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Introduction

Social protection and social security have very limited coverage in India. This reality has not changed since independence, one of greatest failures of the development strategy India adopted in the early fifties. The labour force is predominantly unorganized. As much as 91 per cent of the labour force are in informal employment, i.e. without any social insurance we estimated from the NSO's Periodic Labour Force Survey (2017-18) (Mehrotra and Parida, 2019). This is barely down 2 percentage points from 93% in 2011-12 (NSO's 68th Round). In fact, regardless of the growth rate of GDP, this high share of informality in the workforce had not changed until 2012, and when it fell recently, it did so by merely 2 points. The rest 9 per cent of the workforce has varying levels of social security in the form of provident fund, paid leave, medical insurance and other benefits.

This extremely high degree of informality should be a matter of concern in an economy that prided itself, till 2019, to be the fastest growing large economy in the world, the fifth largest economy in the world at market exchange rates (just behind the USA, China, Japan, and Germany), and the third largest in purchasing power parity terms. This high degree of informality can only be found in Sub-Saharan Africa, and nowhere in any of the G20 countries (ILO, 2018).

The sheer neglect of this aspect of well-being of India's workforce among India's policy-makers (and most middle-class people who seem to take the informality of over 90% of India's workforce for granted) is reflected in the fact that till 2004-5 we did not have any estimate for what share of our workforce was informal. This is despite the fact that labour force surveys in India have been regularly conducted nearly every five years since 1973-4.

Informality of the worker is defined by the ILO as mainly if the worker has no access to social security.[1] In India if a unit is covered under the Employees' Provident Fund Organization (EPFO) and Employee State Insurance Corporation (ESIC), then it is considered part of the organized sector. These are the workers counted among the 9% of the workforce that is formal. Rest are informal. Lack of any form of social security for this vast majority of unorganized sector workers can very easily lead to a crisis like situation as the outbreak of COVID-19 has already shown.

This paper examines critically the provision of social security for the labour force in India, particularly that for the unorganized sector and identifies areas which need legal intervention in the context of drafting of the Code on Social Security (currently underway). We will be concentrating on informal sector workers mostly in this paper. The terms unorganized sector and informal sector are interchangeably used throughout this paper (though informal workers without social insurance exist also in the organized sector, e.g. the workers working for short/long periods, but on limited contracts, or workers hired through labour contractors).

Even seven decades after attaining independence only formal sector employees in India comprising of government sector, public sector undertakings, listed corporate sector and few private enterprises have access to certain social security provisions. This is primarily because social insurance in India, and in many other developing countries, is founded upon the

[1] The 15th International Conference of Labour Statistics (ICLS), 1993, which is the source of the System of National Accounts (SNA93) definition, had defined the informal sector as 'units engaged in production', 'generating employment and incomes', displaying a 'low level of organization', and relying on 'casual employment', 'personal and social relations', 'rather than contractual arrangements with formal guarantees'. It is 'consisting of units engaged in the production of goods and serviceswith the primary objective of generating employment and incomes to the persons concerned. These units typically operate at a low level of organization, with little or no division between labour and capital'. However, this definition was concern with the characteristic of economics units, not the characteristic of jobs. Hence the 17th ICLS (2003) provided the guidelines for informal jobs as those which: "the employment relationship…is not subject to national labour legislation, income taxation, social protection or entitlement to certainemployment benefits (advance notice of dismissal, severance pay, paid annual or sick leave, etc.)'. (ILO, 2018).

anachronistic notion, based upon the experience of industrialized countries, that presupposes an employer-employee relationship is in existence, and both contribute towards the social insurance fund, which then meets the insurance needs of the beneficiary.

However, often nearly half the workforce in emerging market economies consist of self-employed own-account workers: of all informal employment in developing countries, 50% in Africa, 43% in the Americas, 39% in Arab States, and 46% in Asia/Pacific are own-account. An additional significant share of informal workers are contributing family workers (unpaid): 17.5% in Africa, 7.8% in Americas, 1.6% in Arab states, and 18% in Asia. How are they to ever aspire to social insurance?

Notably, of all informal workers in developing countries, the remainder are employees (and employers: 30% in Africa (2.7% employers); 45% in Americas; 54% in Arab states; 34% in Asia (2.2%). For them, since an employer-employee relationship does exist, there is no question that the standard model of employer and employee based contributory social insurance has to be built into the architecture of an universal social insurance system. However, for the own-account the model has to be different altogether

Presently, Government of India is in the process of drafting Code of Social Security which incorporates eight existing social security legislations. It is expected that the Code on Social Security should aspire to provide universal social security for its entire labour force. However, the current draft (the third since 2015) does not have any such aspiration.

One problem with India’s labour laws has been how numerous they are. In 2014, there were 45 central labour laws, in addition to the about 100 or so state labour laws (given that labour law is a concurrent subject under the Indian Constitution). This creates several problems for both employers as well as workers. In fact, it has been argued that in addition to their multiplicity, India’s labour laws have the characteristic, cumulatively, that they seem to have been formulated, almost by design, on the principle of thresholds of worker numbers in enterprises, i.e. each time a firm crosses a threshold, new laws become applicable to the enterprise. Arvind Panagariya (2013:5) best captured the complexities of India's labour laws in these words,

> "The labour situation is incredibly complicated: when you go from six workers to seven in a firm, the Trade Unions Act kicks in. When you go from nine to ten, the Factories Act kicks in. And when you go from 19 to 20, something else kicks in, as happens again when you go from 49 to 50 and 99 to 100. The biggest killer is the Industrial Disputes Act, which says that if you are a manufacturing firm with 100 workers or more, you cannot dismiss any of them under any circumstances unless you get prior approval from the government."

The Government of India has taken two sets of actions over 2015-2020 to address this situation of too many labour laws. First, it began by repealing 10 of the 45 central labour laws, thus reducing their number to 35. Second, in the last few years it attempted to amalgamate several labour laws into four Labour Codes. The first on Minimum Wages was passed in 2019. The remaining three are still with Parliament, under consideration by the Standing Committee on Labour: on Industrial Relations, on Occupational Health and Safety, and the last on Social Security.

This last labour law proposal seeks to amalgamate eight existing labour laws including Employees' Compensation Act, 1923; Employees’ State Insurance Act, 1948, Employees‘ Provident Funds and Miscellaneous Provisions Act, 1952; Maternity Benefit Act, 1961; Payment of Gratuity Act, 1972; Cine Workers Welfare Fund Act, 1981; Building and Other Construction Workers Cess Act, 1996 and Unorganized Workers‘ Social Security Act, 2008. The Code proposes few new initiatives like social security for unorganized sector workers and insurance and health benefits for gig workers.

Section 1 spells out the problems with the current ways in which the Indian state has attempted to provide some semblance of social insurance to informal workers in India. What we find is that it is a highly fragmentary system, leaving out millions. Even the most recent efforts since 2014 are only a slight improvement upon what existed, and what has been attempted reflects no vision for eventually complete coverage. Second 2 then examines the latest effort in the Social Security Code, which merges eight existing laws, and finds the Code wanting. Section 3 then goes on to present a series of principles that must guide the preparation of a Code on social security for all workers, organized and unorganized. Section 4 spells out the architecture of this system of social security. The final section concludes.

1. The Current Components of Social Insurance for Workers in Unorganised Sector

Social security consists of two categories of support to workers: first, social assistance, and second, social insurance. Social assistance (i.e. assistance in kind or cash) should be provided to those unable to work (for example, the old and indigent, disabled, poor widows) or those who are unable to earn enough from work to guarantee a basic income or consumption level, and social insurance to those able to work but who have little access to a safety net that is normally available in the organised sector: old age pension, maternity benefit, and death and disability benefit, as also health coverage. The central and state governments have historically traditionally provided social assistance in kind (for example, kerosene and grains under the Public Distribution System, or a cash grant for rural housing through the Indira Awas Yojana (since 2014 called the Prime Minister's Awas Yojana (PMAY) for those below the poverty line (BPL), but very little social assistance in the form of cash transfers, whether given conditionally or unconditionally.[2]

We must note here that the identification of those households which are below the poverty line has been justifiably an extremely vexed issue. Suffice to say that a census based on a superior method to identify the deprived households was conducted over 2011-13, which yielded a list of households deprived by seven directly observable and verifiable criteria.[3] No method is likely to be perfect, and identification of targeted beneficiaries has remained a contentious issue globally.

[2] There are only large scale cash transfers, but neither of them are universal. There is the maternity benefit cash transfer, available from 2009 to 2016 in 52 districts, to BPL pregnant and lactating women of Rs 6000 just before and after the time of childbirth (Indira Gandhi Matritva Sahayog Yojana); its name was changed to PM Matritva Vandana Yojana from January 1, 2017, when it began to be given to all BPL women in India, though its amount was reduced to Rs 5000, and now given to only one child, rather than two children (as until 2016). The second, started February 2019, just before the 2019 elections: this involves a cash transfer of Rs 6000 in three instalments to only owner-cultivator farming families. Called PM KISAN, the cash transfer is given to all landowners, regardless of how much land they own (though with some exclusions). Incidentally, it is regressive since it excludes landless labour and tenant farmers, and all other rural poor, and of course does not apply to urban poor at all. What makes it particularly regressive is the fact that if a household has two brothers (i.e. two families), both are given a cash transfer of Rs 6000 per annum.

However, a new list of such households has been available since 2015 (as it took a year to finalize the data analysis).

We begin by describing what kind of social insurance is currently available in India for those in the unorganised sector: old age pension, death and disability (or life) insurance, health insurance and maternity benefit in India.

1.1 Old age pension

Under the National Old Age Pension Scheme (NOAPS), old age pension of INR 75 per month was provided to persons of 65 years and above who are destitutes (since 1996) in rural areas. However the centre increased this pension to INR 200 a month for 2006–07 onwards and reduced the age of eligibility to 60 years. The central government has unfortunately not increased this amount although 14 years have elapsed since the amount was fixed, effectively eroding the real value of the pension. Normally states supplement this with an equivalent amount. The objective of NOAPS is to extend financial assistance to elderly poor having little or no regular means of subsistence.[4] In general, it has succeeded in giving them a sense of security in life and has definitely improved their quality of life. This old age pension is non-contributory in the sense that the beneficiary has not contributed any premium over his or her lifetime.

This pension was available only to BPL elderly destitutes (until November 2007). However, from April 2008 its coverage was increased to include the entire over 65-year old BPL population. Note that although this is called an old age pension scheme, it is not really connected

[3] For a detailed discussion of the methodology, in which I was directly involved as member-secretary of the NC Saxena expert group, led to a design that was incorporated into the Socio-economic and Caste Census (SECC) that has been the basis for identifying beneficiaries for state and central government programmes. See discussion in section 4 of this paper.

[4] Unfortunately, the NOAPs beneficiaries are still identified using an extremely flawed methodology adopted by the Ministry of Rural Development, Government of India, in its Census of rural households in 2002. This has been repeatedly criticized for its large inclusion and exclusion errors (see chapter 12, “Minimising leakages in welfare programmes”, in Mehrotra (2016).

to one’s earlier work status as a worker in the unorganised sector. However, the presumption is that all these BPL elderly were in fact workers in the unorganised sector.

The coverage grew from 2.94 million persons in 1995–96 to 6.7 million in 2002–03, and 8.7 million in 2006–07. As criteria for inclusion changed from destitute BPL to all BPL (April 2008), the numbers increased to 21.4 million by 2011–12, but confined to rural areas. We have estimated that this number is 28 million in 2019-20 (Mehrotra and Parida, 2020).

Its coverage was also increased to include disabled persons, and also all widows above the age of 40 – an action that was triggered by the outbreak of the global economic crisis of 2008, and the fiscal stimulus put in place by the central government. The widow pension started in 2009 at ₹ INR 200 per month, for widows belonging to the BPL category in the age group 40 to 79 years. The number of beneficiaries was 3.4 million in 2010–11 and 3.6 million in 2011–12. We estimate that number increased to 5.6 million by 2019-20 (Mehrotra and Parida, 2020). The state governments were advised to provide a matching amount, and the total pension received by widows now varies by state, as state governments added different amounts.

At least 2.3 per cent of the total population of India is estimated to be disabled, according to National Sample Survey data, which puts the total official number of disabled in India at 18.5 million in 2002 (an underestimate as per the IHDS). All persons with disabilities of 80 per cent or above or multiple disabilities of 40 per cent each and higher belonging to the BPL category get ₹ INR 200 per month from 18 to 79 years.[5]

The pension covers about 26 million elderly, widowed and disabled, of which the elderly were 21.4 million. In India the total elderly population is about 100 million, and thus it seems that a majority of the elderly BPL are being covered though it is known that the 2002 BPL list has made exclusion errors. Pensions are especially important for elderly women, as their longevity is higher than that of men. The meager pension amounts are used for food and medicines. Many respondents in a survey in 10 states (Pal and Palacios, 2008) had to pay a bribe to get their pension released from the district administration – which underlines the need for direct transfer into bank accounts.

[5] The pension was introduced in February 2009 and covered 730,000 persons in 2010–11, and 794,000 in 2011–12.

1.2 Death and disability insurance

Death and disability insurance for workers in the unorganised sector remained limited until 2015, although there were three sets of programmes, targeting mainly the poor. These are governed by the National Social Security Board created by the central government, as provided by the Unorganised Workers' Social Security Act, 2008 (which is now to be superceded by the new Code on Social Security in 2020).[6]

A scheme of social insurance of the central government is the Janashree Bima Yojana (started 2000). The scheme covers groups of 25 members or more, belonging to *24 approved occupation groups.*[7] It provides insurance cover since 2006 of INR 20,000 in case of natural death, INR 50,000 in case of death or total disability due to accident and INR 25,000 in case of partial disability.[8] Janashree was available to 18–60 year olds living below or marginally above the poverty line. The limited reach of the schemes' benefits to unorganised workers and the absence of direct link between a beneficiary and Life Insurance Corporation (the public sector insurer) have been major drawbacks of these schemes.

Second, the central government introduced the Aam Aadmi Bima Yojana in late 2007. The members of all *rural landless households*, in the age group 18–59 are eligible. The premium of INR 200 per member is borne by the central and state governments equally. A sum of 30,000 in case of natural death, and INR 75,000 in case of accidental death are payable.[9]

A final development was introduction of a life insurance component in the two programmes of the central ministry of rural development: the rural self-employment programme[10] (through the

[6] A National Social Security Fund was created by the Central Finance Ministry with an initial allocation of `1,000 crore in 2010–11. This was a follow-up to the Act of 2008.

[7] These are: beedi, brick-kiln, carpenters, cobblers, fishermen, hamals, handicraft artisans, handloom weavers, handloom and khadi weavers, lady tailors, leather and tannery workers, papad makers attached to SEWA, physically handicapped self-employed persons, primary milk producers, rickshaw pullers/auto drivers, safai karmcharis, salt growers, tendu leaf collectors, urban poor, forest workers, sericulture, toddy tappers, powerloom workers, women in remote rural hilly areas etc.

[8] The premium for these benefits is Rs 200 per beneficiary, of which 50 per cent is contributed from the Social Security Fund of the central government, and 50 per cent by the beneficiary/state government.

[9] A compensation of Rs 75,000 are payable in case of total permanent disability and of Rs37,500 in case of partial permanent disability. The scheme also pays a scholarship of Rs300 per quarter per child for two children of the beneficiaries studying in 9th to 12th standards in case of the death of the rural landless workers.

[10] Redesigned as the National Rural Livelihood Mission, and launched in 2010.

SHGs that it promotes) and the rural wage employment guarantee programme (National Rural Employment Guarantee).[11]

It is clear that while the old age pension, widow pension and disabled pension have reached out to significant number of these categories of BPL persons, the death/disability life insurance policy coverage is very limited indeed. Hence, the new government's move in June 2015 to initiate a voluntary pension on a contributory basis, plus accidental death and life insurance for all those with a bank account is a step in the right direction. Although voluntary, it has the potential for providing social insurance to most of the population (see later for further discussion of these new developments).

1.3 Social assistance-cum-social insurance through Welfare Funds for specific worker categories: An array

We had noted earlier that India is characterised by narrowly-based and fragmented social insurance mechanisms that leave most workers in the unorganised segment of enterprises uncovered. In addition, such social assistance as exists is mostly in kind, and not in cash.[12]

In addition, central and state governments provide a variety of what are termed welfare funds, but those mostly *do not meet the criteria of social insurance* since they don't all cover old age pension, death/disability benefit, and maternity benefit, nor health insurance. There are essentially two types of welfare funds in India: tax-based ones and contributory ones. The central government has created tax-based funds for six types of mines (mica, iron, manganese, chrome, limestone and dolomite), *beedi* workers, cinema workers, dock workers and construction workers. All these funds are based on a tax levied on the products produced or services provided, and then earmarked for use of workers in that product/service group. These funds were created by acts of Parliament, and then separate legislation was passed to impose the tax.

However, the majority of these funds do not provide the key benefits that characterise social insurance – old age pension, death and disability benefits, and maternity benefits. Instead the funds defray the costs of: medical facilities and hospitals; water supply and facilities for

[11] Those who are members of SHGs (mostly BPL women) and those willing to undertake manual labour (normally only BPL adults) are entitled to get life insurance cover.

[12] The in-kind social assistance takes the form of the Public Distribution System for cereals, or mid-day meal for school children up to class 8 or for pre-schoolers.

washing; educational facilities and scholarships; housing and recreational facilities; family planning; and transportation to and from places of work. The legislation also provides that the central government can use the funds to grant a loan or subsidy to a state government for other welfare schemes for workers in that trade.[13]

Similarly, several states in India have created funds that are contributory. Kerala has 20 such funds (for agricultural workers, autorickshaw drivers, cashew workers, coir workers, construction workers, transport workers and others). Similarly, Assam has one for plantation workers, as do states of Gujarat, Maharasthra, Karnataka and Punjab. The experience with contributory funds is not encouraging (Jhabvala and Subrahmanya, 2000). Their coverage has been limited, and there have been difficulties in collecting their contributions. Krishnamoorthy and Nair (2001) report that the Tamil Nadu construction workers fund does offer group personal accident insurance and natural death and maternity assistance, but also gives assistance for education and marriage of children, and for funeral expenses. Given the limited benefits offered, the fund has accumulated large reserves. Welfare funds have historically been most prevalent in the southern and western states, though they spread in the 1990s to some extent to the north and east; nevertheless, their overall coverage still remains small.

The overwhelming impression that this description leaves is that social insurance has remained in its infancy in India, at least for unorganised sector workers, and social assistance is in the form of products or services (rarely as cash, with some recent exceptions like Telengana's Rythu Bandhu, Odisha's KALIA, and PM KISAN, all of which are for farmers). O'Keefe (2005) estimates that in the unorganised sector, less than 1 per cent of workers have any formal pension coverage through *public* schemes.[14] This number has risen in recent years to about 10%, thanks to PM Shramik Maandhan pension, discussed later. However, with India now boasting a $2.7 trillion economy, and with per capita incomes putting India in low middle income status, absence of social insurance for the vast majority of workers in informal employment should no longer be perceived as inevitable.

[13] Recently a proposal was made that the underutilised money in these funds should be used to provide vocational training and skill upgradation for workers in those industries (for example, the construction sector).

[14] Unorganised sector coverage through commercial schemes is only 1.2 per cent for personal accident insurance, 0.5 per cent for private health insurance, and 23 per cent for life insurance (O'Keefe, 2005). These numbers have changed significantly for health insurance, as we have noted. They have also been increasing for life insurance as well, as private insurers have entered the market since 2005, and public sector insurers have also expanded operations.

One other form of social assistance is the central government's minimal programme of assistance at the time of death as a one-time lump sum payment on death (introduced in 1995) to BPL households. The NFBS provides a lump sum family benefit of INR 10, 000 (increased to INR 20,000 from October 2012) to the bereaved household in case of the death (natural or accidental) of the primary breadwinner (male or female) whose earnings contribute substantially to the total household income. This scheme is applicable to all the eligible persons in the age group 18 to 64 (it was reduced to 60 years in October 2012). The bereaved household has to qualify as one *below the poverty line* according to the criteria prescribed by the Government of India (i.e., using the 2002 BPL Census, which is very problematic because of inclusion and exclusion errors, as noted earlier).

1.4 Post 2015 developments in social insurance

The new NDA central government initiated in June 2015 a programme to extend coverage of life insurance, accident insurance and old age pension on a contributory basis; both beneficiary and government contribute. Only those are eligible who open a new bank account (called the Jan Dhan Yojana bank account), so it is intended to be tied to new bank accounts being opened in public sector banks; hence, it is intended to promote financial inclusion as well.

In the Pension programme (called the Atal Pension Yojana), the central government co-contribute 50 per cent of the total contribution or INR 1,000 per annum, whichever is lower, to the eligible account holders. Eligibility is confined to those between age 18 to 40 years, and they will need to contribute until age 60 to begin receiving pension at 60. The minimum pension will be INR 1,000 and maximum will be INR 5,000 per month.The accident insurance (the PM Suraksha Bima Yojana, PM SBY) is available to those between ages 18 and 70. It involves contribution from the new bank account by the beneficiary of only INR 12 per annum, to avail of accident insurance worth INR 2,00,000.

The life insurance (also worth INR 2,00,000 paid to nominee on the death of the insured) (called the PMB Jeevan Jyoti Bima Yojana, PM JJBY) is available to those between ages 18 and 50. The assurance on the life of the member will terminate at age 55. The annual premium is only INR

330, borne by the beneficiary, and debited from the new bank account. The difference between the two insurance policies is that the second is a life insurance, regardless of cause of death, while the first (PM SBY) is an accidental death/disability insurance.

All bank accounts and pension plan, accident and life insurance are to be based on the biometric identification of the beneficiary (i.e. the Aadhar card).

A number of points need to be noted about these three new schemes. First, their total cost to the central government is unclear, or at least it has not been made public. The insurance companies that will issue the accident or life insurance policies are also in the public sector, and their costs will be met by the central government alone. The pension plan also involves co-contribution by the central government; here again the costs to the government are unclear (or at least the fiscal costs are not made public). However, the government is only committing to meeting these costs for its five year term in office.

Second, each element in social insurance is voluntary; it is not mandatory for anyone to open such a new bank account. As we noted above, the international evidence is that voluntary programmes do not work, and are not successful.

Third, it is obviously targeting those employed in the unorganised enterprises, and are in informal employment, which is clearly a very welcome move.

Fourth, it is intended to be tied to opening of new bank accounts, which is intended to promote the larger financial inclusion objective, again a very laudable one. However, whether these new bank accounts will actually remain open, or become dormant remains to be seen. There is evidence to suggest that a significant share of these accounts became dormant due to insufficient funds.

If these schemes had been working brilliantly, and leading to growing coverage of social insurance of unorganized workers, there would not have been need for yet another scheme, announced not unexpectedly, just before the general elections in 2019. This is an old-age contributory pension scheme for unorganised workers **(**Pradhan Mantri Shram Yogi Maan-dhan, PM-SYM). It covers workers in unorganized occupations whose monthly income is Rs 15,000/

per month or less and belong to the entry age group of 18-40 years. They should not be covered under New Pension Scheme (NPS), Employees' State Insurance Corporation (ESIC) scheme or Employees' Provident Fund Organisation (EPFO). Further, he/she should not be an income tax payer. It is again a voluntary and contributory pension scheme, in which the subscriber would receive: (i) Minimum Assured Pension: **a** minimum assured pension of INR 3000/- per month after 60; (ii) Family Pension: During the receipt of pension, if the subscriber dies, the spouse of the beneficiary shall be entitled to receive 50% of the pension received by the beneficiary as family pension. Family pension is applicable only to spouse.
(iii) If a beneficiary has given regular contribution and died due to any cause (before age of 60 years), his/her spouse will be entitled to join and continue the scheme subsequently by payment of regular contribution or exit the scheme as per provisions of exit and withdrawal.

As in the case of the 2015 schemes, the subscriber's contributions to PM-SYM is made through 'auto-debit' facility from his/ her savings bank account/ Jan- Dhan account. The subscriber is required to contribute the prescribed contribution amount from the age of joining PM-SYM till the age of 60 years. As of end March 2020, just 4.34 million workers had become members. In other words, this is showing again that voluntary and above all, contributory pension schemes for unorganized workers, who are often poor, rarely capture those who are most vulnerable to exogenous shocks to their lives.

So the government of India has come up with the Social Security Code 2020, which is still to become law.[15]

[15] The Code is under discussion (at the time of writing) in the Standing Committee on Labour of the two houses of Parliament. After the Standing Committee finalizes its report, it is sent to the Ministry of Labour, which should take cognizance of the Report, and make alterations to the Code or defend its current draft clauses, before finalizing, and tabling in Parliament, which is to be discussed in the Parliament.

2. Problems with the Current Code and Principles that should be incorporated in it

India needs to universalize social security; the current Code does not state this as a goal. The current Code, seeks to amalgamate eight existing social security legislations. Merging a number of Acts does not amount to an advance upon the pre-existing Acts; the objective of a single Code cannot be to merely consolidate Acts that in 7 out of 8 cases belong to the 20th century. India's labour market is changing rapidly, and those looking for work face growing unemployment. Unemployment rose post-pandemic to 27% in May 2020, more than three times what it was in 2018 (which was already a 45 year high). Although it fell post-lockdown, it is likely to stabilize at a much higher than the 2018 level, given that the economy contract in FY2021,and is unlikely to recover its erstwhile growth trajectory for several years.

At the same time, the share of informal workers remains stuck at over 90% for decades. *The 5th largest economy in the world will need to provide social security for all within the next 10 years.*

The Code demonstrates a lack of Vision. *In 20 years India will become an aging society, with 140 million persons over the age of 60 – who will (or should unless they wish not to) stop working. India should attempt to lay out a roadmap for ensuring that well before 2040, when India's demographic dividend will end, and India becomes an aging society, social security for all will be assured.* Those not working will also be living longer. The Code does not demonstrate an understanding of these issues. Laws of this kind are not prepared every few years. The current Code could lay the ground for rapid evolution of a system of Social Security (henceforth social security) for the country. India's median age is 29 today. *But from being one of the younger countries of the world currently, an aging society must build a system of social security that covers the entire working population.* That vision needs to be articulated in the current Code; that Vision is currently missing. Therefore, we suggest a list of Principles that should be incorporated in Chapter 1 (before Definitions).

2.1 Problems in the Code on Social Security for India

There are a number of problems with the proposed Code on Social Security for India's workforce.

First, the current Code should recognize that informal workers always have multiple sources of livelihood, which are evolving in response to their own needs as well as the demands of the labour market. The poorly educated change their form of employment periodically (and often within a year): they may be agricultural workers, then they may become construction workers; then, they could be selling fruits or vegetables as street vendors; then they may go back to agriculture for some months. They may turn from being such informal workers to becoming formal workers, and back again. *There is no mention anywhere in the Code of workers who are constantly (by force of circumstances) changing forms of employment, or who switch from being formal to informal.*

Second, construction workers are informal workers who also move from site to site, as buildings or works get completed. They may even move from one state to another. For Construction workers, there is central government fund, which is financed from a cess levied by the government on building companies/developers and held in the fund for use towards welfare needs of such workers. *The worker's benefits should recognize the non-fixed nature of his workplace, so that he has portable benefits.* However, for Construction and Building Workers, the current Code does not recognize that the Cess for the Fund is collected in one state, but then, as a migrant (often attached to a Contractor) he is moved to another state. Where is he a beneficiary of the Construction Workers Fund? In state 1, or state 2, or both states? It is not enough to say that the issue of portability of benefits will be resolved later through the Rules to be formulated by the Central and State governments. The portability of his registration as well as that of his benefits needs to be resolved in this Code itself.

*Third, a Social Security system cannot be dependent upon the size of enterprise, defined by number of workers. However, the Code relies upon a system of thresholds defined by number of workers employed in an establishment (e.*g. 10 workers for ESIC, 20 for EPFO). This system of thresholds that exists in existing labour laws has been retained in the Code. This is not a system that has worked for the benefit of any worker (organized or unorganized), regardless of whether the employing unit is registered under any Act or not. Gradually these thresholds will need to be lowered, at least for those who are Regular salaried workers in the non-agricultural sector, whose numbers have shot up to 104 million (2017-18), which is 40% of the non-agri workforce.

Eventually, the system of thresholds must be abandoned altogether, if we are agreed that social security is a universal right of any worker, regardless of whether he is an organized or unorganized worker.

Fourth, India's informal workforce has a significant chunk of workers are contract workers, who are supplied by labour contractors; there is even a law governing such workers (The Contract Workers' Law, 1970). They have to be recognized, and ensured that they too will be entitled to social insurance. *There is no mention anywhere of the Contract Worker, who is supplied by a Labour Contractor to a Principal Employer in the Code.* The Code needs to recognize that the Contract Worker is, and should be held to be, the responsibility of the Principal Employer by the Code. In other words, if an enterprise employs 19 workers on regular roll, while the contract workers in the same unit may not be shown, and all workers will be denied enrolment into EPFO. The same applies to the threshold of 10 workers for ESIC. That is how thresholds for entry are used to deny social security to workers. Contract and casual workers remain invisible as they remain undocumented. They are not in the pay-rolls of the principal employer. Threshold is applied based on the number of regular employees which are kept deliberately low. The Code needs to capture this phenomenon.

Fifth, previous attempts to build a comprehensive social security system have failed. India cannot risk repeating past mistakes, since there will not be another chance for years to come. Like many countries, India has tried to expand coverage of formal sector pension schemes. In the 50 years since the Employees' Provident Fund Act (1952) was introduced, coverage increased from roughly 1 percent to 9 percent (2018) of the labour force for all pensions. The Code draft does not mention the National Pension Scheme (NPS), which was adopted on 1 Jan 2004. One of its goals was that all informal workers will be able to contribute to it. The reality, however, has turned out to be otherwise. Along with the 2008 Act on social security for Unorganized Workers, there has also been the NPS, both of which failed to provide for unorganized workers. In the current Code we have one final opportunity.

The implication is that the Code should lay out first and foremost the principles that must underlie a social security system in India. These are principles underlying the Vision for a Social Security system for India in the 21st century.

2.2 Ten Principles of Social Security that need incorporation in the Code

The Code should begin with a statement of principles which have guided the preparation of the current code.

1. Universality of coverage of the entire workforce.

The first principle that the Code needs to recognize and set out is that India has a Vision to ensure universal coverage of Social Insurance. All workers, regardless of which sector they work in (agriculture, manufacturing, non-manufacturing industry or services); or how old they are; or whether they are organized or unorganized sector workers – they will be eventually covered and social security provided to them. No such Vision is currently stated in the present version of the draft Code.

2. Incremental coverage

If 91% of workers are without social security, universal coverage cannot be achieved overnight. Incremental coverage will be achieved in two ways: a. Expanding the coverage of employees into the EPFO and ESIC, through contributory social security; b. Establishing coverage of unorganized sector workers incrementally but rapidly to ensure that all such workers will be captured within a 10-year time frame, at most.

3. Poor treated differently from non-poor

The poor (as defined by a national poverty line) will be, for this Social Security code, be treated differently than the rest of the population who are non-poor for purposes of financing their social security. To clarify, the poor will not be expected to contribute until their incomes rise above the poverty line beyond a minimum flat amount (e.g. say Rs 1000) per annum towards the accumulated fund. The organized sector workers at the top end of the wage distribution in the workforce are already part of a contributory system of social security, where both employer and employee contribute to the EPFO and ESIC. Meanwhile, the rest of the unorganized workers, who are non-poor, should be expected to contribute towards their social securtiysocial security, with some contribution from government (both state and centre) on a declining scale as the incomes of such unorganized sector workers rise. Since many among those who work in the unorganized sector are themselves employers, they could be expected to contribute more towards their own social securitysocial security.

4. Unorganized workers defined

Unorganized workers should be defined clearly and comprehensively in the Code, so that not a single type of such worker gets excluded. (The current definitions in the Code are unclear.) The current draft of the Code risks confusing different types of such workers. Unorganized workers should be defined as those who are either a) working in unorganized enterprises; or b) those who are informal workers (i.e without social security) in the organized enterprises. Category a. should include: i. self-employed, consisting of three types: a. employers; b. unpaid family labour; and c. own account workers; ii. Casual wage workers; and iii. Regular wage workers, but without a written contract and also without social security. Regular wage workers might be working for employers who are not themselves registered. In addition, regular workers could be working as informal workers, without social security, in organized enterprises that are registered. In other words, nearly half of organized sector workers lack any access to EPFO or ESIC, since they are contract workers. These are standard official terms (regular workers, casual workers, self-employed), used by the National Sample Survey organization and ILO for purposes of classifying workers. These terms should be adopted.

5. Register establishments and workers

All establishments should be registered on a mandatory basis, and workers working for them should also registered by the same enterprise. (Clause 3 does state: “All establishments to which this Code applies will be required to be registered within such time as prescribed by the Central government.”) However, there are 64.6 mn enterprises in the non-agricultural sector alone, along with at least 130 million owner-cultivator farmers. Does this Code apply to them all? Moreover, there is no connection drawn between registration of establishments and the registration of workers. (The latter figures in clause 113 of the draft Code, while registration of establishments is in Clause 3). The Code should explicitly state that "failure to register by the unorganized enterprise will be a punishable offence"; and that "failure to register their workers by unorganized establishments will also be a punishable offence". As we note later, the registering authority of the government, for both establishment and worker should be an expanded version of the EPFO. No country of the world has multiple organizations registering workers and enterprises, as is being proposed in the current Code.

6. The fragmentation of the Social Security system across the unorganized sector must end.

The idea is not that the organized sector social securitysocial security finances will be converged with thesocial security system for the unorganized sector, and there will no cross subsidization of the unorganized workers by organized workers (a goal that was opposed by established trade unions when the earlier 2018 draft was discussed by government with the trade unions). That had led to the collapse of talks, and the draft had to be abandoned in late 2018. However, the current draft does not deal with the extreme fragmentation of the unorganized sector social security system, limited as it is in the first place in coverage, with 91% of the workforce remaining without any serious social security. There is neither any recognition of state governments' own welfare funds. Central and state governments provide a variety of what are termed welfare funds, but those often *do not meet the criteria of social insurance* since they don't all cover old age pension, death/disability benefit, and maternity benefit, nor health insurance.

There are essentially two types of welfare funds in India: tax-based ones and contributory ones. The central government has created taxbased funds for six types of mines (mica, iron, manganese, chrome, limestone and dolomite), *beedi* workers, cinema workers, dock workers and construction workers. All these funds are based on a tax levied on the products produced or services provided, and then earmarked for use of workers in that product/service group. These are mentioned in the current draft of the Code. These funds were created by acts of Parliament, and then separate legislation was passed to impose the tax. *It is critical that these cess-based* *funds are merged into one fund, a National Fund for Unorganized Workers, at least for all central funds created by the national Parliament.* Merging of the welfare funds should take into account the fact that some funds are operating better than others. So existing acheivements should not be rolled back with centralisation but rather it should build on the best operated funds.Only that will reduce the fragmentation. Similarly, several states in India have created funds that are contributory. Kerala has 20 such funds (for agricultural workers, autorickshaw drivers, cashew workers, coir workers, construction workers, transport workers and others). Similarly, Assam has one for plantation workers, as do states of Gujarat, Maharasthra, Karnataka and Punjab. To reduce this fragmentation, state governments may over time also have to merge their funds into the National Fund for Unorganized Workers, which could be mentioned as a long term goal, in the second phase. In other words, the Vision has to be clearly articulated in the current Code. The idea is to end fragmentation, and ensure a pooling of funds.

7. Mandatory Social security. Social Security for all 466 million workers in India's workforce will become mandatory over time, and not voluntary.

In other words, the enactment of the social security Code into an Act will make social security mandatory for the currently included, but within a period of 10 years, all unorganized workers of all varieties in whatever sector (agriculture, manufacturing, non-manufacturing industry, services and all types of workers whether casual or regular wage workers or self-employed) will be covered by social security. The implication is that regardless of sector – agriculture, manufacturing, non-manufacturing industry (except construction), and services – all unorganized workers will be contributing into one fund, which is the Unorganized Sector Social Security Fund.

8. Define Social Insurance clearly. Social security is a broad category, consisting of social insurance (confined to three types of benefits) and social assistance.

The Code will apply only to social insurance, and not to social assistance. The three types of benefits under social insurance consist of: old age pension; death and disability insurance; and maternity benefit. (The definition of 'social security' in Chapter 1 (clause 2, sub-clause 70) is therefore correct.)

9. Health insurance is not to be considered as part of Social Security or Social Insurance.

The reason is that, while ESIC (which started in 1952) may remain an exception, the objective of social security is not to ensure health services. That should remain the function of the state (central and state governments together): to ensure that all citizens, as a right and without exception, should have access to free preventive, primary and basic curative care, through general tax revenues, and not through an insurance mechanism. This is the objective of India's National Health Policy 2017. Post the COVID19 pandemic, it is critical that the state expands spending on health services for all citizens, to ensure primary and basic curative care to all. There is no reason to include health services as part of social insurance. Health services are a public good and basic right of citizens, and should be provided by the state largely from general tax revenues. The fact that the Indian state has failed in making this a right, and still is not committing to universalize basic health services, despite the fact the National Health Policy actually commits to this goal. Ayushman Bharat, an extension of the Rashtriya Swastha Bima Yojana (started in 2008), has simply increased the amount of hospitalization coverage expenses covered from Rs 30 000 to Rs 500 000 per family of five for poor households.

10. Registration of establishments

This term has been defined in a descriptive way, rather than a conceptually clear way. A definition can never be clear or self-explanatory if it attempts to list a number of items. This is especially true for 29 (a) and (b), which lists so called "establishments".

The current Code merely wants "Every establishment to which Code applies" to be registered. It does not recognize that there are over 64.6 million establishments in India, both registered and un-registered, in the organized and unorganized sectors. We estimate this from three sources taken together: a. Annual Survey of Industries (for organized); b. Unincorporated Non-Agricultural Enterprises 2015-16; and c. Economic Census, 2014. Of the unorganized sector establishments, over 43 million (or 67.7%) are unregistered anywhere, under any Act. Only 31% of the unorganized establishments (or over 19.5 million) are registered, but under different Acts which have nothing to do with social security (Mehrotra and Giri, 2019). Clearly, the Code does not recognize the problem of the millions of establishments that are not registered anywhere. In other words, if the establishments themselves are not registered, the goal of ensuring unorganized workers of all kinds are provided with social security cannot be achieved.

All establishments, without exception, should be required to be registered for the purposes of this Social Security with one body, which should be responsible for social security in India, for all types of workers. We have to reduce transaction costs of registering all enterprises as well as all workers. This could be done by harnessing the infrastructure set up for the formal sector (EPFO, NPS, ESIC) as much as possible. This includes systems of recordkeeping and account maintenance as well as management of funds.

The implementation of such a comprehensive social insurance for the BPL population would also require the registration of all unorganised sector workers. These registered workers would have their Aadhar identity cards (biometric card) seeded with the registration number. The Unorganised Workers' Social Security Act, 2008, already provides for the issuance of an 'identity card' (a document or certificate) to an unorganised worker (i.e. in enterprises employing less than 10 workers) by the district administration. The Act also provides for the constitution of a National Social Security Board, chaired by the Labour Minister, with representation of both workers and employers in the unorganised sector. Similarly, the Act provides that every state government shall constitute a State Social Security Board. These Boards should be responsible for registration of unorganised workers, using the bio-metric identification Aadhar. In other words, the institutional structure for rolling out a social insurance system exists. These Boards have been recognized in the Code on Social Security 2020.

3. **Further remarks on the Social Security Code and the way forward**

Social Security Organizations

No country in the world has multiple organizations governing social security, including large, populous, federal countries. Having multiple organizations implies that the implicit vision underlying the Code is a continuation of the fragmented system of social security that currently exists. (The government of India's proposed Code will have multiple social security Organizations governing the administration of social security in the country.)

There is no need for multiple organizations across India for social security; no requirement for a National Social Security Board (NSSB), 29 State Social Security Boards (SSBs), State Building Workers Welfare Boards, EPFO, ESIC, etc. There is need for comprehensive, universal social security for all 466 million workers of India, provided by one body. In a federal country like India, it is inevitable that such a body will have a hierarchical structure, with arms and legs spread across the length and breadth of India, but reaching down to the village Gram Panchayat level and Urban Local Body Ward level. What this means is that the responsibility of registration and implementation should rest with an expanded version of the EPFO/NPS. While the funds of "organized" segment of workers will remain separate from the fund for the "unorganized" segment of workers, for purposes of administration of social security in India they will be one body, with several levels at central, state, district and sub-district level.

The Organized Sector: EPFO and ESIC

1. There is no requirement for separate organizations for EPFO and ESIC. They should be part of one organization, as mentioned above.
2. We know that ESIC is currently sitting on very significant reserves of funds, amounting to 0.5% of GDP. The Governments of India and states together spend annually on health services only 1.15% of GDP, an amount that has barely changed for three decades. This is less than most low income developing countries currently spend. China's government has been spending over 2% of GDP on health services for years, and its GDP is four times as large as India's (although its per capita income was the same India's when China began its economic reforms in 1979). The Covid pandemic has demonstrated that India has to spend a much larger sum of money on health services. The ESIC infrastructure (hospitals, dispensaries, medical personnel) that is available could be utilized to enable expansion of health services for the general population. At the same time, care can be taken to ring-fence the ESIC funds accumulated for organized worker facilities.
3. A. The wage ceiling of Rs 15000 for EPFO and Rs 21 000 for ESIC is a way to keep out slightly higher wage earners. How are they supposed to access Social Security (defined as old age pension, death/disability insurance, maternity benefit, or hospital cover)? Are those earning more supposed to be covered by the National Pension Scheme? The government needs to ask itself this question; and if yes, what is the answer?

> > In addition, the number of workers threshold of 20 for EPFO registration for enterprises and that of 10 workers for ESIC registration is precisely one way that employers use to exclude their enterprises and workers from EPFO coverage in the first place and ESIC coverage in the second case. As we noted above in the Principles, there can be only one social security system in the country, not two, let alone several.
>
> If the government is planning to keep these thresholds in terms of workers, then rest assured that we are perpetuating a system whereby employers are incentivized to understate the number of workers to escape the EPFO and ESIC contribution, which also lead to greater informalization of the workforce.

Gratuity

Under current law, Gratuity is payable only if a worker works continuously for 5 years with the employer. If that system continues then there will be an incentive in the private sector to terminate employees before 5 years are over. Currently 15 days wages are to be paid by the employer to the employee if the employee leaves after 5 years. If the employer manages to terminate the employee before 5 years are over, no Gratuity becomes due. Further, there remains the threshold of ten or employees to be covered under Gratuity Act 1972. That ensures that significant number of employees are outside the purview of this Act. Contract and casual employees are not eligible for gratuity under the Code. Gratuity should be made universal and threshold limit should be dispensed off.

Also, there should be no such rule as continuous employment for 5 years for a Gratuity liability to arise for the employer. For each year the employee is with the employer, the employer should be required under this Code to deposit 15 days wages towards Gratuity.

Maternity Benefit

Maternity Benefit for 26 weeks is extended to organized sector workers. Again the threshold comes into the picture as maternity benefit is applicable to establishments employing ten or more workers. This implies that in practice there is no maternity benefit for the entire informal sector workers. There is maternity benefit for the poor mothers who are given Rs 5000 (plus Rs 1000 for institutional delivery) which is outside this Code.

But what about maternity benefit for all the millions of women in rural and urban India, who may not be poor? Has the government of India has decided that only women in the organized sector and only poor women should receive some maternity benefit? Clearly, the Code on Social Security must eventually attempt to cover all women with maternity, especially those who are just above the poverty line, and incrementally and eventually growing to cover the entire population.

Building Workers

1. The Code provides for self-assessment of cess by the developers and building companies. However, the self-assessment method is subject to abuse by building companies. Therefore, it should be mentioned in the Code that the self-assessment be subject to audit by professional accountants/auditors who are familiar with the building/construction industry.
2. There is little recognition in the government of India (and that lack of recognition is demonstrated by the Code) of the real problem underlying the accumulation of cess-funds in the Construction Building Workers Fund (which, by last count, had grown to INR 40 000 crores). Building workers are usually migrant workers from rural areas of the same state or other states. Often they work in one or many states, where the cess contribution is collected, but require benefits in another state where they may now reside. The Code does not recognize this problem. The States' construction workers welfare boards do not provide benefits to workers who come to the state for short periods of time – a frequent phenomenon in a building industry in which labour is at the mercy of building labour contractors. *The way to resolve this problem is that the government (and hence the Code) must provide for a mechanism for the creation of a Clearing House between states, so that funds that are due to the beneficiary are transferred back to the state of origin of the migrant worker. Also there should be an arrangement for perspective portfolio planning*

> *for funds available with state construction boards. Pension constitutes a benefit which has huge future liability attached to it and financial planning is required to account for that. Otherwise, the fund which apparently seems plenty now would exhaust itself in near future.*

Social Security for Unorganized Workers: The Coverage and Architecture

The Code must state explicitly that, along with the construction/building workers, the workers in unorganized enterprises as well as informal workers in organized enterprises, together constitute 91% of the total workforce of India. Therefore, they must **all** be covered by social security eventually. This ambitious goal needs to be part of the Code. Secondly, the goal should also be stated that the Indian state will gradually, incrementally cover unorganized workers broadly in the following manner: **start by covering the poorest** and most vulnerable workers in each of the three economic sectors of the economy:

> a. in agriculture, the landless labourers and small and marginal farmer (that will capture nearly 90% of the 205 million engaged in agriculture). That means that coverage of medium and large size farm owners will be expected to be covered later, but on a contributory basis.
>
> b. in manufacturing, the most labour intensive sectors (textiles including handloom, garments, food processing, leather, and wood and furniture), who account for 30 million workers (or 50% of the total manufacturing workforce of India), who are mostly in unorganized sector units.
>
> c. in the services sector, the wholesale and retail trade workers (a sector that employs about 42 million workers, or nearly 30% of the services workforce), and transport workers (employing 21 million workers or nearly 15% of the services workforce). These are among the poorest and most vulnerable workers.
>
> In other words, the principle that should be stated in the Code is that the poor among the 91% of the workforce will be covered first.

The Code should also state that most of these poor unorganized workers (listed in item 1 above) will not be able to make more than a token annual contribution of more than INR 1000 per annum towards their SS Fund (as under the current Atal Pension Yojana). The rest will be covered from general tax revenues. In other words, such poor unorganized workers will not be contributing (other than a token sum) towards their own pensions, death/disability insurance, and maternity benefit.

Finance

The Code must show recognition of the foundational problem with financing social insurance for the unorganized workers who are poor, especially those who are Own Account Workers (who account for 69 million workers) and the Casual workers(rural or urban, who are an additional 63 million), is that they are unable to pay on a regular basis any contribution. If that had not already been obvious to the government, it has repeatedly been made obvious by the multiple schemes that a series of governments have adopted over the years - without much increase in coverage. Taking into account the Tendulkar poverty line estimate of the share of India's below the poverty line as 22% (prevailing in 2011-12), this segment of the population should be provided social security mainly at the cost of the central and state governments of India.

There have been schemes a-plenty: in previous governments, as well as under the current government (the Atal Pension Yojana, Shramyogi Mandhan). In order to incentivize people to enroll in this scheme and widen its reach, the government announced that it would co-contribute 50% of the total contribution or ₹1,000. Unfortunately, the take-up of these schemes has been limited. For those poor unorganized workers that live from day-to-day, accumulating barely any savings, it is impossible to expect them to contribute to an old-age pension, or to think of such contingencies as death or disability during their working life. But these workers will also age. Therefore, they will also deserve social security today as well as on retirement. They can only be funded by the state and central government taken together.

We suggest a design to keep the fiscal costs down for the central and state governments. The design supports broad coverage as a core objective. Consistent with this objective, minimum contributions by beneficiaries are low, benefits are very modest. But the fiscal costs can be kept down in the following way. The design can link a basic defined benefit to a minimum contribution history; the contribution of the informal worker should, quite literally, be very minimal. However, to supplement resources, we suggest that there should be provision for a "family binding" provision, whereby for the poor, the pension eligibility of a contributor already over pensionable age (we estimate there are 28 million below poverty line in 2019-20 who are over 60 years) is determined by whether the contributor’s adult children contribute to the new system (not for the parent, but themselves). In China, this financing structure provides the flexibility for communities with additional resources to provide more generous benefits while guaranteeing a minimum level of basic benefits through central and state government financing (Palacios, 2012).

For the remaining population of workers (i.e. the non-poor), the social security will be financed mainly through contributions of the employer, and of employee (for regular workers); and by mainly the self-employed entrepreneurs themselves at the top end of the income distribution, on a voluntary basis. (These design elements should be incorporated into the current draft of the Code, so that the goal and ambition of covering the entire workforce over the next 10 years is explicitly recorded.)

Concluding remarks

India will become an aging society after 2040, when its demographic dividend will be over. Over 90% of its workforce does not have any social insurance today. When it becomes an aging society, this young society (of 2020) will become an aging society, with the elderly also living longer. Is today’s bureaucratic leadership and India’s political class, almost all of whom will have not only pension, and are armed with death/disability insurance cover, quite apart from maternity benefit, seriously thinking that over 90% of today’s workforce that is working today will still be working?

The demographic dividend is a time when the share of the dependent population falls, i.e. those defined as under-15 and over-65. India’s dividend is still around for another 20 years. It is a once in a lifetime-of-a-nation opportunity, that will never come back. If we don’t ride the wave of the dividend, and not only sharply increase GDP growth rates so as to reduce poverty, and invest heavily in the health, education and social security of the young and old alike today, we risk losing the advantages of this once-in-a-lifetime opportunity. This is the time to build our system of social insurance.

We have estimated elsewhere (Mehrotra and Parida, 2020) that the cost of providing social insurance for at least the 22% poor workforce of the country is quite affordable. We estimate that the total cost (which includes what central and state governments are already spending on various funds and maternity benefit listed above) comes to Rs 1,37,737 crores (or 1.37 lakh crores to cover all the poor elderly, the pregnant and the costs of death/disability). This amount is 0.69% of GDP in 2019-20 (i.e. at 2019-20 prices); since, we assume, this will be shared equally between central and state governments (on a 50-50 basis), the cost to all state governments together will barely be 0.35% of GDP annually; similarly for the Union government it will be 0.35% of GDP.

However, covering the poor unorganized workers will not be enough; the entire over 90% of the workforce that is informal today will have to be covered. Since all will age, and all run the risk of premature mortality/disability, and all women will bear children, we have argued in this paper that in the case of most of those whose social insurance premium costs will not be borne by the government, they will need to begin a contributory system of pensions, death/disability insurance and maternity benefit. However, it is the responsibility of governments to recognize that the role of creating this architecture of social insurance needs to be constructed by the state of India. This task is already seriously delayed, as we shown in this paper. Even now, that the challenge is not understood has been demonstrated by the lack of vision characterizing the draft law sent to Parliament by the government of India. This is a catastrophe waiting to happen upon 90% of the population of India.

In times of a pandemic like Covid-19, initiating an old age pension will even be an immediate booster to aggregate demand, when India’s economy is expected to contract, and not recover its 2019-20 GDP level for several years to come.

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