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Social Protection to Mitigate Poverty: Examining the Neglect of India's Informal Workers

SANA SATPATHY

ABSTRACT Social protection is crucial in tackling extreme poverty and ensuring equitable development, thus catalysing the transition to a more stable and robust economy. About 50 percent of India's economy hinges on its informal workers, who comprise 90 percent of the country's total workforce. Yet, these informal workers continue to be excluded from current social-protection schemes, leaving them with no social or financial safety net and trapping them in poverty. Social-protection policies and schemes targeted at informal workers, such as those under the Unorganised Workers' Social Security Act, 2008, have failed due to legislative shortcomings, inadequate budgetary allocations, and poor implementation. This brief examines the key deficiencies in public social-protection systems in India and offers policy recommendations to arrest such weaknesses.

(This brief is part of ORF's series, 'Urbanisation and its Discontents'. Read the other papers in the series here: https://www.orfonline.org/series/urbanisation-and-its-discontents/)

INTRODUCTION

Wealth inequality continues to plague India: in 2017, up to 670 million Indians—the poorest half of the population—witnessed only one percent increase in their wealth, while the richest one percent absorbed 73 percent of the national income.[1] Moreover, about 22 percent of India's population live below the poverty line,[2] and over the last few decades, the so-called "trickledown" economics[3] has demonstrably failed to empower the poor. Chronic poverty and wealth inequality persist because marginalised populations face

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vulnerability impelled by factors such as unemployment, social exclusion, ailment, disability and market fluctuation.

Social-protection policies and programmes are paramount in tackling these issues. In addition to enhancing labour-market efficiency and providing income security to the poor and vulnerable, they address multiple facets of poverty by building resilience against socioeconomic crises and shocks, e.g. health hazards, disability, unemployment and old age. Through mechanisms such as social insurance, direct cash-transfer schemes and public work programmes, social protection provides safety nets for the poor and helps them mitigate risks. According to the World Bank (2015), social safety nets reduce the poverty gap by 15 percent and the poverty headcount rate by eight percent.[4] As highlighted by the International Labour Organisation (ILO) and the G20 forum, social-protection systems act as self-regulating economic stabilisers, boost employability and fortify aggregate domestic demand, thus facilitating the transition into a more formalised economy.[5]

The economic structure in India is largely defined by the character of its labour force, which is marked by heterogeneity, self-employment and informality. At over 90 percent of the total workforce, informal workers are not merely the fringe, but the norm that contribute to 50 percent of the national income.[6] This predominance of informal workers suggests high susceptibility and low levels of social protection in the country, given the lack of adequate institutional provisions and the absence of social agency for such workers. While India has numerous policies regarding social security— with extensive coverage in domains such as education, healthcare, employment generation, food security and social pensions— most protective and preventive social-security legislations serve only the organised economy. Social-security programmes dedicated to the economy's unorganised sector, such as the Public Distribution Scheme or the Mahatma Gandhi National Rural Employment Guarantee Act, are primarily promotive in nature. Although they strive to provide income and nutritional security to workers, they do not prepare them for contingencies and threats. Consequently, the larger segment of the Indian workforce is not equipped to absorb socioeconomic shocks. The introduction of the Unorganised Workers' Social Security Act (UWSSA) in 2008 was a pioneering policy initiative aimed at amending the situation. However, a decade after the Act was passed, the social-security needs of workers in the unorganised sector remain unfulfilled due to massive structural and statutory drawbacks.

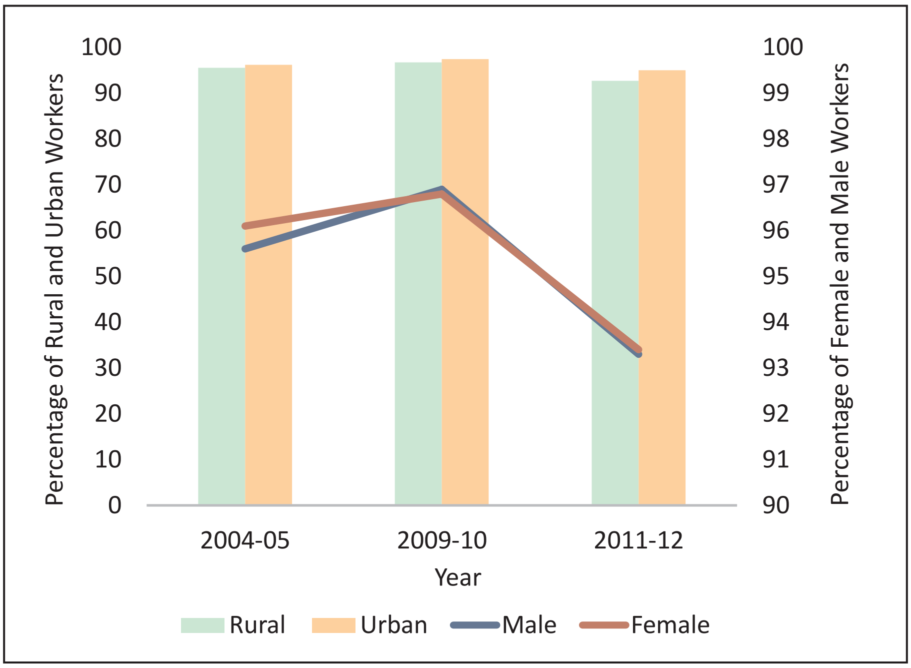
THE PLIGHT OF INFORMAL WORKERS IN THE ORGANISED ECONOMY

Since the adoption of the Constitution in 1951, India has instituted various protective social-security schemes for its organised sector, with comprehensive acts for pension, health insurance, disability, and maternity benefits, among others. Policies such as the Employees' Provident Fund (EPF) and Employees' State Insurance Scheme (ESIC) guarantee steady social security to both private- and public-sector employees. In theory, these policies should be applicable to both formal and informal (casual or seasonal) workers within the organised sector. However, in practice, their reach is limited to formal workers with long-term contracts. The proportion of informal workers in organised manufacturing more than doubled between 1990 and 2012, from 15.6 percent in the late 1990s to 34.7 percent in 2011–12. Yet, only 79 percent of such workers had written contracts and only 23.8 percent were entitled to social-security benefits.[7] According to the 68th National Sample Survey, 93.3 percent of the informal workers in organised non-agricultural and AGEGC (agricultural work excluding crop production) activities were not entitled to any form of social security during 2011–12.[8] Data from preceding years (See Graph 1) show equally poor figures, suggesting that there has been no significant change in the condition of informal workers since 2005. Most daily-wage labourers in the organised sector suffer from poor working conditions and scanty wages. They are inordinately prone to occupational hazards, especially those working in construction, mining or chemical factories. Their high exposure to risks and low incomes warrant special social-protection systems, not negligence.

THE UNORGANISED ECONOMY AND INEFFICIENCY OF UWSSA, 2008

The unorganised sector in India has its own hierarchical and heterogeneous structure; those at the bottom rungs are engaged in subsistence occupations, in domains such as farming, construction work, transportation, street-vending and domestic work. Although workers in the unorganised sector are often completely dependent on the government for social protection, they are not effectively covered by the statutory provisions applicable to those in the organised economy. Historically, the government's social-protection efforts have been biased towards the organised sector, as it is perceived to add a higher quantum of value to the economy and has a standardised structure that makes it simpler to administer schemes. On the other hand, informal workers are commonly considered low-skilled or

Figure 1. Percentage of Informal Workers (in the Organised Economy) Not Entitled to Any Social Security Benefits



Source: 68th National Sample Survey, 2011–12.

unskilled and the unorganised sector parasitic, underperforming and not contributing significantly to the government's tax income. The sector's perceived lack of merit—coupled with its unregulated and variegated structure—has caused it to be neglected in most policy provisions. The lack of universal public social-protection schemes for unorganised-sector workers keeps them entrenched in poverty and perpetuates their dependence on the privileged sections of the economy. It strips them of their autonomy and further weakens their position in society.

In light of this inequity, the National Commission for Enterprises in the Unorganised Sector (NCEUS), led by economist Arjun Sengupta, proposed two draft Bills (for agricultural and non-agricultural workers) in 2007, with a comprehensive set of recommendations based on inputs from trade unions. The NCEUS also submitted a report on Social Security for Unorganised Sector Workers in 2006.[9] The NCEUS' submissions aimed to regulate the employment and conditions of service for unorganised-sector workers and provide for their social security, health and welfare. The UWSSA, 2008[10] was a result of the NCEUS' report.

The NCEUS' recommendations included rights-based social-security measures for workers in the unorganised sector and advocated the creation of a national social-security scheme, to offer minimum social-security benefits on a contributory basis. These included health and maternity benefits and old-age pensions, proposed to be formulated by the central government; and provident fund, employment injury benefits, housing, and educational schemes for children, proposed to be formulated by state governments. The NCEUS also propounded the constitution of a national social-security fund. However, the Bill introduced and passed in Parliament diverged significantly from the NCEUS' draft Bills and overlooked many germane points (see Table 1).

Table 1: The NCEUS' Draft Social Security Bills Vs. the Bill Introduced in Parliament

Draft Bills Proposed by the NCEUS	Bill as Introduced and Passed in Parliament
Two discrete and comprehensive Bills for agricultural workers and unorganised non-agricultural workers	A single Bill with no distinction between agricultural and non-agricultural workers
Addressed both social-security benefits and conditions of work (including physical conditions, duration and payment of wages)	Addressed only social-security benefits
Proposed that governments implement a mandated national minimum social-security scheme	Omitted the term "national minimum" and ruled out any adherence to mandates
Submitted that the national- and state-level boards be responsible for formulating as well as executing the schemes and programmes	Limited the role of national- and state-level boards to advisory
Propounded the establishment of a national social-security fund and submitted an estimated budget outlay of INR 33,000 crores (330 billion) for 2008	Did not include a national social-security fund or any budget estimates, calling for the financing to be addressed only as and when the schemes are formulated
Recommended a dispute-resolution council and conciliation committees at district levels	Overlooked the subject of dispute resolution

Sources: Draft Agricultural Workers' Conditions of Work and Social Security Bill, 2007, NCEUS; Draft Unorganised Non-agricultural Workers' Conditions of Work and Social Security Bill, NCEUS; Unorganised Workers' Social Security Act, 2008.

The UWSSA was meant to function as the principal legislation catering to the social-protection needs of the unorganised sector. Notwithstanding the fact that the UWSSA may be considered a revolutionary policy for India's unorganised sector, the Act remains substantially limited in its scope and implementation for the following reasons:

- The Act is inconclusive in determining the ambit of its salient features. The term "social security" is not alluded to anywhere in the Act, and the terms "unorganised worker" and "unorganised sector" are loosely defined, with extensive ambiguities in their interpretation.
- The term "social security" appears to have been supplanted with the term "welfare," with several mentions of welfare schemes for the unorganised sector. This causes the nature of the schemes to be charity-based instead of rights-based, and discretionary instead of obligatory.
- In defining "unorganised worker," the Act excludes agricultural and contract labourers, thereby excluding a significant share of the unorganised sector from its coverage. Further, the Act limits the definition of "unorganised sector" to enterprises employing less than 10 workers. The reason for this numerical limit is not explained anywhere, and the restriction violates Article 14 of the constitutional "Right to Equality," as there cannot be any judicious distinction between workers in establishments that employ less than 10 people and those in establishments that employ more than 10.[11]
- The Act fails to deliver universal social protection to workers as mandated by the Constitution of India as well as by subject-matter experts at the ILO. It confines the coverage of most schemes to a small section of unorganised workers who fall below the poverty line. Most of the urban unorganised workers are not below the national poverty line but are still considerably indigent, with no social security or currency. Moreover, the Act does not address the special needs of migrant workers, women and other disadvantaged groups.
- While the Act has instituted national- and state-level social-security boards, it does not allocate any institutional power to these boards and restricts them to an advisory role. The lack of an efficient mechanism for administering or monitoring the schemes impedes the implementation of the Act.
- The Act does not assign any accountability to officeholders in District Administration, who are responsible for the registration of unorganised workers. Additionally, there is no penalty for defaulters.
- Finally, the Act does not address the need for a proper funding mechanism, and the lack of a financial plan raises serious questions about the credibility of the initiative.

Central government schemes under and beyond the UWSSA, too, have failed to secure the lives of workers in the unorganised sector, and studies focusing on the efficacy of such schemes have established their inadequacy. For instance, a study published in 2017, in the *Journal of Social Science and Medicine*, ascertained the failure of UWSSA's largest scheme—the Rashtriya Swasthya Bima Yojana (RSBY)—in easing the monetary burdens of workers. RSBY was launched in 2008 with the aim of offering inpatient medical insurance up to INR 30,000 for a family of five living below the poverty line. Despite over 41 million families (about 150 million people) being registered under RSBY, the study concluded that by September 2016, there had been no significant reduction in out-of-pocket expenditure for these families. On the contrary, the probability of the patients incurring both inpatient and outpatient expenditure increased by 30 percent. The study further found that RSBY increased non-medical expenditure by five percent.[12] Likewise, the Atal Pension Yojana (APY) launched in 2015 had reached less than two percent of India's unorganised workforce by January 2018. The APY is a contribution-based pension plan that enables workers to obtain an amount between INR 1,000 and INR 5,000 per month after retirement, contingent on their contribution to the scheme for over 20 years or more. Despite the scheme's expansion strategies, by January 2018, it had only eight million beneficiaries, accounting for less than two percent of India's unorganised workers.[13]

Several state governments have introduced health-insurance programmes to facilitate improved access to quality healthcare for 'below poverty line' (BPL) families, with coverage ranging from INR 100,000 to 200,000. Some of the notable initiatives include the Rajiv Aarogyasri Scheme (RAS) in Andhra Pradesh, the Mukhyamantri Amrutum (MA) Yojana in Gujarat, the Chief Minister's Comprehensive Health Insurance Scheme (CMCHIS) in Tamil Nadu, the Chief Minister's Distress Relief Fund (CMDRF) in Kerala and the Chief Minister's Relief Funds (CMRF) in Rajasthan.

To some degree, these schemes have been instrumental in reducing the financial burden of healthcare on informal workers. They are, however, principally concentrated on surgeries and tertiary care or injuries from natural calamities, which constitute a relatively minor portion of the healthcare expenditure of the poor. Moreover, most state health initiatives are targeted only at BPL families, thus excluding many disadvantaged informal workers, particularly in urban areas.

INADEQUATE BUDGETARY ALLOCATIONS

While workers in the organised sector of the economy—formally employed by government or private entities—are covered by social-protection schemes facilitated by their employers, the unorganised sector is entirely dependent on public expenditure. India currently spends a meagre 1.3 percent of its GDP on public social-protection programmes (excluding healthcare), which is significantly lower than the global average.[14] Successful welfare economies, such as European social democracies, spend at least 20 percent of their GDP on social protection, in addition to their significant expenditure on healthcare. Further, India is amongst the lowest spenders within Asian countries.

If promotive and welfare schemes are excluded, the portion of social-protection budget spent to insure unorganised-sector workers is even lower. Between 2012 and 2018, the average union budget outlay for major social security schemes in India was 0.07

Figure 2. Public Social Protection Expenditure (Excluding Health) by Asian Countries as a Percentage of GDP

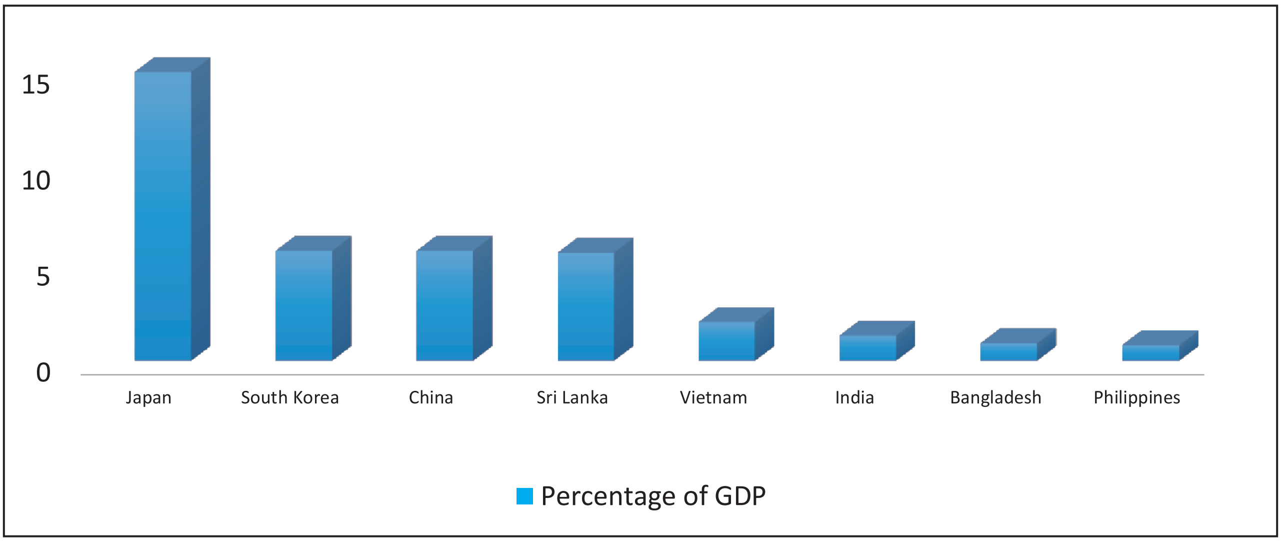
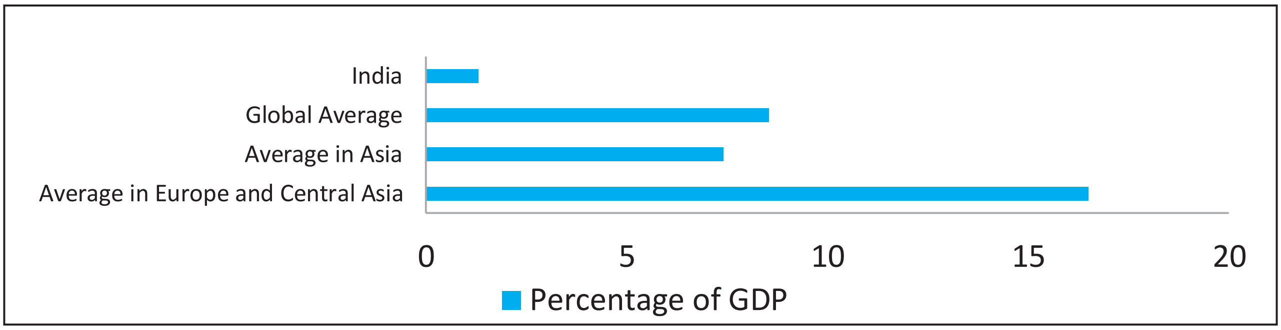


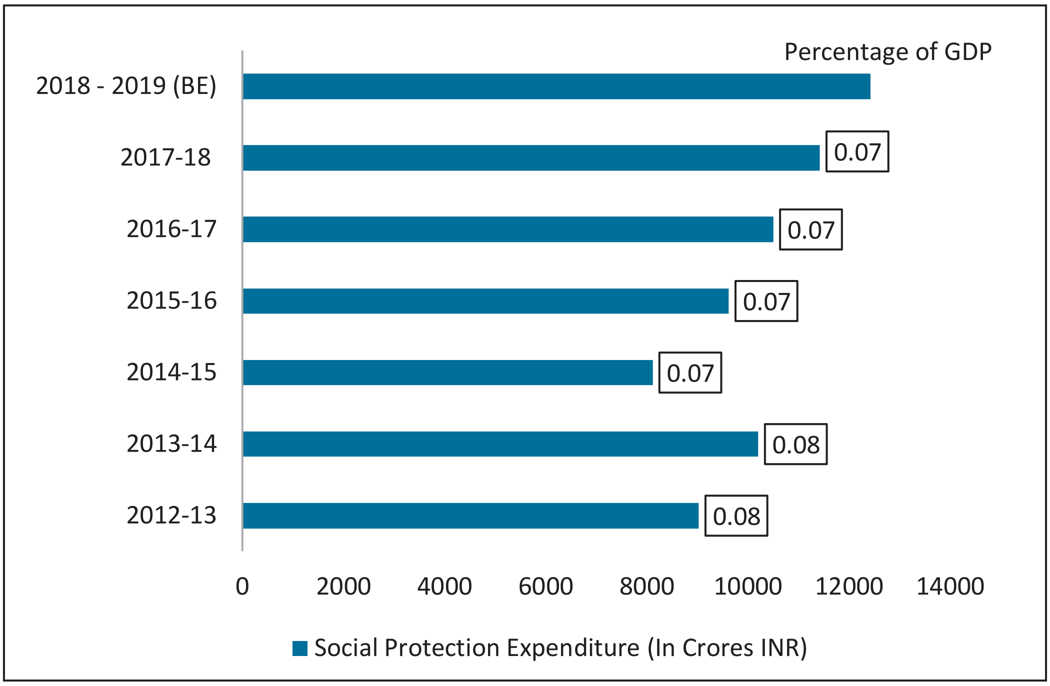
Figure3. Global Public Social Protection Expenditure (Excluding Health) as a Percentage of GDP



Source: World Social Protection Report 2017–19, International Labour Organisation.

percent of the GDP (accounting for 0.57 percent of the total budget expenditure). This amount includes the expenditure to create the National Platform of Unorganised Workers as well as key schemes under the UWSSA, such as the RSBY, National Social Assistance Programme (NSAP) and Aam Admi Bima Yojana. It also involves independent schemes such as the APY and the Pradhan Mantri Jeevan Jyoti Bima Yojana. In 2017–18, the budget estimate for expenditure on these schemes was merely INR 11,425 crores (114.25 billion), whereas India's unorganised workforce accounted for approximately 46.8 crores (468 million).[15,16] In the 2018–19 budget, this expenditure is estimated at INR 12,500 crores,[17] suggesting no real improvement in allocations. These figures demonstrate that the provision for social security in India is highly discriminatory. Whereas private-sector employees and civil servants are statutorily entitled to comprehensive benefits and pensions through their employers, provisions for the unorganised sector are arbitrary and substandard. This widens inequality in the economy by ensuring that privileged populations with relatively high standards of living continue to have life-long social security,

Figure 4: Total Union Budget Outlay for Major Protective Social-Protection Schemes in India



Sources: Union Budget Analysis Tool 2017–18, Centre for Budget and Governance; Accountability and Budget Provisions, Net of Receipts and Recoveries, 2018–19.

while daily-wage labourers susceptible to instabilities in the market remain unprotected and vulnerable for life.

POLICY RECOMMENDATIONS

To optimise the impact of its social-protection policies and programmes and ensure their extensive coverage, India must introduce radical legislative and administrative modifications. Important measures include the following.

- The UWSSA, 2008 necessitates fundamental amendments with reference to its scope, definitions and provisions. The Act should redefine the term "unorganised worker" to include all those who are not formally employed in the organised sector or covered by the EPF and ESIC, including agricultural and contract labourers.

- The Act should declare universal access to social-protection schemes for all unorganised workers, regardless of whether they fall below the national poverty line. Bearing in mind the high volume of informal and unorganised workers in India, it is important to note that the repercussions of exclusion errors are significantly more problematic than those of inclusion errors.

- The term "social security" should be addressed in the Act, with comprehensively defined expectations and guidelines to serve as baselines for minimum social security and appropriate working conditions in the country.

- Given the insufficient budget outlay for social-security schemes over the last decade—only about 30 percent of the budget recommended by the NCEUS was allocated—a dedicated social-security fund, with demarcated budgets and thoroughly drafted financial plans, should be considered in consultation with trade unions.

- The national and state social-security boards must re-examine their structures and roles to ensure accountability and the efficient implementation and monitoring of the schemes at the district and sub-district levels.

- The Act should allow for a tiered feedback and grievance-redressal mechanism in sustained collaboration with trade unions, such that dispute settlements and policy revisions are based on participatory planning.

Further, state governments should seek to improve their social-protection delivery systems, by partnering or consulting with experts from the ILO and other international agencies. Given their research and experience across countries, international organisations can help India leverage global best practices and create frameworks for better delivery and improved quality of services. For example, through its flagship programme on social-protection floors, ILO can provide specialist knowledge and technical support to design, implement and scale social-protection delivery systems, while also inspiring inclusive dialogue. These collaborations can be commenced as pilot initiatives in a few states, and subsequently replicated nationwide.

To encourage enrolments and expand the coverage of programmes, the schemes must incentivise workers and disseminate information constructively. A greater integration of non-contributory schemes (where the funds can be sourced from levy and collection of cesses) with the contributory ones—especially for pension plans—can encourage more registrations by guaranteeing a basic level of financial cushion for those who cannot afford to save for contributory funds. Moreover, health-insurance schemes covering outpatient expenses, in addition to inpatient expenses, can motivate enrolments and increase tangible impact. Currently, the RSBY focuses on secondary care, and most of the state-government schemes cover only tertiary care. This restricts the protective impact of health-insurance schemes, since 74 percent of the out-of-pocket expenditures are made towards primary care and medicines, not hospitalisation.[18] In an effort to tackle this issue, the newly commenced Ayushman Bharat Yojana—which aims to cover over 10 crore poor and vulnerable families, with an annual coverage up to INR 500,000 per family—can extend its scope to include primary healthcare. In line with successful state programmes such as the RAS and the CMCHIS, other state- and central-government schemes must seek to conduct free health camps or screening camps through network hospitals.

To preclude leakages and delays, many social-security programmes have been assimilated into the Direct Benefit Transfer Scheme (2013), allowing for funds to be credited directly into the beneficiaries' bank accounts. However, this initiative has been rendered ineffectual, since a significant portion of informal workers do not have individual bank accounts, especially women in low-income households, for whom it often takes a step as serious as a domestic-violence lawsuit to create their own bank account. As per the World Bank's Global Financial

Inclusion Database (2018), 11 percent of adults in India do not have bank accounts, and almost half of the existing bank accounts were inactive in 2017.[19] Moreover, as the informal sector is predominantly cash-based, most workers prefer liquidity.[20] Often, many are incapable of operating their bank accounts despite having one.[21] To realise the benefits of direct cash transfers, it is crucial to impart financial literacy to informal workers through structured educational programmes. There should also be due diligence to ensure the utilisation of bank accounts. Further, it is important to leverage alternative avenues for disbursements, such as cashless treatments in hospitals.

Finally, the government must employ advanced-monitoring and performance-evaluation techniques to track the progress of schemes and ensure that all relevant data regarding their implementation is available in the public domain. The integration of technology-enabled data-collection systems—such as remote sensing, GIS and mobile applications—with effective analytics and an online database can ensure that the updates on programme developments are timely and accurate. Additionally, data pertaining to the progress of schemes can be audited and analysed by third-party agencies empanelled by governments, thereby enabling relative neutrality in performance evaluation.ORF

ABOUT THE AUTHOR

Sana Satpathy is a consultant with Tata Trusts in Mumbai.

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20, Rouse Avenue Institutional Area, New Delhi - 110 002, INDIA
Ph. : +91-11-35332000 Fax : +91-11-35332005
E-mail: contactus@orfonline.org
Website: www.orfonline.org