population in the age brackets of 60-69 [35.61 m] also works in the country. Thus, we find that:

- 372.00 Million total work force

- 343.75 Million in the unorganized sector
- 304.40 Million people below poverty line
- 56.68 Million people in the age group of above 60 years
- 20.62 Million workers are in the age group of above 60 years
- Above 60 percent, value to the GDP is added by the unorganized sector

With all the above elements in the economy and in the worker situation in our country, it is a big question whether the social protection programs available in the country benefit all? Moreover, who are all covered?



#### **IV. SOCIAL SECURITY PROGRAMS PRESENTLY AVAILABLE FOR THE UNORGANIZED SECTOR**

Excepting some medical treatment in the state run hospitals and primary health centers and municipal hospitals there are no time tested social security programs for the unorganized in the country. Several state governments are also running some old age pension schemes but these are pure social assistance programs with rigid criteria of selection of beneficiary and with meager amount of benefit- say- 100 to 200 rupees per month. Some states have occupation based social security programs run by Non-Governmental agencies, particularly in the state of Kerala and Gujarat. Recently the West Bengal Government also has come out with a program of social security for the unorganized sector. The Maharashtra government Mathadi workers welfare fund is also a kind of social security for the workers in the unorganized sector. The coastal Andhra Hamali association contribution for the provident fund and pension is also an attempt towards social security for the unorganized. In addition there are welfare funds like Beedi workers welfare Fund, Limestone & Dolomite workers welfare fund, Iron ore, Manganese ore & Chrome ore fund, Mica mine workers welfare fund and Cine workers welfare fund etc. however, these programs are not answering the big question of income sustenance or income maintenance or old age income security. The organized sector on the other hand has several benefits attractive as well as handsome.

The social security legislations for predominantly urban and for the organized that currently available in the country are:

- Employees provident fund and the miscellaneous provisions act 1952
- Employees state insurance Act 1948
- Maternity benefit Act 1971
- Workmen compensation Act 1923
- Payment of gratuity Act 1971

These legislations specifically do not speak of the benefits available to the workers in the unorganized sector nor do they prohibit coverage of unorganized

workers. However, they impose restriction of application to the establishments based on the size of the establishment, deployment or engagement of work force in their establishments or their location and concentration or based on their class. In effect, majority of the working class in the unorganized sector is not in enjoyment any social security benefit like Provident fund, Pension, Medical, or Maternity benefit, Disablement benefit, and widow Pension etc. keeping this in view and in view of the gravity of the situation of the workers in the unorganized sector this paper seeks to suggest programs of social security to the unorganized workers. The suggestions are of two fold:

- One- making amendments to the existing legislations and running the programs with the help of available institutional arrangements like Employees Provident Fund Organization and Employees State Insurance Corporation or using the state government run hospitals for immediate extension of benefits.
- Two –establishment of a comprehensive social security setup for social security to entire work force in the country and merging existing program administration with that setup.

#### **IV (i) CHARACTERISTICS OF THE UNORGANIZED**

Before we think of any scheme of social security for the unorganized, we should understand the characteristics of the unorganized in the country, their nature of employment, wage structure, sustenance levels and possibilities of self-financing social security schemes for them. The unorganized in the country have some features peculiar to them and some akin to the organized sector. It is therefore believed that the workers in the unorganized sector should be divided as per their major characteristics in the labour markets. This division will help in designing appropriate social security scheme for them. Based on these, the schemes have to be drafted and contribution rates or finances have to be decided. The broad divisions therefore will be:

- Regular wage earners including protected wage earners. This division includes the workers working in the organized as well as small-scale sector who were hither to have not been extended any type of social

security due to inadequate legislative provisions for compulsory social security.

- Casual and temporary wage earners. This again is found in both organized and the unorganized sectors.
- Contract workers
- Piece rated workers including home workers.
- Self employed workers of all the categories.
- Self employed employers with very small means of profit or with no profit business.

## V. SOCIAL SECURITY PROGRAMS PROPOSED

The social security programs for the above category of employees basically, based on the contribution levels as well as participation of the government could be:

- Monthly pension scheme for the retired at the age of 60 years,
- Provident fund scheme in addition to the pension scheme for the workers in the regular establishments and who have slightly higher wage structure than the rest of the unorganized [wage will be quantified in the scheme]
- Family pension scheme for all.
- Medical and disablement benefits
- Crop insurance to farmers without linking to the banking finance for agriculture but linked to the holdings of land.

These programs either could be run through the existing institutions or as suggested separate organizations need to be created. However, the limitations of the existing organizations and the legislations have to be examined before assigning the additional responsibility. The existing organizations may not be able to run or implement all of the above schemes. They should be asked to implement only the scheme in which they have gained some experience and expertise. Alternatively they may be strengthened to take additional load. However, in order to provide comprehensive social security to all the workers, an organisation clubbing all the other organisations should emerge as discussed in the following paragraphs elsewhere.

The organizations currently looking after the social security schemes under the administrative control of the Ministry of labour Government of India are

- The Employees Provident Fund Organization and.

- The Employees State Insurance Corporation.

These organizations will be able to implement the schemes of provident fund, pension of all kinds, medical insurance to some extent. The Employees Provident fund Organization can take up the implementation program of the pension and provident fund to certain categories of employee. The details are discussed in the scheme of implementation suggested hereunder elsewhere.

## **VI. IMPLEMENTATION PLAN**

The implementation plan will have the following five broader areas.

- Coverage and registration
- Receipt and record of contribution
- Compliance and enforcement
- Finance and Investment
- Award and payment of benefits.

### **VI (i) COVERAGE AND REGISTRATION**

Coverage of the members and their registration is the initial stage in any social security scheme social security scheme in the world. For the purpose of coverage of social security for the unorganized, first we need to identify the target population, since the target population already stands identified in the above paragraphs we need to design the program of their coverage. The first thing required to cover the target population is to make certain legislative measures like amendment to the Employees Provident Fund and Miscellaneous provisions act and the Employees state Insurance Act with regard to:

- Removal of schedule of industries
- Removal of restriction of employment strength for coverage, i.e. coverage of all establishments irrespective of the number of employees they are engaging (at present employment strength of twenty or more persons is required)

[These changes are required in the Employees Provident Fund and Miscellaneous Provisions Act 1952]

- Similar changes or amendments in the Employees state Insurance Act 1948 is also required making it a universal application.
- Legislative changes and amendments are also required to make provisions concerning rates of contribution and to make voluntary

application to certain category of employees as detailed in the following paragraphs

These amendments make the organization got ahead with the coverage of members for the social security. However, certain provisions have to be made about the application of the scheme. These provisions will be:

- Employers and Employees in all the small-scale industries and establishments should compulsorily contribute to the scheme.
- Self employed and employers of small business as defined in the scheme to be proposed should contribute compulsorily.
- All the banking financial institutions, Regional Rural Banks, Rural branches of the commercial banks should make it a point to see that the borrower of small business compulsorily contributes towards social security schemes.
- All the contractors of all sorts of business should make provision for social security contribution for their employees.
- Whenever the construction work starts the site owner or the contractor should effect the payment of the contribution towards social security.
- Shops and commercial establishments should also effect the payment of social security contribution for their employees.

To make this implementation effective some legislative changes required are:

- Making it mandatory to produce social security identity card for all the employment whether casual or regular
- Making it mandatory for starting or continuing any business to produce the social security employer identification number
- Production of social security number by the employers to open the bank account or to buy a new vehicle for the business

- Making it mandatory to produce social security number for booking flight tickets for business trips and purchase of raw material and machinery.
- Making it mandatory to produce social security registration number to start any business or industry service or to open any school or college.
- Making it mandatory to produce social security number business/self for admission of children in the school
- Making it mandatory to produce the social security number to send the children for education or employment abroad
- Making it mandatory to produce social security registration number to take treatment in the corporate hospitals.
- Production of social security number for obtaining licenses or permissions for construction of apartment houses or dwelling units for sale or residential colonies. etc

The above checks are only illustrative not exhaustive. The implementing agencies may devise some more checks for strengthening the coverage.

Once the legislative changes are made, the coverage of the members would be compulsory as well as voluntary. In the case of compulsory coverage the employees provident fund organization will be the nodal agency to give the registration number to all the concerned on their approach or based on the report of their enforcement machinery. In the case of voluntary coverage too the Employees Provident Fund Organization along with the association of the Employees State Insurance Corporation conduct joint coverage campaigns and to give publicity to the schemes of social security.

The Commercial banks, the Regional Rural Banks, and the post offices should be made collection centers for the collection of the



contributions. This is suggested mainly to encourage and involve the public institutions already known to the common person to build up the trust in the beginning.

Registration of the employer as well of the employee should be done by the Employees Provident Fund organization it self.

#### **VI (ii) RECEIPT AND RECORD OF CONTRIBUTIONS**

Once the system of coverage and registration of the beneficiaries is established and the process of coverage is completed it will be the duty of the organization of the social security to collect and record the contribution of the beneficiaries. As is being done now, the Employees Provident fund organization can collect the contributions through the employers where the employer liability scheme is envisaged. In other cases of the unorganized labour where individual contribution is recommended collections may be made through:

- Post offices
- Regional Rural Banks
- Branches of Commercial Bank Branches
- Other scheduled commercial banks

The contributions thus collected will be recorded by the organization on real-time basis and update the account. The smaller offices opened allover the country will record the contributions in the passbooks of the individual members. This system is again recommended only where an element of provident fund is involved. In majority of the cases of the unorganized sector, the provident fund is not recommended and **only pension and medical benefits are envisaged.**

Further it is also recommended that individuals paying contribution can have their contributions recorded in the passbook by the bank or the post office where they had paid the contribution. The banks/post offices need not credit the interest to the account of the member but update the passbook as and when presented along with the payment. The passbook will contain the social security number given by the organization family particulars of the member including the particulars of the nominee. The subsidies sanctioned by the government will directly go to the organization as is being done now and it need not be recorded in the individual account. In effect the individual, if a contributor of provident fund will know the balances in the provident fund regularly. In other cases, the beneficiary will only know the correctness of the payments he had made towards the pension scheme.

#### **VI (iii) COMPLIANCE AND ENFORCEMENT**

In the scheme of things for the social security for the unorganized sector, compliance part is taken care by the Employees Provident Fund Organization for the provident fund and pension benefits as is being done now. Compliance should be encouraged linking some incentives to the regularly sensitive employers and disincentives to the bad paymasters. As we had said in the paragraph covering the coverage and registration, all the methods of mandates mentioned therein may be used for effective enforcement of the social security law. In addition, where rural and agricultural workers and construction workers are involved, the possibility of utilizing the services of local governments may be explored. Instead of making the program totally a centrally administered scheme, state governments also should be involved for it is recommended that the medical facilities are linked with the utilization of the facilities of the primary health centers. Compliance can be better managed with the involvement of NGOs even.

#### **VI (iv) FINANCE AND INVESTMENT**

Here we discuss the financing of the social security for the unorganized, more particularly with regard to the contribution rates and the responsibility of payment of contributions. We have seen above that

- Wage Structure with huge gaps
- Still majority of the population is below poverty line
- Nearly 90 percent of the work force is in the unorganized sector
- Majority of them in the services, business, casual and contract employees with no permanency of employment.
- Wage structure is very low and in a large number of cases the wage either minimum wage or a little less than that.
- People above sixty are still working to earn their lively hood.
- Many establishments are own account enterprises

Keeping these national economic limitations in view, three sources of financing the social security are suggested. These also work as cross subsidy for the scheme to run. The sources are:

- The government should pay towards part financing of the pension scheme and the medical benefits.
- The government should also stop all the subsidies given to the social assistance pension schemes and divert all the funds towards the proposed pension scheme
- All the welfare funds created by the governments should also be diverted to the proposed pension fund
- All the state run pension funds should be merged with the centrally sponsored pension fund and legislation should be brought to this effect.

## **VI (v) EMPLOYER AND EMPLOYEE CONTRIBUTION**

- The employer contribution should be graded contribution based on the wage level of the worker and the size of the establishment. The establishments employing less than five employees need to pay only 5 percent of the wage as contribution and 4 percent contribution by the employee.
  
  - The employer employing 5 to 10 employees needs to pay a contribution of 6 percent of the wage paid and his employee if the salary or the wage is below 3000 rupees per month needs to pay 5 percent as his share and if his salary or the wage is more than that he needs to pay 6 percent.
  
  - The employer employing 10 to 19 employees need to pay 8 percent contribution and his employee drawing salary below 3000 rupees per month need to pay 5 percent as his share and if the salary is more than that and less than 5000 needs to pay 6 percent and if it is more than Rs.5000 he will pay matching contribution.
  
  - The self employed where there is no employer to needs to contribute 10 percent of his earnings subject to a maximum of Rs.5000 earnings per month.
- If the self-employed are an income tax assessed and paying income tax, they should contribute 10 percent towards pension fund and 8 percent towards provident fund.

- In all other cases of unorganized labour where there is no employer, they should voluntarily contribute towards pension scheme at the rate of 15 days earnings per annum.
- All agricultural labour should also pay the contribution voluntarily but in these cases and in the cases where there is no employer identifiable, the government should subsidize the contribution.

The funds thus collected will be invested as per the norms prescribed for the present pension and provident funds as it is proposed to run the social security schemes for the unorganized through the present organizational arrangements. The valuation of the fund should be done periodically and the rates of the contribution should be reviewed every three years.

#### **VI (vi) AWARD AND PAYMENT OF BENEFITS**

The award and payment of benefit will be done as is done in the case of the organized sector, however the provident funds should be returned to the member every five years while imposing strict age and disability conditions on pension payments. In case of medical benefits as stated above persons carrying social security cards should be treated free of charge in the state run hospitals and in the ESIC hospitals. A tie up arrangement should be made with the charitable hospitals by diverting certain amount from the fund to them to extend the treatment to the social security cardholders. Disbursement of pension should be done through post offices banks and other state run financial institutions free of cost. All these governmental organizations and public sector banks should be involved in disbursement of benefits without charging any thing either to the beneficiary or the organization since the social security for the unorganized is for a noble cause.

## **VII. ALTERNATIVE ARRANGEMENTS FOR EXTENDING SOCIAL SECURITY TO THE UNORGANIZED.**

In the foregoing pages we have discussed the need of alternative administrative arrangements for social security benefit dispensation in the country other than the present organizations like Employees Provident Fund Organization and the Employees State Insurance Corporation. Before we suggest any thing for this let us look at the approach of the Ninth Five years Plan towards social security:

“During the ninth plan period endeavour would be made to announce a National policy on Social Security in order to ensure compulsion and direction. The possibility of setting up of a separate Department of Social Security within the Ministry of Labour with a strong Research and Development wing to facilitate and accelerate the development process and achieve extension of social protection to all sections of the working population would be explored. The process for evolving of an integrated comprehensive scheme of social security by combining in a single legislation, the provisions of all the existing social security schemes would also be addressed. This is expected to lead to simplification of procedures, elimination of duplication of administrative machinery and cost-effectiveness. The existing social security schemes would be reviewed for their efficient and cost effective functioning and to ensure high level of workers’ satisfaction. The emphasis would be on automation and computerization, human resource development and effective public relations besides restructuring of the organisations to undertake vastly expanded responsibility when the schemes are extended to the entire working population. A well-formulated scheme of social security for the unorganized rural labour would be designed to provide protection in contingencies resulting in stoppage or diminution of income. The existing welfare schemes of the unorganized sector being widely scattered and fragmented, attempts would be made to properly integrate these schemes. Labour regarding social security for the workers in the rural unorganized sector would be examined. The role of social security in the context of restructuring of economy would be

re-examined. The public relation system in the two social security organisations not being very effective, campaign would be organized for education about these programmes and training programmes would be attempted for employers, employees and for their organisations. For improving the efficiency of the social security organisations proper Human Resource Development system would be evolved, use of computers would be increased and improved, public relations would be made more effective and arrangements would be made for better data storage system and net-working. Wherever considered necessary, research and development programmes in the area of social security would be undertaken.

Pending the establishment of a separate Department of Social security, the possibility of creation of an R&D wing in the Ministry would be explored.

A task force consisting of experts in the field of social security would be constituted which will examine all the issues indicated above. The recommendations of the task-force would be open to a national debate and responses would be invited from all concerned interests, academicians, social scientists and others before giving effect to the approach indicated above.”(Source: **Planning Commission.**)

From the above, it is conclusively seen that the concern of our government has been to provide social security provisions for all workmen at least if not to all the population. But legislations have been made to provide social security benefits through specialized institutes to organized workforce. Thus only roughly 10% of the working population has been provided with any type of social security. The most concerning fact is even the total organized sector is not covered under the social security programmes. Even the covered working populations at least are not fully satisfied with the existing administrative arrangements for benefit dispensation. Therefore the suggestions are made for betterment of (1) Pension Administration of

Social security Schemes like Provident Fund & Pension schemes and (2) Development of a comprehensive social security system for the entire working population if not for total population.

It is more than 75 years since the social security for the organized working class in an organized way has begun in the country, with the introduction of workmen's compensation act, 1923. The attempts made in Free India, are visible from the Employees' State Insurance act, 1948, Employees' Provident Fund Act, 1952, Maternity Benefits Act, 1976 and Payment of Gratuity Act, 1972. India has also ratified ILO convention 102 to the extent of providing social security to the working class. The Article 43 of the Indian Constitution also speak of the same. A major step towards social security has been taken for the provident fund subscribers with the introduction of Employees' Pension scheme, 1995. With all these today, in India, there are schemes like:

- Provident Fund
- Pension
- Maternity
- Medical
- Sickness
- Disability & Gratuity

However, these benefits are not reaching the total working population at least not to speak of total population. On the other side:

- Population in India is increasing day by day. India has already produced the Billionth child.
- Floodgates to Foreign investors have been opened.
- Economy is flatly liberalized, resulting in mergers, amalgamations, re-structures and closure of enterprises resulting casualising, outsourcing and retrenchments in employment
- Composition of aged population is daringly increasing in the population thereby increasing their dependency on the younger population.
- Replacement Ratios in the industry as a whole also have come down.



- Un-employment levels are alarmingly increasing
- Joint families started further disintegrating
- Agriculture in the urban fringes has come to a standstill and there is a mad rush on the cities.
- Migration of people from rural areas to urban areas s increased.
- Indian politics have witnessed more instability in the past 20 years.
- Even in the organized sector also majority of working population for example people working in small scale enterprises (Registered & un-registered) are unable to get the statutory social security benefits
- Coverage of Educational Institutions does not go with the number of institutes working.
- Roughly 40,00,000 Anganwadi Workers (as per an estimate of an NGO, 12 lakhs as per Ministry of Woman & Child Welfare) do not get any social security benefit.
- The present social security organisations like EPF & ESIC are under severe criticism from many quarters on their working.
- There are no organisation to directly monitor and review the performance i.e. of workmen compensation schemes and Maternity Benefit Schemes. Neither is there any proper funding for the Benefits.
- Worker now has to run from pillar to post to get his benefits.
- There is no awareness, at least among literate population of the social security programmes available in the country.

It is in this background India urgently needs a comprehensive social security programmes to address the issues of 400 million workers in the formal and informal sectors. Requires redesigning the existing programmes, drawing up a comprehensive social security policy, taking legislative decisions and setting up Administrative System.

#### VII (i) POLICY DECISIONS REQUIRED

1. Indian should take immediate policy decision to extend social security benefits like old age, survival medical and sickness benefits to all working population. **Social security should be made a fundamental right enforceable by law.**

2. It is urgently required to constitute a commission in the name of National Social Security Commission of India, with Prime Minister of India as its Chairman.
3. Separate Ministry of Social Security is also urgently required. Now different Ministries are running different programmes like EPF & ESIC under Ministry of Labour, Medical care by Ministry of Health, Food security by Agricultural Ministry, IRDP etc. Programmes by Ministry of Rural Development. Old-age benefits in the informal sector by Ministry of Social Justice and empowerment. The Budgetary allocations for various programmes under various Ministries, multiplicity of agencies and duplicity of benefits has become a major concern for the policy makers, therefore creation of Ministry of Social Security would be of an immense help to the needy where policy formulations, implementation and control analysis of social security would become easier.
4. Social security Budget should be introduced in the Parliament on the lines of Railway Budget.
5. Policy decisions should also be taken to involve NGOs and Panchayats in the rural areas to implement the social security policies.
6. Policy decisions should also be taken to design various kinds of schemes depending on the requirements of working population.
7. Policy decision should be taken to introduce social security as a compulsory subject of study at plus two levels at least in schools and colleges.

#### **VII (ii) LEGISLATIVE DECISIONS & CHANGES REQUIRED**

1. First and foremost in this direction is writing a comprehensive social security law-merging all the existing social security laws. This will remove much duplicity in different Acts.
2. Constitution should be amended to incorporate social security as a fundamental right.

3. Constitution of a National Commission of Social Security with Prime Minister as Chairman and Social Security Minister of (Cabinet Rank) as Vice-Chairman
4. Legislative Decisions should be taken to introduce social security budget in the Parliament on the lines of Railway Budget since it concerned roughly 40% of the population directly and entire population indirectly.

#### **VII (iii) ADMINISTRATIVE REFORMS & SET UP REQUIRED**

The Administrative set up required for the comprehensive social security system should be in tune with the policy enshrined above. The set up should be looked from beneficiary angle instead of manageability. The experiences of Employees' Provident Fund Organisation, and the Employees State Insurance Corporation (Employees' State Insurance Corporation) are now well documented and it is an agreed truth now that both the organisations failed in reaching the beneficiary on time. While the ESIC is mostly dependant on state governments for Medical Treatment dispensation, the Employees' Provident Fund Organisation, suffers from many maladies like non-timely settlement of claims, non-coverage of all coverable employees. There is also a charge on the Employees' Provident Fund Organisation, that the Senior Executives of the Organisation are not senior enough to maintain better equations with senior bureaucrats in the Central Government/State Governments, neither was there any functional autonomy for there are many as 45 areas where Central Government has a say in the day to day business of Employees' Provident Fund Organisation. (See Annexure-9) Further the officers managing the smaller offices are not mature enough to extend required leadership to the team working with them. Neither all the officers are conceptually strong nor is there any separate cadre of social security experts to deal with the sensitive issues of social security. Both the Employees' Provident Fund Organisation, and the Employees State Insurance Corporation are suffering from multiplicity of dealing hands in claim settlements and too many tiers in the process.

Keeping all these in view, it is suggested that the comprehensive social security scheme should be administered by a tripartite body with full autonomy

under the Chairmanship of Prime Minister of India. The proposed Organisation should be headed by an officer of the rank of Special Secretary to the Government of India. Minister of proposed Social Security Ministry should be the Vice-Chairman of the Board.

Every year the Union Public Service Commission should conduct a special social security service examination where syllabus is announced in advance and only those seriously interested in the social security service should be inducted into the proposed social security commission. The present system of recruiting graduates with different educational background should be given a go bye. The candidates strong in Indian Economy, Knowledge of Poverty, Demographic Science, Social Systems in the country and with legal knowledge should be recruited and trained at National Academy for Training & Research in Social Security which should be strengthened.

The Commission should have zonal offices, Regional (State) Offices, Subordinate Regional Offices at District level and at Taluk level to administer the schemes. At the same time all the hospitals in the country should come under the governance of Social security Commission and the Medical services division of the Commission should administer them. The budgetary allocation towards health should henceforth go to the social security commission.

The Commission can also utilize the Grama Panchayats and Local Bodies for reaching the beneficiary for identification and distribution of benefit amounts. The Regional Rural Banks spread all over the country can be utilized for cash benefit disbursement. While utilising the banking network in the country, one official from the staff of commission should be posted at each bank to coordinate collection of contribution and disbursement of benefits.

The total Computerisation of entire administration, opening of kiosks everywhere in the country and issue of a smart card to each beneficiary would go along way in the Administration. The smart card would eventually explore many cards like Ration Card, Voters Identity Card, and Employment Identity Card etc.

Coming to the financing of the fund under the commission to manage social security schemes:

- All the balances from Employees' Provident Fund Organisation, should be transferred
- All the balances from Employees State Insurance Corporation should be transferred
- Employers should contribute a consolidated sum towards Provident Fund, Pension, Medical, and Gratuity & Workers Compensation.
- Employee's contribution at different rates based on their wage structure would also go into the Fund.
- All Government grants for old age persons, Medical benefits, Employees Pension Scheme's Pension, subsidy and other social security schemes should also go into the Fund.

The corpus thus created should be invested properly to get better yield. The better yield only would answer many actuarial issues of the social insurance scheme like pension.

With these modifications and policy changes and decisions, the social security in India would take a real shape of social security, guaranteeing the protection to the under served tot at least to the working population if not the whole population, widows, destitute, and the people in the evening years of their life need not depend on any other person unwillingly killing their 'swabhiman'. Social security schemes designed on the above lines, coupled with a scheme of housing to the working population would conclude the requirements of a person from womb to tomb.

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