

Formalising social security for the informal sector

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During the Budget speech, the Finance minister talked about the 20-year long process of implementing the labour codes in India. These codes passed by the Lok Sabha in the previous year includes the extension of Employee State Insurance (ESI) and other social security mechanisms to gig economy workers.

This is a welcome move and successful implementation of these measures would reduce the vulnerability of these workers and provide a safety net to help absorb financial shocks. India was one of the first countries to roll out a major social security programme at a very early stage of its development, with the passing of the Employees' State Insurance Act in 1948 and the Employees' Provident Fund Act in 1952. These programmes are aimed at covering millions of factory workers across the major industrial centres, providing them with various cash benefits in the event of health and income shocks. While there have been welfare schemes over the last decade targeted at the unorganised sector, it is only now that there has been a consolidated policy effort towards addressing the gaps in social security for the unorganised sector.

India has been witnessing a steady informalisation of the formal workforce in manufacturing and services, underlined by the growth of the gig economy. While this informalisation has offered additional income-generating opportunities, the informality in the arrangement has led to employment increasingly characterised by uncertainty.

Less than half of the informal sector workers have access to any form of risk protection such as life insurance, health insurance and pensions. The Code on Social Security provides for Provident Fund, Gratuity, Employees' State Insurance and Maternity benefits, among others, for workers in the organised sector. The provisions for organised sector workers may be contrasted with the lack of clarity on provisions for unorganised

workers – the Code provides little guidance on minimum floors or the composition or the adequacy of these benefits.

The Finance Minister highlighted the plans to launch a common portal that will be used to collect information on unorganised sector workers, and use it to “formulate health, housing, skill, insurance, credit and food schemes for migrant workers.”

While the additional benefits offered by these schemes to unorganised sector workers would help, there is a need to formalise and standardise minimum floor-level provisions for unorganised workers akin to those made for formal sector workers in the Code on Social Security. The COVID-19 crisis has taught us the importance of building safety nets and it is important to learn from the experiences of the last year and formulate robust social security mechanisms for the unorganised sector in India. While the extension of ESI and other social benefits to gig workers is a welcome move, there is quite a long way to go.

(The author is head of Social Protection Initiative & Head of Research Analytics, Dvara Research)

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