

# India: Universal Social Security - A commitment or a trickery?

Tuesday 10 March 2015, by [DHAR Sushovan](#) (Date first published: 9 March 2015).

## Contents

- [Minor gains, limited reach](#)
- [Lack of means or intent](#)
- [Hard earned rights are swept](#)
- [Budget 2015: BJP government](#)
- [Poverty Reduction by Reducing](#)
- [A paid service in the garb \(...\)](#)

The 'World Social Security Report' [1], released in 2010, by ILO reported India's dismal track-record of social security protection for its citizens. It further stated that Indians, especially the poor and the marginalized, suffers from "very high vulnerability" to poverty and informal labor practices. The report, based on a comparative study of proper health care, social assistance, pensions and unemployment benefits spoke that in India these measures are extremely modest with a large majority of population outside its coverage. Indeed, the country is yet to expressly recognize a national minimum social security cover despite Article 41 of Directive Principles [2] asking the state to "within the limits of its economic capacity and development," make effective provision for securing the right to work, to education and to public assistance in cases of unemployment, old age, sickness and disablement, and in other cases of undeserved want." Article 42 likewise directs the state to make provisions for guaranteeing just and humane conditions of work and also, maternity benefits.

In spite of the "high growth" story of the last two decades, the successive governments are unable to hide a major discomfoting fact - the current model of "economic" growth is generating insecurities for millions. It is true that a high GDP growth [3] regime has put us on the world map as one of the fastest growing economies, globally. Nevertheless, this informal service sector - led growth has been basically predatory and job destroying. [4] Therefore, the period, on one hand has witnessed a much higher degree of capital accumulation making Indian capitalists global players on the one hand, and also a higher incidence of poverty as well as inequality, [5] on the other hand.

## Minor gains, limited reach, many questions

There have been minor advances in recent times, mainly through strong campaigns and movements from below, forcing intervention by the Supreme Court as in the Right to Food case, or the implementation of partial rural employment guarantee through the implementation of MGNREGA [6]. These measures were aimed at providing nutrition and employment support backed with legal guarantees, however, a review of their performances reveal that only a small portion of the population have any "protection" at all. Furthermore, these are being eroded with the current economic growth model. The provisions of the Acts aimed at "promotion" of social security through nutrition, work entitlements for all might cheer us, but even these are being downsized with funding

cuts and further shrinkages.

### **Lack of means or intent**

The biggest disparity, and one which might only amplify, is in social protection for the working poor. A report [7] by NCEUS [8] revealed that only 8% of India's workforce enjoys social security. Around 91% of workers (amounting to 395 million workers) are in the informal sector. The figures for informal sector workers have further increased in the meantime, both in terms of absolute numbers and also as a percentage of the workforce. As of today it stands at 93.5% of the workforce. The Commission noted that the formal sector witnessed no employment growth since early 1990s. It further says "(...)the entire increase in the employment in the organized sector over this period has been informal in nature i.e. without any job or social security. This constitutes what can be termed as informalization of the formal sector, where any employment increase consists of regular workers without social security benefits and casual or contract workers again without the benefits that should accrue to formal workers." [9]

The commission's indictment that "At the end of 2004-05, about 836 million or 77 per cent of the population were living below Rs.20 per day and constituted most of India's informal economy" was solid enough to point out that the gains of growth were bypassing the vast majority of the working class. In its recommendation, the commission proposed a legislation for a national minimum security coverage for unorganized sectors including many social security measures at a cost of less than 0.5 % of the GDP. However, the government disregarded the Commission's recommendations for legal guarantee of social protection. It is important to note that this country spends 1.4 % of its GDP on social protection. One of the lowest in the continent, much lower than China or even Sri Lanka or Nepal, which has much smaller economies.

### **Hard earned rights are swept aside**

With the extreme-right Modi government in power since May 26 last year, we have witnessed an erosion of hard earned rights by the working population. The first to be guillotined was the Land Act. Just after the winter session of Parliament, with hardly any consultation, the government controversially issued a retrograde ordinance. The Modi government, infamous as a 'government by ordinance', tore apart the Land Acquisition, Rehabilitation and Resettlement Act, a hard earned achievement of decades of movements by peasants and other rural population against the forcible land acquisitions to the detriment of their livelihood and other interests. In an attempt to benefit the capitalists, the "consent clause" was drastically diluted, the compulsory social impact assessments reduced and land acquisitions were even permitted for private profit oriented schemes like private schools, private hospitals and even defense manufacture.

Secondly, to put the food-security programmes in doldrums, the deadline for the enforcement of the National Food Security Act, 2013 (NFSA) has been illegally twice extended, actually on the backs of the hungry. To add injuries to insult, recently, the Shanta Kumar committee went beyond its mandate to openly propose that this landmark legislation be scaled down to reduce the coverage from 67% of Indians to 40%. It is to be noted that the food security movement in India was demanding for a long time an universal coverage under NFSA, something that the previous government ignored as well. Shockingly, the chair of the committee has himself shamelessly revealed that the BJP which rode to power with the promise of universal food security, had always been opposed to its idea but, had insincerely postured otherwise in fear of losing votes in the elections. [10]

Likewise, plans were at first drawn to paralyze the NREGA —an indispensable lifeline for more than 45 millions families each year. While the downscaling attempts are temporarily stalled, the government continues to sabotage the law silently and cunningly. Funds for the programme are capped and rationed in such a manner that 72% of the wages disbursed in 2014 were delayed beyond the stipulated 15 days. Poverty-stricken workers who often are in hand-to-mouth conditions can barely afford to wait. States such as Bihar, with high poverty rates, have suffered the most with a 44% diminution in NREGA employment provided last year. This starts a vicious cycle of further fund cuts.

However, a number of economists, including the chief economic advisor to the government, Arvind Subramanian [11] has argued that public spending necessitates an increase to overcome the slowdown. India is also the world champion in social under-spending in spite of having world's largest number of underfed, illiterates and landless citizens. Even a paper [12] prepared by the IMF staff was forced to admit that reducing inequalities through redistribution leads to faster and more durable growth. And the scale of India's inequality is atrocious. Credit Suisse Global Wealth Report 2014 [13] points out that the wealthy 1% of Indians own 49% of the country's wealth and the entire bottom half are forced to make their ends meet with a meager 5%. Yet, under the Make in India corporate crusade, Rupees 8 billion is assigned for defense expenditure, but the Rupees 3.3 billion for NREGA that employs one-third of rural India is reduced to a trickle. Now, 330 million Indians could be further denied subsidized food grains if the Food Act is axed.

### **Budget 2015: BJP government proposes universal social security system**

While presenting the Annual Budget for the Government of India, the Finance Minister, Arun Jaitley on February 28, announced a few social security schemes. This he hopes will lead to a universal social security system for all, especially the poor and the underprivileged. The schemes are expected to be rolled out on the platform of the Pradhan Mantri Jan Dhan Yojana (PMJDY - Prime Minister's People Money Scheme), under which over 125 million bank accounts have been opened in the past nine months. Besides, the government will utilise the vast postal network with nearly 154,000 points of presence spread across the villages of the country to reach out to the intended beneficiaries. Another scheme, Pradhan Mantri Suraksha Bima Yojana (Scheme for Accidental Death Insurance) would cover accidental death risk till Rupees 2, 00, 000 for a premium of just Rupees 12 per year that will be debited from their bank account under the PMJDY. Atal Pension Yojana (Pensions Scheme), which will provide a defined pension, depending on the contribution and its period; the government will contribute 50% of the beneficiaries' premium limited to Rupees 1,000 each year, for five years, in the new accounts opened before December 31, 2015. The third social security scheme, the Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY - Scheme for life insurance cover), will provide a cover of Rupees 2,00, 000 against both natural and accidental death, at a premium of Rs 330 per year, or less than one rupee per day, for people in the 18-50 age group. [14]

Both the Indian and the foreign media - a large part of it is actually owned by big business corporations - are gung-ho in their praise for these budgetary measures. This is touted as a measure in line with the ruling Bharatiya Janta Party's poll promise of "good days are coming" and something that could lift millions out of endemic poverty. The bourgeois politicians, the industrial houses and their media can echo the finance minister's "exuberance. Do we need to feel equally elated?"

### **Poverty Reduction by Reducing Budgetary Provision on Social Protection**

A closer inspection of the budget reveals a blanket diminution of government expenditure on social

protection and social security. For the first time, funding for MGNREGA have fallen below 2% of total government expenditure. Like wise expenses on education, health, rural and urban housing, women and child development, welfare of Scheduled Castes, Scheduled Tribes and minorities have faced severe cuts. The budgetary provisions for the implementation of the National Food Security Act has been increased by a paltry 1.6 %, an insignificant allocation vis-a-vis the requirements. Moreover, the Shanta Kumar Committee has recommended a curtailment of the National Food Security Act outreach and the restructuring the Food Corporation of India and. Therefore, the government's mission to ensure Universal Social Security and poverty "elimination" is prey to its own budgetary reduction of funds. We could only hope that in the days to come, instead of a robust poverty reduction measure, the current measures would ensure a further elimination of the poor.

### **A paid service in the garb of Universal Social Security**

The government commits Rupees 12 billion for the purpose of creating a "universal social security system". Firstly, calling this a "system" is highly dubious. Contrary to the nomenclature, the "universal social security system" do not entail a comprehensive social security protection policy. These are set of schemes announced with vested interests and also with an extremely limited outreach. As opposed to genuine pro-people initiatives, these populist measures would hardly cover 12 million people or about 2.5% of the working population.

In fact, in the name of ensuring 'universal social security system', the government is indirectly pushing people from guaranteed health-care and retirement benefits by state run agencies like the Employee State Insurance or Employees' Provident Fund towards the private sector. The aim is twofold - reduce state fundings in the long run and ensure that workers pay for the services and also, further privatize the fields of health-care and pension. This is going to have serious repercussions in the days to come as the government's objective is not to create a system of universal social security but to universalize, in every sphere of economic life, the principle of capacity to pay and ability to pay. [15]

The "universal social security system" floated by the Modi government would be remembered in history as the universal hoax that attempted to fool the people of this country.

**Sushovan Dhar**

*Footnotes*

[1] World Social Security Report 2010/11: Providing coverage in times of crisis and beyond International Labour Office - Geneva: ILO, 2010

[2] The Directive Principles of State Policy are guidelines/principles given to the central and state governments of India, to be kept in mind while framing laws and policies. These provisions, contained in Part IV of the Constitution of India, are not enforceable by any court, but the principles laid down therein are considered fundamental in the governance of the country, making it the duty of the State to apply these principles in making laws to establish a just society in the country.

[3] 7% - 9% during 2000-07

[4] for more details on this issue see - Amit Bhaduri, "Predatory Growth", Lecture delivered at the Dept. of Economics, University of Calcutta, Kolkata, March , 2008. Mihir Rakshit, "Services- led Growth: Indian Experience" ICRA bulletin, Money and Finance, February 2007 and Mihir Rakshit, "Macroeconomics of Post Reform India" Oxford University Press, New Delhi, 2009.

|5| A steep increase inequality -both absolute and relative - in income distribution.

|6| An Act to provide for the enhancement of livelihood security of the households in rural areas of the country by providing at least 100days of guaranteed wage employment in every financial year to every household whose adult members volunteer to do unskilled manual work.

|7| Report on Conditions of Work and Promotion of Livelihoods in the Unorganised Sector, National Commission for Enterprises in the Unorganized Sector (NCEUS), January 2007, New Delhi.

|8| The National Commission for Enterprises in the Unorganized Sector (NCEUS) is a national body commissioned by the Indian government in 2004 to address the issues faced by enterprises in relation to the unorganized sector and especially, to look into livelihood conditions and social security for unorganized workers — employed in the unorganized sector and those in the formal sector without any social protection.

|9| Page 4, Report on Conditions of Work and Promotion of Livelihoods in the Unorganised Sector.

|10| BJP was opposed to National Food Security Act, says former food minister Shanta Kumar, The Economic Times, January 23, 2015:

[http://articles.economictimes.indiatimes.com/2015-01-23/news/58382911\\_1\\_national-food-security-act-vote-security-shanta-kumar](http://articles.economictimes.indiatimes.com/2015-01-23/news/58382911_1_national-food-security-act-vote-security-shanta-kumar)

|11| Budget 2015: Economists want PM Modi to step up public spending, The Economic Times, February 7, 2015:

[http://articles.economictimes.indiatimes.com/2015-02-07/news/58902696\\_1\\_panagariya-finance-minister-arun-jaitley-niti-aayog](http://articles.economictimes.indiatimes.com/2015-02-07/news/58902696_1_panagariya-finance-minister-arun-jaitley-niti-aayog)

|12| Redistribution, Inequality, and Growth, Jonathan D. Ostry, Andrew Berg, Charalambos G. Tsangarides, IMF Research Department, April 2014

|13| Credit Suisse Global Wealth Report 2014, Zurich, October 2014

|14| The Finance Minister's budget presentation as reported in various media.

|15| New Trade Union Initiative (NTUI) statement : Budget for the rich to get richer and throw crumbs to the poor, New Delhi, 2 March 2015

---

## **P.S.**

\* "Universal Social Security - A commitment or a trickery?", 9 March:

<http://cadtm.org/Universal-Social-Security-A>