ILO/EU/India/R.37

Inter-regional project: How to strengthen social protection coverage in the context of the European Union Agenda on decent work and promoting employment in the informal economy

India: A case study

Social Security Department
International Labour Office, Geneva
September 2008

Inter-regional project. How to strengthen social protection coverage in the context of the European Union Agenda on decent work and promoting employment in the informal economy. India. A case study
International Labour Office, Social Security Department – Geneva: ILO, 2008
42 p.

ISBN 978-92-2-121657-5 (print) 978-92-2-121658-2 (web pdf)

International Labour Office; Social Security Dept

Social protection / scope of coverage / poverty alleviation / India

02.03.1

ILO Cataloguing in Publication Data

ILO publications and electronic products can be obtained through major booksellers or ILO local offices in many countries, or direct from ILO Publications, International Labour Office, CH-1211 Geneva 22, Switzerland. Catalogues or lists of new publications are available free of charge from the above address, or by email: pubvente@ilo.org

Visit our website: www.ilo.org/publns

Printed in Switzerland

Contents

Page

Abbreviations iv

Acknowledgements v

1. Introduction 1

2. DWCP in India and its relationship to UNDAF and national policies 3
   - Decent Work Country Programme in India 3
   - Alignment of Decent Work Programme with national policies, plans and programmes 4
   - The relationship between decent work and the UNDAF plan 6

3. The demographic, labour market, economic and fiscal situation 11
   - Demographic trends 11
   - Economic growth 14
   - The labour market 14
   - Poverty and vulnerability among informal workers 16

4. Contributory schemes, social security policies and programmes for organized-sector workers 19
   - Provident funds 19
   - Health insurance 20
   - Gratuity 21
   - Maternity benefits 21
   - Compensation for work-related accidents 21
   - An assessment of contributory schemes 21

5. Non-contributory schemes: Social security schemes for unorganised-sector workers 23
   - National Social Assistance Programmes 23
   - Social insurance 24
   - Health insurance 25

6. The role of social security in addressing poverty: A critical review 27
   - The implication of inadequate access to formal social security 28

7. Conclusions 32

References 41

Abbreviations

BPL	Below Poverty Line
CPOs	Country Programme Outcomes
DWCP	Decent Work Country Programme
ESI	Employees State Insurance Act
GDP	Gross Domestic Product
ILO	International Labour Office
IMR	infant mortality rate
JBY	Janashvee Bima Yojana (Scheme)
NREGS	National Rural Employment Guarantee Scheme
NSSO	National Sample Survey Organization
OBC	Other Backward Classes
SCs	Scheduled Castes
SHGs	Self-Help Groups
STs	Scheduled Titles
UHIS	Universal Health Insurance Scheme
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme
UNICEF	United Nations Children’s Fund

Acknowledgements

This report is one of six country studies undertaken by the Social Security Department of the International Labour Office as part of the European Commission-funded project "Inter-regional project: How to strengthen social protection coverage in the context of the European Union Agenda on decent work and promoting employment in the informal economy"

The report was prepared by Rajasekhar Durgam, under the supervision of Pauline Barrett-Reid, Deputy Director of the Social Security Department. John Woodall, Regional Social Security Specialist provided invaluable support. Christine Smith edited the report and Irene Brown provided secretarial support.

1. Introduction

Studies and observations by the International Labour Organization (ILO) in many countries show that a wide range of social deficits – including not only social exclusion and deep poverty, lowered productivity, unemployment, health hazards and unmet needs for health care and illiteracy, but also broad denial of basic human and labour rights – are linked strongly to the degrading conditions in which too many women and men are obliged to work. The ILO has, therefore, adopted its Decent Work agenda, with the strategic objectives of the promotion of rights at work, employment for all men and women, social protection and social dialogue. [1] Although these have been the focus of ILO's work for the last 80 years, the decent work agenda makes an attempt to bring them all together in one framework. [2] By bringing the different components of decent work together, the ILO hopes to bring out the complementarities and conflicts between them more clearly than in the past. Organizationally, the decent work framework aims to promote greater consistency and coherence in the ILO's substantive work (Ghai 2002: 2). It also aims to provide an integrative framework for policy-making and a platform for external dialogue and partnership with other multilateral organizations and civil society (ILO 2001: 4).

The question of how the concept and indicators of decent work should be applied and prioritized in countries with different levels of development has prompted much discussion. [3] The structural and institutional differences in developing countries have also brought the universal validity of decent work into question. As a tool to achieve decent work at the national level, Decent Work Country Programmes (DWCPs) have been developed by the ILO for a number of countries. These programmes define and prioritize the goals to suit the national level of development and other country-specific particularities. The two basic objectives of DWCPs are (i) to promote decent work as a key component of national development strategies, and (ii) to organize ILO knowledge, instruments, advocacy and cooperation at the service of tripartite constituents in a results-based framework. DWCPs also aim to provide a policy instrument and guidelines for member states to implement these programmes, and to build institutions to carry them forward and successfully monitor and evaluate the results. [4]

In this paper, the focus will be on one of the components of decent work, namely, the provision of social security for workers in the unorganised sector, for the following reason. Social security (protective measures to assist households and people facing severe shortages in income and basic survival needs owing to different work-, health- or family-related risks) is a very important instrument for the well-being of workers (especially for those in the unorganized sector) and their family members, as well as those too young, old or unable to earn an income for a variety of reasons. Unorganized-sector workers in India account for over 93 per cent of the total workforce in India. Although this sector makes a significant contribution to national wealth, unorganized-sector workers do not have sufficient and reliable access to social security.

[1] For detailed discussion of these objectives, see Ghai (2002; 1-19).

[2] The Director-General of the ILO first proposed the decent work concept as a unifying framework and a central priority for the Organization in his Report to the 87th Session of the International Labour Conference in June 1999 (Ghai 2002; 1).

[3] For a discussion on challenges and limitations of indicators see Ghai (2002) p. 9f.

[4] http://www.ilo.org/public/english/bureau/program/dwcp/.

This paper is presented in five chapters. In the first chapter, the DWCP for India is examined in relation to social protection provision as one of the ILO strategic objectives and its relationship to the United Nations Development Assistance Framework (UNDAF) national development plan and the recent five-year plan. In the second chapter, the demographic, labour market, economic and fiscal situation of the country is examined to bring out the importance of provision of social security to the Indian workforce. After examining the status of the contributory and non-contributory social security schemes in the country in Chapters 3 and 4, we will draw the implications of availability and accessibility of social security schemes for the poverty among workers in the final chapter. Conclusions are provided at the end.

2. DWCP in India and its relationship to UNDAF and national policies

Decent Work Country Programme in India

The process of formulating a Decent Work Country Programme for India (DWCP–India) was initiated in 2003 and this was adopted on a dynamic basis in 2006. The DWCP–India focuses on the following three priorities:

1. improving opportunities for men and women, particularly young people and vulnerable groups, to engage in productive work;

2. extending social security coverage, particularly for those active in the informal economy; and

3. the gradual elimination of unacceptable forms of work.

Each priority has been elaborated in terms of outcomes with specified outputs and strategies. The aim is to reach these through strong cooperation with the tripartite partners in the country. [5] With regard to the extension of social security coverage to workers in the informal sector, the planned outputs are:

- Better access to knowledge/tools and mechanisms to address the expansion of social security, occupational safety and health, working conditions and formulation of HIV/AIDS workplace policies at national and enterprise levels.

- Support is given to key actors in health protection schemes targeting the poor, women and most vulnerable groups.

- Support is given to central/state governments, institutions and social partners to design innovative strategies, policies and programmes on social protection.

The ILO is working with a three-pronged strategy to accomplish the outputs relating to social protection. Since policies and programmes providing social protection can be observed at three levels (grass-roots, state and national), activities will be initiated at of them. At the grass-roots level, the ILO is supporting documentation of microinsurance schemes in order to highlight best practices, technical solutions and provide lessons for other schemes. At the state level, the ILO is facilitating exchange of examples and lessons learned from new and emerging health insurance initiatives, as this will help in the design and implementation processes of schemes in collaboration with key stakeholders. It will also take stock of the state-level initiatives and undertake informed assessments that will provide a comparative picture of the situation with regard to health care in general and health insurance in particular. At the national level, a draft Bill to provide a national minimum social security for the workers in the unorganised sector is pending. The challenges in the implementation of such a national scheme will be analysed with a view to provide recommendations for effective functioning of the proposed schemes. The ILO will also provide technical support to wide ranging initiatives of the Government of India and other social partners.

[5] See ILO (2008) DWCP-India for more details on the outcomes, outputs and strategies.

Alignment of Decent Work Programme with national policies, plans and programmes

The Indian Government has recognized the decent work deficits, especially the lack of social security for the vast majority of workers in the country. This is hardly surprising, given the large size of the unorganized sector workforce in the country.

In general, it is convenient to analyse the labour market of a country into two distinct components, referred to conventionally as the "formal" and "informal" economies, respectively.[6] The former is characterized by adherence to statutory regulations and provisions, including enrolment of workers in formal social security schemes, the latter by the absence of such compliance. In India, and neighbouring countries, it is usual to distinguish, instead, between the statistically-defined "organized" and "unorganized" sectors. In practice, the distinctions are rather "grey", and seldom mutually exclusive.[7] In the remainder of this document, we choose in general, for simplicity, to refer to "organized" and "unorganized" sectors.

In India, the organized sector is defined as consisting of all government institutions, and of enterprises using power and employing 10 or more persons, and those not using power but employing 20 or more persons (ILO 2000: 2). This sector is characterized by skilled labour, regular employment and remuneration, use of sophisticated technology and includes mostly registered factories and service establishments. Workers in this sector have a high level of bargaining power.

The unorganized sector comprises workers who do not have a formal and direct relationship with the employer. Consequently, they do not have access to social security. They are also unable to organize in pursuit of a common objective. This is because of constraints such as the casual nature of employment, ignorance and illiteracy, small size of establishment and low capital-investment per person employed, the scattered location of establishments, and the superior strength of the employer operating singly or in combination (GoI 2002).[8]

In 2004-05, there were estimated to be 457.5 million workers in India, of these the number of workers in organized-sector enterprises were estimated at 62.6 million (13.6 per cent) and those in unorganized sector workplaces 394.9 million (86.4 per cent). However, even in the "organized" enterprises many workers are employed on a basis which is essentially "unorganized". Thus the overall number of unorganised-sector workers is estimated to be around 395 million, accounting for about 92 per cent of the total workforce (Sengupta, 2007).

An important criterion that separates the organized sector from the unorganized sector is the availability of and access to different types of social security benefits for the workers in these sectors. The social security measures planned and implemented in India in the

[6] See Ray (1998) for a discussion on concepts and characteristics of the formal and informal sectors.

[7] Even within the same sector or occupation, there is often considerable overlap. For instance, the food industry: while many hotels and restaurants fall under the formal sector, a great many also come under the organized informal sector, and all the roadside vendors and eateries belong to the informal unorganized sector.

[8] In the official records of the National Commission on Labour (NCL), the unorganized sector in India is simply defined as the residual of the organized sector (GoI 2002). However, owing to the problems of underestimation and insufficient coverage, it is difficult to arrive at this residual estimate.

post-Independence era have been limited to organized sector workers, despite the fact that a majority of the workforce depends on the unorganized labour market for its sustenance.

In recognition of this, the Tenth Five-Year Plan (2002–07) noted that "a policy framework at the national level, on social security provisions for different groups of workers and employees, will be formulated. A legislative and administrative framework has to be created for significant coverage of the unorganized sector by social security cover. The strategy would be to motivate and encourage the State Governments to formulate and implement schemes and programmes targeted at certain occupational groups in the unorganized sector without putting any additional pressure on the budget". Towards this, in 2004, an attempt was made to introduce a contributory universal health insurance scheme for unorganized-sector workers. A number of health insurance schemes were also initiated by different state governments. A recent study commissioned by the ILO shows that 11 health insurance schemes were started by different state governments during the period 2002-07. Two or more schemes were implemented each year between 2002 and 2007, barring in 2004. Three schemes were introduced in 2006. Thus, there has been a spurt in the initiation of state-government-initiated health insurance schemes in the last five years (Rajasekhar, Suchitra and Manjula, 2008a).

The present central Government has also stated that it is "firmly committed to ensure the welfare and well-being of all workers, particularly those in the unorganized sector who constitute 93 per cent of our workforce. Social security, health insurance and other schemes for such workers like weavers, handloom workers, fishermen and fisherwomen, toddy tappers, leather workers, plantation labour, beedi workers, etc will be expanded." In order to implement this commitment in 2004, the Government constituted the National Commission for Enterprises in the Unorganized Sector (NCEUS) to look into the conditions of unorganised-sector workers, and to prepare a bill on appropriate social security benefits for them (NCEUS 2006). The Commission prepared the Unorganized Sector Workers' Social Security Bill, 2007 which is before Parliament for approval. The Commission proposed a minimum social security cover consisting of life insurance, old-age pensions and health insurance for unorganised-sector workers belonging to Below Poverty Line (BPL) households. If and when approved by Parliament, these will become the first entitlements for poor unorganized-sector workers in the country. DWCP–India has recognized the importance of this Bill, and it plans to work towards the implementation of the Act, whenever it is passed by Parliament. [9]

In anticipation of the Bill becoming law, the central Government has introduced the following three schemes into the Annual Budget of 2008–09, in order to provide social security to workers living in BPL households in the unorganized sector in a phased manner. First, the Aam Admi Bima Yojana will provide insurance cover to poor households. Second, the National Health Insurance Scheme is planned to be launched in a phased manner so as to reach 300 million people from BPL households over the next five years. Third, the Indira Gandhi National Old-Age Pension Scheme was enlarged to include all persons falling into the BPL category, which is being implemented. In the draft DWCP, the ILO has stated that it will facilitate exchange of lessons from new health insurance initiatives as this would help in the implementation of schemes, and that it would undertake informed assessments of these initiatives to provide a comparative picture of the situation with regard to health-care in general and health insurance in particular.

[9] It may be mentioned here that in the last couple of years the ILO has played a significant role in supporting the work of NCEUS by providing technical inputs, making large documentation available, undertaking studies and supporting the wide dissemination of NCEUS reports.

The Government has recognized the decent work deficits more recently in its 11th Five-Year Plan (2007–12), in which faster but socially inclusive growth [10] is the central vision. The Plan aims at the creation of productive and gainful employment and an improved quality of work for the workforce, in both the formal and informal sectors, through sound macroeconomic policies. Significantly, the need to ensure social security for all, especially those in the unorganized sector is recognized as an overarching concern. The Plan prioritizes the improvement and expansion of social security schemes as a mechanism of inclusive growth and seeks to introduce measures to achieve this.

The relationship between decent work and the UNDAF plan

The ILO has also been seeking to promote decent work through collaboration with other United Nations agencies, particularly the United Nations Development Assistance Framework (UNDAF) [11] – India (2008–12). The purpose of the Framework is to assist the Government in attaining its targets (UNDAF 2007). The goal of UNDAF, "promoting social, economic and political empowerment of the most disadvantaged, especially women and girls" has been harmonized with the goals and the time frame of the 11th Five-Year Plan.

UNDAF has formulated four outcomes in order to achieve this goal. The first is to support the implementation of large, centrally sponsored schemes. Recognizing the important role of the district-level government in the implementation of schemes, the second outcome aims to strengthen governance systems – elected and administrative – at district level. The third outcome concerns mechanisms to create and maximize synergies between the different agents involved (government, United Nations agencies and other partners) to improve the efficiency of outcomes. The final outcome deals with reducing the vulnerabilities of the most disadvantaged to future disasters (UNDAF 2007). These outcomes have been subdivided into country programme outcomes (CPs), to which relevant United Nations agencies have been assigned. The highest level of UNDAF outcome relates to the achievement of national priorities (Chart 1).

[10] Broadly, this includes the following largely interlinked points: rapid growth that reduces poverty and creates employment opportunities, access to essential services in health and education especially for the poor, equality of opportunity, empowerment through skills development and education, environmental sustainability, recognition of women as agents of sustained socio-economic development, and good governance.

[11] The United nations has sought thus to bring the work of all its agencies into one framework in order to increase its operating efficiency.

Chart 1. UNDAF overall outcomes and country programme outcomes

UNDAF outcome No.	UNDAF outcome description
Outcome 1	**By 2012, disparities reduced and opportunities enhanced for disadvantaged groups, especially women and girls, for achievement of MDGs related to 11th Plan goals, through strengthened policy framework and implementation capacity of large-scale state and national programmes.**
CP OC 1.1	Strengthened design and implementation of national programmes and policies on poverty reduction for disadvantaged regions and groups, especially women and girls.
CP OC 1.2	Improvement in key health indicators (child and maternal mortality; total fertility rate; mortality and morbidity due to malaria and tuberculosis; and drug use) amongst disadvantaged groups.
CP OC 1.3	Improvements in learning outcomes, completion rates and literacy levels amongst disadvantaged groups.
CP OC 1.4	Reduction in hunger and malnutrition levels, especially amongst children and disadvantaged groups.
CP OC 1.5	Reduction in HIV/ AIDS prevalence rate amongst vulnerable groups and improved quality of life for positive people.
CP OC 1.6	Reduction in gender-based violence (GBV), including trafficking, domestic violence and female foeticide.
CP OC 1.7	Water for life and livelihoods (UN water).
CP OC 1.8	Reduction o abuse, neglect and exploitation of children.
Outcome 2	**By 2012, in rural and urban areas, accountable and responsive local government systems are in place in selected districts/cities (within priority states) which promote equitable and sustainable development to achieve MDGs/local development goals, with special attention to the needs of disadvantaged groups, especially women and girls.**
CP OC 2.1	Elected officials effectively represent the needs of marginalized groups and women.
CP OC 2.2	Public administration at district, block and village levels made more effective to plan, manage and deliver public services, and to be more accountable to marginalized groups and women.
CP OC 2.3	In selected districts, capacities of public administration and community groups enhanced for effective implementation of integrated behaviour change communication strategies to contribute to India's ability to meet the MDGs.
CP OC 2.4	Capacity of cities to undertake urban governance reform strengthened.
CP OC 2.5	Systems and mechanisms in place to provide identified vulnerable and excluded groups access to justice at local level.
Outcome 3	**By 2012, 11th Plan Targets relating to the MDGs are on track in at least one district in each of the seven priority states.**
CP OC 3.1	Obstacles to effective and efficient implementation of development programmes at the district level addressed and synergies between the various efforts created.
Outcome 4	**By 2012, the most vulnerable people (including women and girls) and governments at all levels have enhanced ability to prepare, respond, and adapt to and recover from sudden and slow-onset disasters and environmental changes**
CP OC 4.1	Communities and institutions have established mechanisms and partnerships to respond effectively to disasters and environmental changes and to recover from their impact.
CP OC 4.2	Communities are aware of their vulnerabilities, and adequately prepared to manage (and reduce) disaster and environment-related risks.
CP OC 4.3	Enhanced capacities at all levels to monitor and respond to potential public health emergencies of national and international concern (e.g., avian influenza)

Source: UNDAF (2007).

A clear message emerging from Chart 1 is that decent work and social protection are not explicitly mentioned in any of the main or sub-outcomes. Each outcome must therefore be carefully examined for any connection – direct or indirect – to decent work in general and to social protection in particular. With regard to the first outcome, the major programmes concern wage employment in rural areas, health, education, child development, sanitation and AIDS control. The programme promoting wage employment in rural areas – the National Rural Employment Guarantee Scheme – directly relates to social security, as it provides legal entitlement to the unemployed and under-employed in rural areas to demand paid work for 100 days in a year. The programmes relating to health and child development seek to address malnutrition and the general problem of ill-health in society, especially among the most vulnerable groups.

Table 1 provides a closer look at the budget allocation to different outcomes, to find out the importance given to social protection. The total amount allocated to achieve the UNDAF goal was US$1,130 million for the five-year period ending in 2012. The proportion of funds allocated to the first outcome on "strengthening the policy framework and implementation capacity of large scale state and national programmes" was as much as 74 per cent! This implies that the importance given to this outcome has been immense and, therefore, calls for closer examination. The main aim of this component is to support the Government in addressing the "disconnect" in implementation of major programmes between national, state and local levels by providing access to national and global experience (UNDAF 2007: 11). As noted earlier, several programmes having some relevance to social protection – directly or indirectly – have been included here. Only the National Rural Employment Guarantee Scheme (NREGS) has direct relevance to decent work and social protection. We can only assume that some part of the budget allocated to country programme outcome 1 (Chart 1) would go to the NREGS. The other major programmes concerning health, education, child development, AIDS control and sanitation, which may provide "promotional" social security, obtain the lion's share of the amount allocated to the first outcome.

The proportion of the budget allocated to the second outcome, on "making local government systems accountable and responsive", was close to 8 per cent. This is indirectly related to social protection in the sense that if the local government is strengthened then the provision of social security to the poor may improve. But this seems a very optimistic view given that the UNDP and UNICEF obtain much of the funding under this component, and that currently there is very little in terms of formal social security that is to be delivered. The fourth outcome relating to preparedness for disasters, which obtains as much as 14 per cent of the total budget, is only remotely connected to social protection.

Table 1. Resources allocated to United Nations partner agencies

Country programme (CP) outcomes	Resources allocated to partner agencies (%)											
	ILO	FAO	IFAD	UNDP	UNICEF	UNFPA	WFP	UNODC	UNOPS	Others*	Total	%
CP 1.1 Poverty reduction	0.96	3.84	66.09	22.08	0.00	0.00	3.00	0.00	0.00	4.03	208.35	18.43
CP 1.2 Health indicators	0.00	0.00	0.00	0.00	46.58	21.22	0.00	2.69	25.88	3.62	193.20	17.09
CP 1.3 Learning/literacy	5.48	0.00	0.00	0.00	93.52	0.00	0.00	0.00	0.00	1.00	74.85	6.62
CP 1.4 Hunger & malnutrition	0.00	1.54	0.00	0.00	75.82	0.00	22.49	0.00	0.00	0.15	97.60	8.63
CP 1.5 HIV/AIDS	2.97	0.00	0.00	19.77	59.30	4.94	0.99	7.41	0.00	4.62	101.18	8.95
CP 1.6 GBV including trafficking, domestic violence & female foeticide	0.16	0.00	0.00	3.17	31.70	31.70	0.00	23.77	0.00	9.51	31.55	2.79
CP 1.7 Water for life & livelihoods	0.00	6.25	0.00	3.75	87.50	0.00	0.00	0.00	0.00	2.50	80.00	7.07
CP 1.8 Child protection	0.00	0.00	0.00	0.00	100.00	0.00	0.00	0.00	0.00	0.00	50.00	4.42
CP 2.1 Elected officials to represent needs of marg. groups/women	0.90	4.50	0.00	45.02	45.02	0.00	0.00	0.00	0.00	4.55	22.21	1.96
CP 2.2 Effec. public admin	0.66	0.00	0.00	66.23	33.11	0.00	0.00	0.00	0.00	0.00	30.20	2.67
CP 2.3 Capacity public admin	0.00	0.00	0.00	0.00	100.00	0.00	0.00	0.00	0.00	0.00	10.00	0.88
CP 2.4 Urban governance	0.00	0.00	0.00	0.00	83.33	0.00	0.00	0.00	0.00	16.67	6.00	0.53
CP 2.5 Justice	0.98	0.00	0.00	63.88	24.57	0.00	0.00	7.37	0.00	3.19	20.35	1.80
CP 3.1 Obstacles to efficient implementation	2.14	2.14	0.00	14.99	79.23	0.00	0.43	0.00	0.00	1.07	46.70	4.13
CP 4.1 Mechanisms to disasters environmental changes	0.05	0.00	10.87	82.35	5.49	1.10	0.00	0.00	0.00	0.14	91.08	8.05
CP 4.2 Manage disaster	0.00	1.67	0.84	92.05	5.02	0.00	0.00	0.00	0.00	0.42	59.75	5.28

Country programme (CP) outcomes	Resources allocated to partner agencies (%)											
	ILO	FAO	IFAD	UNDP	UNICEF	UNFPA	WFP	UNODC	UNOPS	Others*	Total	%
CP 4.3 Monitor public health	0.00	32.26	0.00	0.00	51.61	0.00	0.00	0.00	0.00	16.13	7.75	0.69
TOTAL	**10.80**	**20.00**	**148.10**	**250.00**	**513.00**	**57.00**	**29.40**	**21.70**	**50.00**	**30.77**	**1130.77**	**100.0**
Row per cent	0.96	1.77	13.10	22.11	45.37	5.04	2.60	1.92	4.42	2.72	100.00	

Note: * Including United Nations agencies which have obtained less than 1 per cent of the budget.
Source: UNDAF (2007).

Another important point is that the ILO, which is directly connected with decent work and social protection, is allocated less than 1 per cent of the total budget, compared with over 45 per cent allocated to UNICEF, over 22 per cent to UNDP and 13.1 per cent to IFAD.

On the whole, the way the outcomes have been formulated and the way the budget has been allocated suggest that decent work and social protection are not major priorities for UNDAF.

3. The demographic, labour market, economic and fiscal situation

In this section, we examine the demographic and labour market situation of the country, in order to draw lessons for expanding social security coverage. We will also look at the economic and fiscal situation to find out whether Indian society can afford to provide social security to the people.

Demographic trends

In 2001, the total population of India was 1,027 million persons, of whom, 72.25 per cent lived in rural areas. In India, the sex ratio (number of females per 1000 males) is known to be distorted. However, the national data show an improvement from a ratio of 926 (females per 1,000 males) in 1991 to 933 in 2001, and the NSSO data for 2004-05 (only for rural areas, where this ratio had been worsening before 2001) show further improvement. A significant sign of improvement is that in eight out of 28 states, there are now more women than men (Appendix I).

Table 2 presents selected health indicators at all-India level for recent years. The following information can be obtained from these data.

First, the quality of health-care in India has improved over past years, and this is reflected in the decline of the crude birth, crude death and total fertility rates. This implies that the Indian population would have been much larger if these improvements had not occurred.

Table 2. Selected health indicators

Indicators	1981	1991	2000–06
Crude birth rate (per 1,000)	33.9	29.5	23.5
Crude death rate (per 1,000)	12.5	9.8	7.5
Total fertility rate (per woman)	4.5	3.6	2.9
Infant mortality rate (per 1,000 live births)	110	80	57
Child (0–4 years) mortality rate (per 1,000 children)	41.2	26.5	17.3
Life expectancy at birth	**1981–85**	**1989–93**	**2001–05**
Male	55.4	59.0	62 .3
Female	55.7	59.7	63.9

Second, although the overall fertility rate has declined, this has not been uniform across different regions of the country, or the urban-rural divide, with the result that the decrease in the rate of growth of the total population has been slower than might have been expected. Meanwhile, infant and child mortality rates have declined over the last 25 years, but remain relatively high, by comparison with neighbouring countries, including Bangladesh, China and Sri Lanka. Moreover, there are still considerable male–female and rural–urban inequalities in health outcomes. Gender disparities in India are among the highest in the world: a girl born in the early 1990s was 40 per cent more likely to die before her fifth birthday than a boy of the same age (World Bank 2006: 27). This is further corroborated by Appendix II. At all-India level, in 2005, the infant mortality rate (IMR) was 61 for women, while it was 56 for men. The male–female differentials were particularly evident in states like Uttar Pradesh.

There are also social inequalities. The National Family Health Survey–2 (1998–99) reveals that the IMR among Scheduled Castes (SCs) and Scheduled Tribes (STs) was 83 and 84, respectively, and almost 30 per cent higher than in the rest of the society. Similarly, life expectancy at birth for males has improved from 55.4 during 1981–85 to 62.3 during 2001–05, while that for females increased from 55.7 to 63.9 during the same period (Table 2).[12] However, it should be noted that there have been state-wise disparities (Appendix III). In 1996-2001, as far as expectation of life at birth is concerned, Assam State recorded the lowest for males at 58.96, while Madhya Pradesh recorded the lowest for females at 58.01. For both males and females, Kerala State recorded the highest life expectancy.

Although there was an increase in the enrolment of girls in primary schools from 49.8 per cent in 2001–02 to 57.3 per cent in 2002–03, only 73 per cent of girls were attending the school compared with 86 per cent of boys. The literacy rates for males compared with females were consistently higher in all the Indian states (Appendix IV). All this suggests that human development continues to be low, especially among the poor and vulnerable sections of society. In the Human Development Index, India ranks only 128th out of 177 countries in all.[13] Such a low level of human development is likely to influence people's fertility behaviour, especially the poor. This will lead to an increase in the size of the population, and India's population is expected to increase by 527 million people by the year 2050. Most of this population growth is expected to take place in urban areas, which may aggravate the problems associated with urbanization and the growth of the informal economy, going by current trends.

The third, and most important, message is the changing age composition of the population, as a consequence of declining birth and death rates and increased life expectancy (Table 2). As has been the case in developed countries, India is going through a demographic transition.[14] Following the fertility transition and further economic improvement, all Indian states are expected to reach the replacement level of 2.1 children by 2010–15 (although at different speeds) (Chakraborti 2004: 114). Because of differences across the states in the years in which the replacement level of 2.1 children will be achieved, about 40 per cent of India's population will be concentrated in the poorest states (Appendix V). But, the fact is that this will result in changes in the age composition of the population. Simultaneously, life expectancy is projected to increase by some 10 years over the next 30 years (Rajan et al 1999: 27). By 2016, life expectancy will be over 60 years for both females and males in all the states (Appendix VI). Consequently, the proportion of the under-15 age group in the population will decline from 37 per cent in 1997 to 28 per cent by 2012, while that of the 15–59 age group will increase from about 56 per cent to 63 per cent during the same period (Table 3). The share of over 60 year-olds is expected to increase from 7 per cent in 1997 to 8 per cent in 2012. The increasing numbers of persons aged over 70 is also alarming: the population share of the 70+ age group is expected to increase from 2.4 per cent in 1991 to 3.75 per cent by 2021. This means that, by 2021, India will have a total population of "old-olds" of 52 million (Rajan et al. 1999: 24). Thus, India will soon face the global problem of an ageing population.

[12] But, compared with its neighbouring countries, India still lags behind. Life expectancy at birth was 63.6 in Pakistan, 70.8 in Sri Lanka and 72 in China.

[13] See UNDP Human Development Report 2008-2009, accessible at http://hdrstats.undp.org/countries/data_sheets/cty_ds_IND.html.

[14] Note that current stage of demographic transition as well as the trends of ageing vary across the Indian states (Rajan et al. 1999: 22).

Table 3. **Projected age structure of population in millions** (as on 1 March)

Age groups	1997	2002	2007	2012
Under 15	353.64 (37)	345.11 (34)	334.80 (30)	337.93 (28)
15–59	532.60 (56)	610.55 (59)	692.64 (62)	758.61 (63)
60+	63.64 (7)	71.94 (7)	84.01 (8)	98.50 (8)
Total	**949.88 (100)**	**1 027.60 (100)**	**1 111.45 (100)**	**1 195.04 (100)**

Note: Figures in parentheses are percentages of total.

Source: Planning Commission, *Ninth Five-Year Plan 1997–2002*, Vol. I. Cited in Rao (2007).

The consequences of this trend are changing dependency ratios. The total dependency ratio (defined as the population below 14 years and above 60 years of age to the population of working age) is expected to fall from 0.60 in 2007 to 0.58 in 2012 [15] owing to the decline in the population share of children. The old-age dependency ratio (defined as the proportion of persons in the 60+ age group to that of the working- age population) will increase from 12 per cent in 2007 to 13 per cent in 2012 (Table 4).

Table 4. **Projected dependency ratios** (as on 1 March)

Dependency ratios	1997	2002	2007	2012
(a) Young[1]	0.66	0.57	0.48	0.45
(b) Old[2]	0.12	0.12	0.12	0.13
(c) Total	0.78	0.69	0.60	0.58

Note: (1) The youth dependency ratio is the ratio between population aged under 15 to that aged 15-59 years.

(2) The old-age dependency ratio is the ratio between the population aged 60+ to the population aged 15–59 years.

Source: Planning Commission, *Ninth Five-Year Plan 1997–2002*, Vol. I. Cited in Rao (2007).

The old-age dependency ratio in the next few decades will have many implications for social protection. Although the ageing seems to be moderate and the percentage share of the elderly in the population is low, the absolute numbers will be high because of the large population base of the country. A majority of the elderly live in rural areas (Rajan et al 1999: 26). This is due to the migration of younger members of the household in search of a living elsewhere. A majority of the Indian elderly are not covered by any pension scheme and their deteriorating conditions have become a subject of concern. Traditionally, the family has provided financial and physical, as well as emotional care to the elderly. As a consequence of the ongoing rapid socio-economic changes, however, nuclear families with a smaller number of children are being favoured against extended families. With the spread of modernization, respect for the elderly is slowly eroding. Rapid urbanization and rural–urban migration result in the physical separation of parents from their adult children (ibid: 19). The need for schemes directed at the elderly in India is therefore urgent. The ageing population will put further pressure on health services.

There are also implications for social security on account of the increase in the working-age population. An increase in the population share of the 5–59 age group means that, initially, the bulge of the population will be those of “working age”. This, in turn, could imply a higher growth in the economy and welfare, if the economy is able to absorb

[15] See US Department of Labor: www.dol.gov/asp/media/reports/chartbook/2007-06/chart5_3.htm.

the “working population” and provide meaningful social security. Going by the current indications, which are briefly discussed below, this is a big “if”.

Economic growth

In the recent years, India’s economic growth has been impressive. The average growth rate has been about 8.8 per cent over the four years ending in 2007–08. The targeted growth rate during the 11th Five-Year Plan is 9 per cent. The total GDP is projected to be US$1.16 trillion in the fiscal year 2007–08. However, with a per capita income of US$1,021, India still belongs to the category of low-income countries.

The structure of the economy has undergone considerable change. The services have grown to become the leading sector contributing about 53 per cent to total GDP. The growth of the industry sector has dropped slightly, accounting for 29 per cent of GDP. Perhaps the most worrying trend has been the decline in agricultural growth: the contribution of agriculture to GDP is only 18 per cent. But, as two-thirds of India’s population earn their living from rural employment, this development may have severe direct implications for many agricultural households, especially those of agricultural labourers. Unemployment among agricultural workers has increased sharply, from 9.5 per cent in 1993–94 to 15.3 per cent in 2004–05.

Although the general fiscal deficit as a proportion of GDP is estimated to have fallen from 5.9 per cent in 2002–03 to 3.1 per cent in 2007–08, and is projected to fall further to 2.5 per cent by 2008–09, it remains one of the highest in the world. Because the fiscal deficit in India has been financed mainly through borrowings, the largest part of government expenditure goes (aside from subsidies to administration) to paying interest. This implies that there is not much fiscal room for spending on sectors (for instance, social security) that are needed to provide gainful employment to the population of working age. Although the share of expenditure on the social sector has been increasing, the Government has not been able to reach its targets. The allocation to the social sector is expected to be only 8.61 per cent of total expenditure, in the year 2008–09 (Lalvani 2008: 26). In other words, the inclusive growth emphasized in the 11th Five-Year Plan is not visible in terms of the actual allocation of the Government’s expenditure. Hence, how to create more fiscal room, as well as allocating resources efficiently, are fundamental challenges for India.

The labour market

As stated above, the growth rate of the Indian economy has been impressive. However, much of this growth was on account of the growing services and manufacturing sectors. The process of liberalization of the economy has thrown up new opportunities for employment in emerging and dynamic economic activities, and at locations that provide an environment conducive for the growth of such activities. The employment growth in the private sector, at locations such as Bangalore and Hyderabad, has been high in recent years. However, the growth rate of agriculture, in which the bulk of the workforce has been engaged, is employed has been low. As a result, labour force participation rates have hardly increased for males and females in India in the last 15 years (Table 5). What is important is that the labour force participation rates of women continued to be low. Age-specific labour force participation rates in Table 6 show that, whereas higher rates have been the norm for men in all age groups, those for women decline sharply after the age 30 years, especially in rural areas.

Table 5. Labour force participation rates (LFPR) by sex (per 1,000 persons)

SL. No.	Status	Male			Female		
		1993–94	1999–2000	2004–05	1993–94	1999–2000	2004–05
I.	Usual status						
	(i) Principal	549	533	546	237	235	249
	(ii) Principal & subsidiary	561	540	555	330	302	333
II.	Current status						
	(i) Weekly	547	531	545	276	263	287
	(ii) Daily	534	515	531	232	220	237

Source: NSSO: *Employment & Unemployment Situation in India*, Report No. 515, 61st Round, July 2004–June 2005. Cited in Rao, (2007).

Table 6. Age specific labour force participation rates (LFPR) according to usual principal status (per 1,000 persons), 2004–05

Age group	Rural		Urban	
	Male	Female	Male	Female
5–4	2	2	2	1
10–14	57	51	49	26
15–19	491	238	365	109
20–24	874	313	758	209
25–29	980	687	955	221
30–34	987	435	986	255
35–39	990	488	983	278
40–44	983	480	983	267
45–49	980	487	975	229
50–54	960	439	938	226
55–59	926	396	823	192
60 & above	631	199	356	86
All	**546**	**249**	**566**	**148**

Source: NSSO: *Employment & Unemployment Situation in India*, Report No. 515, 61st Round, July 2004–June 2005. Cited in Rao, (2007).

It has been estimated that in 2004–05 the total employment (principal plus subsidiary) in the Indian economy was 458 million, of which the unorganized sector accounted for 395 million (Table 7). Of the 395 million unorganised-sector workers, 253 million were employed in agriculture and the remaining 142 million the non-agricultural sector. The proportion of non-agricultural workers in the unorganized sector rose from 32 to 36 per cent between 1999–2000 and 2004–05. Almost all workers in agriculture are unorganized-sector workers, who are mainly self-employed (65 per cent) and casual workers (35 per cent). Even in the non-agricultural sector, nearly 72 per cent of workers are in the unorganized sector, an increase of 4 percentage points from 68 per cent in 1999–2000. These workers are mainly the self-employed (63 per cent). The remaining workers in the non-agricultural unorganized sector are more or less equally distributed between the regular (17 per cent) and the casual categories (20 per cent) (Sengupta 2007).

Between 1999–2000 and 2004–05, the total employment in the economy increased from 397 million to 457 million (Table 7). The change in organized (or formal) employment was nil, or even marginally negative. The increase in employment (for about 61 million workers) concerned only informal-sector type of employment. If one looks at the changes in employment across both organized and unorganized sectors, employment increased by 8.5 millions in the organized sector. Sengupta writes that:

> "What this means in simple terms is that the entire increase in the employment in the organized sector over this period has been informal in nature i.e., without any job and social security. This constitutes what can be termed as informalization of the formal sector, where any employment increase consists of regular workers without social security benefits and casual or contract workers again without the benefits that should accrue to formal workers". (Sengupta, 2007, p.4.)

Table 7. Distribution of total Indian workforce by formal and informal sectors in 1999–2000 and 2004–05

Sector/worker	Total employment (millions)		
	Informal/ unorganized worker	Formal/ organized worker	Total
1999–2000			
Informal/unorganized sector	341.3 (99.6)	1.4 (0.4)	342.6 (100.0)
Formal/organized sector	20.5 (37.8)	33.7 (62.2)	54.1 (100.0)
Total	361.7 (91.2)	35.0 (8.8)	396.8 (100.0)
2004–05			
Informal/unorganized sector	393.5 (99.6)	1.4 (0.4)	394.9 (100.0)
Formal/organized sector	29.1 (46.6)	33.4 (53.4)	62.6 (100.0)
Total	422.6 (92.4)	34.9 (7.6)	457.5 (100.0)

Note: Figures in brackets are percentages.

Source: Computed by Sengupta (2007) from NSS: *Employment–unemployment Survey,* 61st Round 2004–05 and NSS 55th Round, 1999–2000,.

Poverty and vulnerability among informal workers

When 92 per cent of the country's workforce is employed in the informal or unorganized economy, naturally there is a high congruence between the poor and the vulnerable segments of society. In order to bring out this congruence, Sengupta (2007) attempted, as a first approximation, to measure this category by dividing the total population of the country into six groups based on their consumption expenditure. The first group of "extremely poor" are those who have a monthly per capita consumer expenditure of up to three-quarters of the official poverty line (i.e., an average of Rs.8.9 per capita per day (pcpd) in 2004–05). The second group of "poor" are those between the "extremely poor" and up to the official poverty line (average expenditure of Rs.11.6 pcpd). The third group is called "marginally poor" with a per capita consumer expenditure of only 1.25 times the poverty line (i.e. Rs.14.6 pcpd); and the fourth is called "vulnerable" with a per capita consumer expenditure of only twice the poverty line (i.e. Rs.20.3 pcpd). If we combine the poor and vulnerable, they together constitute 77 per cent of the population (Table 8). This group, totalling 836 million people with an income roughly below $2 in PPP terms, can be termed the poor and vulnerable segment of the Indian population.

Table 8. Population in various expenditure classes

	Expenditure class	Number of persons (millions)	Percentage
1.	Extremely poor (up to 0.75 PL)	70	6.4
2.	Poor (0.75 PL to PL)	167	15.4
3.	Marginally poor (PL to 1.25 PL)	207	19.0
4.	Vulnerable (1.25 PL to 2 PL)	392	36.0
5.	Middle income (2 PL to 4 PL)	210	19.3
6.	High income (>4 PL)	44	4.0
7.	Extremely poor and poor (1+2)	237	21.8
8.	Marginal and vulnerable (3+4)	599	55.0
9.	Poor and vulnerable (7+8)	836	76.7
10.	Middle and high income (5+6)	253	23.3
11.	Total	1 090	100.0

Note: 1) PL: the official poverty line.

Source: Computed by Sengupta (2007) from unit level data of NSS 61st Round 2004–05, NSS 55th Round 1999–2000 and NSS 50th Round 1993–94, Employment–Unemployment Survey.

Table 9 shows that 79 per cent of the informal or unorganized-sector workers, 88 per cent of the Scheduled Castes and Scheduled Tribes, 80 per cent of the OBC population and 84 per cent of the Muslims belong to the poor and vulnerable group.

> "They have remained poor at a bare subsistence level without any job or social security, working in the most miserable, unhygienic and unliveable conditions, throughout this period of high economic growth since the early 1990s… The illiterates have a very high probability of being poor or vulnerable, almost nine out of ten, and they are predominantly unorganized-sector workers. Even with education up to only primary level, 83 per cent are in the poor and vulnerable group." (Sengupta 2007).

Table 9. Percentage distribution of expenditure classes by social identity, informal work status and education, 2004–05

Sl. No.	Economic status	Social categories (% share of own total)				Percentage of unorganized-sector workers	Education*	
		STs/ SCs	All OBCs except Muslims	All Muslims except STs/SCs	Others (without STs/SCs, OBCs & Muslim)		Illiterates	Primary and below primary
1.	Extremely poor	10.9	5.1	8.2	2.1	5.8	8.1	5.0
2.	Poor	21.5	15.1	19.2	6.4	15	19.0	14.2
3.	Marginally poor	22.4	20.4	22.3	11.1	19.6	22.2	19.4
4.	Vulnerable	33	39.2	34.8	35.2	38.4	36.9	40.0
5.	Middle income	11.1	17.8	13.3	34.2	18.7	12.8	18.9
6.	High income	1	2.4	2.2	11	2.7	1.0	2.5
7.	Extremely poor and poor (1+2)	32.4	20.3	27.4	8.5	20.8	27.1	19.2
8.	Marginal and vulnerable (3+4)	55.4	59.6	57.1	46.3	57.9	59.1	59.4
9.	Poor and vulnerable (7+8)	87.8	79.9	84.5	54.8	78.7	86.2	78.6
10.	Middle & high income (5+6)	12.2	20.1	15.5	45.2	21.3	13.8	21.4
	All	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	All (millions)	**302**	**391**	**138**	**258**	**423**	**270**	**164**

Note: * Refers to persons aged 15+.

Source: Computed by Sengupta (2007) from NSS: *Employment–Unemployment Survey,* 61st Round 2004–05.

The relationship between poverty and vulnerability and the type of employment in which the unorganized-sector workers engage is brought out in Table 10. Among these workers, the 21 per cent belonging to middle and high income groups are mostly self-employed or regular workers. The category of self-employed here are the workers with sufficient capital and skills, such as urban traders and independent skilled workers or professionals. Regular employees could be those whose services are critical to the running of small informal enterprises or establishments, such as accountants or master craftsmen or similarly critical skilled workers.

Table 10. Percentage distribution of unorganized-sector workers across expenditure classes

Status	Total	Self-employed	Regular wage workers	Casual workers
Poor and vulnerable	78.7	74.7	66.7	90.0
Higher income group	21.3	25.3	33.3	10.0
Total	100.0	100.0	100.0	100.0

Source: Computed by Sengupta (2007) from NSS: *Employment–Unemployment Survey*, 61st Round 2004–05.

The high congruence between informal work status and poverty/vulnerability becomes almost complete in the case of casual workers, 90 per cent of whom belong to the poor and vulnerable group. As noted earlier, this group includes the overwhelming population of the dalits and adivasis, OBCs and Muslims.

4. Contributory schemes, social security policies and programmes for organized-sector workers

The Indian Constitution provides a foundation for social security provision, through the Directive Principles of State Policy, which require the State to make effective provision, specifically in cases of unemployment, old age, sickness and disablement, and "other cases of undeserved want"; this implied right to such provision is, however, circumscribed by the proviso "within the limits if its [i.e. the State's] economic capacity". The State does in fact make provision in its annual budget for some health care and old-age benefits, intended to take care of the most needy, who (in the case of current or former workers) would mostly be found in the unorganized sector. For workers in the organized sector, it is expected that benefits will be arranged and funded by contributions, payable mainly by the employers or jointly by employers and employees. In this case, benefit entitlements accrue over time to the employees, while the responsibility for compliance and funding rests largely with the employers. The major statutory schemes for organized-sector workers are discussed below.

Provident funds

The Employee's Provident Funds and Miscellaneous Provisions Act, 1952, is welfare legislation enacted for the purpose of instituting a provident fund. The Act aims to provide social security and timely monetary assistance to industrial workers and their households when they are in distress or unable to meet household and social obligations, and to protect them in old age, disablement, early death of the principal income-earning member and such other contingencies. The legislation provides, essentially, for workers in factories and other establishments engaged in specified industries and having 20 or more employees. [16]

The schemes under the Act are: Employees Provident Fund Scheme, 1952; Employees Deposit-Linked Insurance Scheme, 1976; and Employees Pension Scheme, 1995. These schemes are financed by contributions paid by employers and employees, with in principle a relatively small, additional contribution from the Government, and provide mainly pension and lump-sum benefits on retirement, together with some supplementary benefits, for example on the death of a worker.

The number of establishments covered by the scheme has increased from 408,831 in 2004–05 to 471,678 in 2006–07. The total number of members enrolled increased from 41 million to 44 million during the same period. In terms of coverage, the employees' provident fund provided for 66 per cent of the organized workers in the country during 2004–05. However, when it comes to the entire workforce in the country, the proportion is a mere 9 per cent.

Table 11. Establishments covered and members enrolled by Employees Provident Fund

Year	Establishments covered	Members (in million) enrolled
2004–05	408 831	41.11
2005–06	444 464	42.95

[16] The Act does not automatically become applicable to government employees and those employed in factories and establishments that do not employ more than 20 workers; however, they can opt for the same, if they so wish.

2006–07	471 678	44.40

Source: Computed by Sengupta (2007) from NSS 61st Round 2004–05, Employment–Unemployment Survey.

Health insurance

The Employees State Insurance (ESI) Act was the first social security law passed in the country after Independence, though the question of introducing health insurance engaged the attention of policy-makers from the turn of the 20th century [17]. The ESI scheme is presently applicable to employees drawing wages up to Rs.7,500 per month in the factories using power in the manufacturing process and employing ten or more persons, and non-power-using factories, shops, hotels and restaurants, cinema and preview theatres, road-motor undertakings and newspaper establishments employing 20 or more persons. The scheme is administered by a corporate body, the Employees' State Insurance Corporation, with members representing employers, employees, central and state governments, the medical profession and Parliament.

The scheme is financed by contributions from employees (1.75 per cent of wages; none in the case of those drawing wages of less than Rs.50 per day) and employers (4.75 per cent of wages). Each state government bears 12.5 per cent of the total expenditure on care provided by the scheme within that state, recognizing that the scheme partially relieves the burden of health care to be met by the general health services provided by the state itself. Under the scheme, cash benefits are provided in cases of sickness, maternity, temporary disablement, etc. Benefits also include medical care services provided directly through the ESI network of dispensaries, diagnostic centres and hospitals, and indirectly through empanelled private clinics, diagnostic centres and hospitals.

The performance of the scheme is presented in Table 12. Two messages emerge from the table. First, although the coverage appears to improve during the six-year period ending in 2005–06, this was marked by fluctuations. Second, only 8.50 million workers were covered by the scheme in 2004–05. This implies that about 14 per cent of the organized workers were covered by the scheme. But the persons covered by ESI expressed as a percentage of the total workforce in India works out to be a mere 2 per cent.

Table 12. Coverage of ESI in India (figures in millions)

Years	Insured persons	Number of insured women	Employees covered
2000–01	8.49	1.46	7.75
2001–02	8.00	1.40	7.16
2002–03	7.83	1.43	7.00
2003–04	7.91	1.35	7.08
2004–05	8.50	1.54	7.57
2005–06	9.15	1.54	8.40

Source: Planning Commission (2006).

[17] The possibility of introducing health insurance was discussed by the Royal Commission on Labour, back in 1929. The Act incorporated the health insurance scheme for workers developed by Prof. B P Adarkar with technical assistance provided by the ILO.

Gratuity

The Payment of Gratuity Act, 1972 provides for a scheme of compulsory payment of a gratuity to workers in factories, mines, oil fields, plantations, ports, railway companies, motor transport undertakings, shops and other establishments. Every employee is entitled to receive a gratuity after he/she has rendered continuous service for five or more years (not required in case of death or permanent disablement); this is paid at the time of termination of service on account of superannuation, retirement, resignation and death. A gratuity benefit is provided for every completed year of service at the rate of wages for 15 days, based on the wages last drawn by the employee concerned. However, the amount of gratuity payable cannot exceed Rs.350,000.

Maternity benefits

The Maternity Benefit Act, 1961, enacted to promote the welfare of working women, prohibits the working of pregnant women for a specified period before and after delivery, provides for maternity leave and payment of certain monetary benefits during the time they do not work on account of pregnancy. A female worker's service cannot be terminated during her absence on account of pregnancy, except in a case of gross misconduct. The maximum period for which a woman can receive maternity benefit is 12 weeks: six weeks prior to the delivery of the child and six weeks after.

Compensation for work-related accidents

The Workmen's Compensation Act, 1923, was passed to place an obligation on employers to pay compensation to workers for accidents arising out of and in the course of employment. The provisions of the Act apply to any person who is employed other than in a clerical capacity in a large number of establishments. The notable exclusion is those covered under the ESI scheme.

An assessment of contributory schemes

Although the overwhelming majority of the workforce in India finds its livelihood within the unorganized sector, statutory coverage for social security is limited, almost exclusively, to workers in the organized sector. While a relatively large proportion of organized sector workers do receive the benefits of statutory coverage, the Planning Commission has recently (2006) summarized the position thus:

> The social security schemes in India cover only a very small segment of the workers … Out of an estimated workforce of about 397 million, only 28 million workers are having the benefits of formal social security protection. About 24 million workers were covered under various employees' provident fund schemes and 8 million workers were covered under the ESI schemes, in addition to about 4.5 million under the Workmen's Compensation Act and about 0.5 million under the Maternity Benefit Act in the year 2000.

However, the critical point is that the organized sector in India is shrinking because of the growth of contractor system in several industries, labour laws, and globalization, etc. The use of contract labour in the organized manufacturing sector grew from 7 per cent of total person-days in 1984 to 21 per cent in 1998 (ILO 2006: 34). It is important to note the way in which, even in an industry which is relatively highly structured, informalization has accelerated, partly, it would seem, by reason of the workers' own choice. Rajasekhar and Sreedhar have shown that workers in the beedi (Indian cigarette) industry in Karnataka, who were previously benefiting from statutory provisions such as minimum wages, provident fund membership etc, have chosen to become self-employed or home-based workers and, in the absence of the right to accumulate further provident fund benefits, have withdrawn their accumulated provident fund entitlements, presumably to meet one-off life cycle needs (Rajasekhar and Sreedhar 2002). In other industries, such as agarbathi-rolling and garment manufacturing, have similar trends have been observed, resulting in large increases in the proportion of unorganized-sector workers. The overall result is that the proceeds of economic growth, whether arising from globalization or otherwise, have been captured overwhelmingly by organized-sector workers. In contrast, the unorganised-sector workers in all of these industries are found to be earning wages generally below the prescribed statutory minima and are generally excluded from the formal social security system; in addition, they tend to suffer a range of health problems for which, as a result, they are unable to obtain appropriate treatment. (Rajasekhar, Suchitra and Manjula 2007).

5. Non-contributory schemes: Social security schemes for unorganised-sector workers

By contrast with organized-sector workers, who have access to rules-based, statutory social security arrangements which grant definite entitlements in exchange for prescribed contributions, workers in the organized sector generally benefit, if at all, only from *ad hoc* provisions. The relatively few arrangements which do exist may be categorized into three types: social assistance, social insurance (of a rather rudimentary kind) and health insurance. In addition, schemes, often sponsored by state (rather than the Union) governments, do provide coverage for certain specified categories of workers.

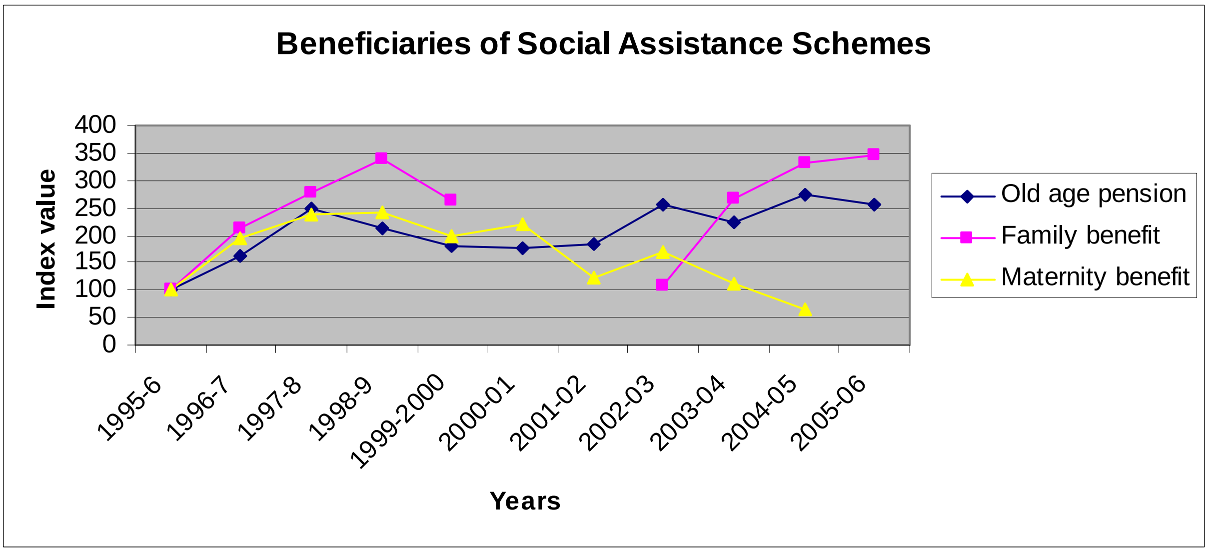
National Social Assistance Programmes

Social assistance schemes have been put in place for those living below the poverty line. These are mainly organized on a household basis (hence reference is made hereafter to BPL households); such households generally comprise, naturally, families supported by unorganized-sector workers. The schemes provide rather modest old-age pensions, maternity benefits, family benefit, disability pensions and widow's pensions. While the first three are central Government-sponsored schemes, the last two are state schemes. The amount of the old-age pension, until recently Rs.75 per month, went up to Rs.200 per month in 2006–07. An amount of Rs.10,000 is provided as family benefit to households which lose the principal income-earning member in an accident or natural death. The amount of maternity benefit is Rs.500 per birth for up to two live births. The widow's pension is also Rs.75 per month per beneficiary. The amounts of benefit are, thus, paltry.

Figure 1 shows that, in terms of number of persons assisted, the performance of social assistance schemes in the country, varied over the period. Old-age pension was the largest programme. The number of persons assisted, (2.93 million persons in 1995–96) increased to 7.32 million in 1997–98, declined steeply in the late 1990s and picked up from 2001–02. In contrast, the number of persons assisted under family benefit and the maternity scheme, 0.01 and 0.60 millions, respectively, in 1995–96, increased in the late 1990s and declined thereafter. The number of beneficiaries under family benefit scheme increased from 2002–03, but those under the maternity scheme declined.

What factors influenced access to social assistance schemes? First, financial constraints compelling the state Government to tighten the eligibility criteria resulted in the restriction of old-age pensions just to the destitute among BPL households, and in the exclusion of a large number of unorganized-sector workers living in vulnerable conditions. Second, the poor access to old-age pensions was due to low levels of awareness of the schemes – eligibility conditions, whom to approach and how to approach – and difficult documentation. These, together with poor responses from the officials concerned and the high opportunity cost of wage labour income foregone in going around the government offices, forced unorganized-sector workers to depend on middlemen spending considerable amounts in the process. Third, access to maternity benefits was adversely affected by the mandatory rule of institutional delivery. However, obtaining institutional delivery in order to access meagre amounts of maternity benefits is costly for the poor, as it involves the cost of travel, and accommodation in a distant place for a few days. Finally, poor bargaining power because of limited membership of trade unions and of people's organizations such as self-help groups (SHGs) adversely affects access to social assistance schemes.

Figure 1. Index values of beneficiaries of social assistance schemes in India



Social insurance

In 2000, a "group-based social insurance scheme", the Janashree Bhima Yojana (JBY), [18] was introduced for persons in the 18-60 age group of belonging to BPL households. The insurance cover provided is up to Rs.30,000 in case of natural death, Rs.75,000 in case of accidental death or permanent disability and Rs.37,500 in case of partial disability. An innovative feature of the schemes is that two school-going children of insurers are provided with scholarships of Rs.100 per month to complete school education. [19] Of the required annual premium of Rs.200, the Government has mandated arrangements whereby a subsidy of 50 per cent is provided.

Two striking positive features of the Janashree Bima Yojana scheme are the improving coverage of unorganized-sector workers (Table 13) and a of renewal rate of over 60 per cent. These may be attributed to the following. First, being a group-based scheme, it is largely microfinance groups promoted by NGOs and government which have accessed the scheme. While motivation and follow-up work by NGOs contributed to improved coverage, peer pressure in the group improved renewal rates. Second, the scholarship scheme has been the principal mover sustain the renewal rates. The lower and declining claim ratio (Table 13) may be attributed to the responsibility given to microfinance groups in assessing the claims and submitting these to the higher levels of authority.

The scheme would have achieved better coverage if the following have been taken care of. First, the level of awareness of the programme was found to be low. Rajasekhar et al (2006) found that under 5 per cent of the sample unorganized-sector workers in Karnataka knew about it. Second, by extending the benefits only to BPL households, the scheme ignored heterogeneity among unorganized-sector workers. Though all BPL households are likely to be in the unorganized sector, the reverse is not necessarily true.

[18] This is implemented through the Life Insurance Corporation of India. In the Annual Budget of 2008–09, Rs.500 crores of additional allocation was made for the scheme.

[19] Initially, this facility was available to all the insured. Since 2007–08, the facility was restricted to 15 per cent of the poorest households.

The BPL criterion is a very restrictive approach and one which is hardly appropriate if the objective is to extend social security to the unorganised-sector workers (Rao, Rajasekhar and Suchitra 2006). Finally, there is a low level of awareness of insurance principles, so that the poor are sceptical of contributing to a scheme such as the JBY from which it appears to them that they may not get any returns, and they often prefer to use simple savings schemes.

Table 13. Progress in the coverage of the social insurance scheme in India

Years	No. of lives	Rate of renewal	No. of claims	Claim ratio	Amount claimed (Rs. in millions)	Per capita benefit (Rs.)
2000–01	215 637	0.00	186	0.09	3.5	18 817
2001–02	819 012	76.71	4 309	0.53	87.8	20 376
2002–03	1 158 239	63.67	9 685	0.84	196.2	20 258
2003–04	2 507 024	66.88	15 248	0.61	311.2	20 409
2004–05	3 539 654	68.60	16 902	0.48	349.7	20 690
2005–06	6 341 054	NA	NA	NA	NA	NA

Health insurance

Until recently, unorganised-sector workers were expected to access medical assistance from the public health-care delivery system. Recently, however there has been a shift in the policy and approach towards the provision of health-care for unorganized-sector workers. A group-based scheme, the Universal Health Insurance Scheme (UHIS) was launched by the central Government in 2004. This indicated a significant paradigm shift in the country's health policy. With this scheme, the Government recognized for the first time the importance of mobilizing contributions [20] from the people themselves (from all people – hence universal in meeting their health requirements through insurance. The Government provides a subsidy of Rs.100, which remains fixed whether an individual or a family of five or seven buys the insurance. Though initially the scheme was open to all households, coverage and subsidy were later restricted to Below Poverty Line (BPL) households.

The benefits provided are as follows: in case of hospitalization, the scheme provides medical expenses up to Rs.30,000 per household; if an earning member falls sick, it provides for the loss of livelihood at a rate of Rs.50 per day, for up to a maximum of 15 days; in case of death of the earning head of household due to personal accident, Rs.25,000 is to be given to the nominee.

The UHIS was expected to cover 10 million individuals in its first year. However, its performance has been modest (Bhat and Saha 2004; Ahuja and De 2004): in 2004, around 417,000 households (16 million individuals) were insured in all states and union territories (Ahuja 2004); nearly 48 per cent of them were from rural areas. Around 50 per cent of the policies sold were accounted for in only four states: Maharashtra, Andhra Pradesh, Tamil Nadu and Gujarat. Only 11,408 persons belonged to the BPL category, which is roughly 1 per cent of the total persons covered. This suggests that it was mostly the non-BPL

[20] The scheme followed a three-tier option of premium payment: Re.1 per day per year for an individual, Rs.1.5 per day per year for a family of up to five members, and Rs.2 per day per year for a family of up to seven members.

households which had been buying the policy, despite the subsidy being offered to BPL households.

In 2004–05, therefore, the Government revised the UHIS to provide a larger subsidy to BPL households, and made this subsidy variable depending on the household size of the insured. Though the benefits provided under the scheme were not altered, a uniform subsidy of Rs. 100 available earlier to all three categories of member (individual, family of five, and family of seven) was increased to Rs. 200, Rs. 300 and Rs. 400 respectively. Accordingly, the effective premium (net of subsidy) paid by the BPL population was reduced to Rs. 165, Rs. 248 and Rs. 330 respectively (GoI 2004). Another rather bewildering step taken by the Government while revising the UHIS was to restrict the scheme to BPL households only (NCEUS 2006), i.e., the scheme lost its universality in design. This was a strange move since, from all accounts of the scheme's performance in the previous years, it was the non-BPL households that were subscribing in larger numbers, despite the lack of subsidy to them.

However, the performance of the UHIS shows that the coverage of the scheme thus far has been far from universal. Considering that the overall unorganized-sector workers in the country amount to over 300 million, the scheme covers only one million persons. Further, its redistributive value is rather skewed. First, in spite of the heavy subsidies offered to the BPL households, the proportion of these households enrolled in the scheme is very low. Second, there is a severe regional imbalance in the coverage. States such as Maharashtra, Gujarat, Tamil Nadu, Rajasthan and Uttar Pradesh provide a major share of total membership, while some of the smaller states, notably the North-eastern states, provide for near-zero coverage. It has now been announced that the scheme has been closed.

6. The role of social security in addressing poverty: A critical review

While a larger proportion of organized-sector workers benefited from legally mandated and budget-provided social security benefits during the post Independence period, those in the unorganised sector were left out. It is often stated that all the social security schemes (those initiated by the Government and non-government agencies) do not cover even less than 10 per cent of the total unorganized-sector workers. What ails the social security policies and programmes for unorganized-sector workers in India?

First, despite the multiplicity of schemes and programmes at central and state government levels aiming at social protection of the underprivileged, the social security system in India is characterized by a lack of consistent policy (Prabhu and Iyer 2001). This has been framed at random at various points in time, in response to the expedients of the day and not conforming to any overall design. These schemes do not represent a uniform policy or plan.

Second, the multiplicity of social security schemes initiated by the Government in India, but lacking overall cohesion in design and management has often proved to be counterproductive to the economy (ibid.). They have been counter-productive because of the administrative costs of implementing them, which are too high in relation to the paltry benefits accruing from them, and the negligible impact they have on the target population (Dreze and Sen 1991). The state welfare boards, which have been administering the social security schemes, have disproportionately high administrative costs. Given the bureaucratic administrative machinery, several demands and requirements of administrative procedures have to be met, all of which cause delays and keep the schemes administrative costs mounting.

Third, the expenditure on social security in India and across the states has been meagre. According to the ILO's *World Labour Report* (2000), public expenditure on social security in India was 1.8 per cent of GDP, compared with 4.7 per cent in Sri Lanka and 3.6 per cent in China. This can be found across the states as well: Karnataka spends only 1.52 per cent of its total expenditure (amounting to Rs.3570 million) on social security measures for the unorganized sector. Tamil Nadu, which has efficient social security programmes, spends 2.64 per cent of its total expenditure on social security (CMIE 2002).

Fourth, in the past, financial constraints have often compelled governments to tighten the eligibility criteria. For instance, until recently, old-age pensions were restricted to the destitute and BPL to households. As a result, a large number of elderly people living in vulnerable conditions were excluded.

Fifth, a fragmented, as against a universal, approach has been followed in formulating social security schemes. For instance, benefits under most of the schemes have been confined to unorganized-sector workers belonging to BPL households. While poor unorganized-sector workers are the most needy, those workers often do not fall into the BPL category of households and are vulnerable, yet they are left out. Rao, Rajasekhar and Suchitra (2006) show that unorganized-sector workers above the poverty line suffer from deprivations of various sorts, and hence they argue that the BPL criterion is a restrictive and inappropriate approach to extending the social security to unorganized-sector workers. Sengupta (2007) shows that 55 per cent of the population in India are not poor but vulnerable; about 58 per cent of them are unorganized-sector workers.

Finally, unorganized-sector workers have no bargaining power on account of their limited membership of trade unions and SHGs. Consequently, they are not largely aware of social security schemes. The *ad hoc* nature of any provisions to which they do have access undermines the concept of social security as a right.

Against this background, the recent Unorganized Sector Workers' Social Security Bill, 2007, is a step in the right direction – at least in part. The Bill seeks to universalize social security benefits, but only for unorganized sector workers belonging to BPL households, which does not address the problems of the vast majority of unorganized-sector workers. There is a debate on whether the Government can afford the provision of social security, given that employers cannot be identified for about half the unorganized-sector workers in the country. Hence, it is suggested that unorganized-sector workers above the poverty line should be linked to the private sector for access to social security - this may be challenging given that a large proportion of unorganized-sector workers are not poor – though they are vulnerable.

The implication of inadequate access to formal social security

Thus, an overwhelming majority of unorganized sector workers do not have access to adequate, reliable social security. What risks do unorganized-sector workers face on account of inadequate access to social security? What coping mechanisms do they adopt? An analysis of evidence to answer these two questions is important given the debilitating impact that risks can have on poorer, unorganised-sector worker households. The research of Anirudh Krishna (2004) shows that crises on account of limited or non-access to social security are the single most important factor pushing households deeper into poverty. It is in this context that we look at the evidence on risks faced by unorganized-sector workers in the absence of access to sufficient and reliable social security and coping mechanism adopted by them. This is done with the help of studies that we have undertaken. [21]

We consider that risks are emergencies, which include health emergencies, accidents and deaths, crop failures, drought situations, social functions like wedding and religious/ritualistic ceremonies, social obligations such as village festivals, etc. The social functions and obligations are not "risks" in the true sense of the word; but, we treat them as emergencies because the poor perceive even such predictable events as risks. [22] The term emergencies has thus been used to include both predictable and unpredictable events, because, for households typically lacking risk management tools, predictable events can also have negative welfare effects (Rajasekhar et al 2006 and Rajasekhar, Reddy and Suchitra 2006).

In all these studies, we asked the sample households on crises or emergencies faced during the three years prior to the survey date. In Table 14, the data on proportion of households facing at least one crisis has been presented. It can be seen that across the states and different groups, more than 30 per cent of households faced at least one crisis in the reference period. The incidence was the highest among unorganised-sector agricultural workers belonging to the two most disadvantaged groups of dalits and adivasis. At around 65 per cent, the incidence was also high among agarbathi workers while, at 35.58 per cent, it was relatively low among domestic workers.

[21] These studies are Rajasekhar et al (2006), Rajasekhar, Reddy and Suchitra (2006), Rajasekhar, Manjula and Suchitra (2006), Rajasekhar, Suchitra and Manjula (2006) and Rajasekhar, Suchitra and Manjula (2008b).

[22] For instance, a less vulnerable household may not perceive a routine wedding as a crisis really. But, the same may be seen as a crisis by a 'highly vulnerable' household, because such an event is likely to render them even more vulnerable.

Table 14. Incidence of emergency needs on unorganised-sector households

Category of workers	Households (%) facing at least one crisis
Karnataka (n=1213)	
Agricultural labourers	41.39
Construction worker	41.86
Domestic workers	35.58
Agarbathi workers	65.00
Garments workers	40.39
Andhra Pradesh (n=149)	
Agricultural labourers	64.43
Tamil Nadu (n=131)	
Dalit agricultural labourers	90.00
Adivasi agricultural labourers	83.10

In Table 15, we have distributed all the emergencies faced by households in different groups by types of emergency. Health emergencies were the most significant crises faced across all categories of workers, followed by death of household members and marriages and other social obligations. Health emergencies are due largely to inability to access the public health delivery system because of distance, irregular attendance of doctors, lack of facilities, etc. Hence, the unorganized-sector workers have to depend on private health providers. In addition, early marriages lead to child birth at a young age, leading to gynaecological problems and uterus removal at a very early age. This is further corroborated by the macro data. About 82 per cent of total health care expenditure in India is accounted by the private sector and almost all of this is out of pocket expenses (on consultation, diagnostics, in-patient care, etc).

Table 15. Distribution of all emergencies faced by households by type

Categories of workers	Death of household member	Health crises	Marriages and social obligations	Accidents	Other	Total (No.)
Karnataka						
Agricultural labourers	23.77	47.09	16.59	11.66	0.90	223
Construction workers	14.60	48.91	19.71	16.06	0.73	137
Domestic workers	15.79	52.63	23.68	7.89	0.00	38
Agarbathi workers	14.53	58.91	18.75	7.69	0.12	117
Garment workers	7.25	77.72	13.04	1.45	0.80	69
Andhra Pradesh						
Agricultural labourers	12.50	50.00	20.83	7.29	9.38	96
Tamil Nadu						
Dalits	7.25	59.42	17.39	8.70	7.25	69
Adivasis	11.27	47.89	21.13	11.27	8.45	71

In sum, a large proportion of the crises were on account of inability to access social security benefits relating to life cover, accident benefit and health insurance. Such crises impose a heavy cost burden on unorganized worker households. We present the total expenditure on all crises faced by the different categories of workers and the distribution of this expenditure across the sources from which they were financed in Table 16. It can be seen that the extent of expenditure on all the household crises has been very high. Significantly, households mostly fell back on informal coping strategies to meet these expenditures. The dominant coping mechanism usually was borrowing from moneylenders or from relatives, i.e., drawing upon family and other social capital. A significant proportion of the expenditure was from own savings The employers of unorganized-sector workers play a limited role, and SHGs, a significant role, wherever unorganized-sector workers have had membership in these microfinance groups.

Table 16. Distribution of total expenditure on crises by sources from which financed

Categories of workers	Sources of financing for the household crises faced by unorganized-sector workers							
	Own sources	Money lenders	Relatives	SHGs	Employer	Sale of assets	Other source	Total expenditure (in Rs.)
Karnataka								
Agricultural labourers	18.06	54.92	12.21	0.00	8.49	2.79	3.53	26 84 600
Construction workers	25.32	48.29	12.17	0.00	4.26	3.04	6.92	27 95 100
Domestic worker	18.65	50.79	17.28	0.00	2.61	3.62	7.06	5 52 650
Agarbathi workers	21.86	37.01	24.27	0.00	2.19	8.90	5.77	21 50 500
Garments workers	30.86	59.26	4.94	0.00	0.00	2.47	2.47	8 45 000
Andhra Pradesh								
Agricultural labourers	3.03	54.13	22.84	5.10	2.49	11.05	1.36	14 03 100 (9 417)
Tamil Nadu								
Dalits	30.74	32.79	3.82	11.59	0.00	4.02	14.33	544 300 (7 888)
Adivasis	16.56	58.66	4.29	10.20	0.00	3.05	7.24	524 700 (7 249)

Note: Figures in parenthesis are average amounts in Rs.

We have made some broad estimates in order to see the devastating impact that such high dependence on informal sources had on the workers and their households. For agricultural workers, construction workers and domestic workers, respectively, in Karnataka, we have estimated the proportion of a single month's average monthly per capita income (PCI) expended to meet a "one point in time" emergency (Table 17).

The impact was found to be most severe for agricultural workers, as nearly 48 per cent of them spent more than two and a half times their monthly per capita income on such a crisis, and almost 30 per cent falling in the 100–200 range. The construction workers were somewhat better off in terms of the extent of impact the expenditure had during that crisis period, and the domestic workers were found to be les badly hit. The implication of this is that when the unorganized-sector workers were faced with crises that necessitated such expenditure, they were forced to draw upon other sources, and at times to cut down their household consumption (including food and education) etc, to meet these needs.

Table 17. Distribution of workers (%) by proportion of expenditure to average monthly per capita income

Categories of workers	<100 per cent	100–250 per cent	>250 per cent
Agricultural	22.92	29.17	47.92
Construction	41.82	25.45	32.73
Domestic	72.27	22.73	0.00

A large factor in the debilitating impact of such borrowings is the high interest rates levied by the informal lenders. Borrowers are often obliged to pay interest for long period of years without being able to redeem any of the principal amount. This situation is analysed in Table 18, which shows the proportion of interest amount paid to the amount borrowed. It is clear that interest payments dominated the costs incurred by the workers. When payment merely by way of interest represents more than 100 per cent of the amount borrowed, the borrower is placed in a situation of extreme vulnerability.

Table 18. Distribution of households (%) by worker categories and proportion of interest amount paid to principal amount

Categories of workers	<50 per cent	50–100 per cent	>100 per cent
Agricultural	76.43	15.71	7.86
Construction	84.95	10.75	4.30
Domestic	75.00	10.71	14.29

We can see that the unorganized-sector workers find themselves highly dependent on informal sources of risk management, primarily borrowing at high rates of interest from moneylenders. This perpetuates further vulnerability among these households, jeopardizing their ability to send their children to school, to obtain health-care, etc., and leading to even deeper poverty.

7. Conclusions

In India, 92 per cent of 458 million workers are to be found in the unorganized sector. These workers suffer from indecent work conditions and consequent deficits, ranging from social exclusion to unemployment, health hazards, lack of social security, deep poverty and the denial of basic human and labour rights. Among these deficits, lack of social security is the most important one.

The DWCP prepared by the ILO for India focuses on three priorities: one of them is to extend social security coverage particularly to those working in the informal economy. The ILO plans to adopt a three-pronged strategy to accomplish the outputs relating to social protection. The ILO has also been seeking to promote decent work in collaboration with UNDAF–India (2008–12). An examination of outcomes suggests that decent work and social protection receive no explicit mention in any of the main or sub-outcomes. The allocation of US$1,130 million to achieve the goals of the Framework has been attributed mainly to activities which are indirectly (or not at all) connected to social protection. The DWCP aligns very well with the policy pronouncements of India's current five-year plan. However, as of now, the budget allocations do not furnish much cause for optimism as to social protection becoming a focus for policy in years to come.

Recent economic progress in India has been unable to improve the lives of the majority of people. Unemployment and wage inequality have grown, as has the informal economy. Low levels of education and skills have limited people's access to meaningful and remunerative work, as well as to decent working conditions. Unacceptable forms of labour such as bondage, child and forced labour continue, particularly affecting vulnerable groups. An absence of adequate and comprehensive social security leads to increased vulnerability of the population, especially those seeking to earn their living livelihood from employment in the unorganized sector.

Statutory and contributory social security benefits in India are provided to organized workers (budget financed for public employees), who constitute only 8 per cent of the total Indian workforce. In terms of coverage, the contributory social security schemes are significant only in the case of organized workers. The provident fund scheme covers 66 per cent of the organized workers, while the employees' state insurance scheme covers only 14 per cent of them. The latest figures for the workmen's compensation and maternity schemes provided to organized workers are not yet available, however, in 1999–2000, these two schemes covered 8 per cent and 1 per cent of the organized workers, respectively. If one looks at the coverage of these schemes for the total workforce in India, this coverage is miniscule.

Unlike social security benefits for organized sector workers, which take the form of entitlements, such few arrangements as do exist for unorganized sector workers are provided on a largely *ad hoc* basis. In terms of coverage, all the non-contributory schemes put together do not even cover 10 per cent of the unorganized-sector workers. Formal social security benefits, where provided to unorganized-sector workers, are also inadequate. For instance, the old-age pension was less than US$2 per month until 2005–06; it was raised to about US$10 after 2006–07. The disability pension was also the same amount. Several studies revealed that these amounts are paltry and very inadequate in relation to the cost of living. The amounts become even smaller if one takes transaction costs into consideration. Thus, unorganized-sector workers in India do not have access to sufficient and reliable formal social security benefits.

Given such a situation, unorganized-sector workers routinely face risks on account of ill-health, accidents or death of the income-earner, and incur considerable expenditure to meet these emergencies. Unorganized-sector workers mostly adopt informal coping strategies to meet the expenditure caused by crises. One important coping mechanism is to borrow from informal lending agencies, such as moneylenders, at very high rates of interest. This perpetuates vulnerability among unorganized workers' households and further deepens poverty among them.

Thus, there is a need to provide adequate and reliable social security to unorganized-sector workers as an entitlement. Further, there is a need to shift the focus from employment-based social security benefits to universal provision. This is important for poverty reduction and human resource development. In the current context of globalization, an effective and efficient social security system is a key instrument to soften income gaps, redistribute incomes and ensure that harsh social conditions are avoided for the vast majority of unorganized workers.

Appendix I

State-wise sex ratios in India [1991, 2001 (rural and urban) & 2004–05 (rural)]

SL. No.	State/UT	Sex ratio (females per 1,000 males)		
		1991	2001	2004–05
1	Andhra Pradesh	972	978	1 002
2	Arunachal Pradesh	859	901	889
3	Assam	923	932	889
4	Bihar	907	921	908
5	Chhattisgarh	985	990	1002
6	Goa	967	960	1093
7	Gujarat	934	921	919
8	Haryana	865	861	893
9	Himachal Pradesh	976	970	1 003
10	Jammu & Kashmir	896	900	907
11	Jharkhand	922	941	942
12	Karnataka	960	964	963
13	Kerala	1 036	1 058	1 085
14	Madhya Pradesh	912	920	913
15	Maharashtra	934	922	931
16	Manipur	958	978	968
17	Meghalaya	955	975	999
18	Mizoram	921	938	932
19	Nagaland	886	909	917
20	Orissa	971	972	1 004
21	Punjab	882	874	909
22	Rajasthan	910	922	963
23	Sikkim	878	875	891
24	Tamil Nadu	974	986	1 012
25	Tripura	945	950	957
26	Uttaranchal	936	964	1 010
27	Uttar Pradesh	876	898	943
28	West Bengal	917	934	957
Union Territories				
29	A & N Islands	818	846	928
30	Chandigarh	790	773	814
31	D & N Haveli	952	811	829
32	Daman & Diu	969	709	944
33	Delhi	827	821	833
34	Lakshadweep	943	947	815
35	Pondicherry	979	1 001	1 041
All-India		926	933	962

Source: (1) G O I, Census of India 2001, Provisional Population Totals, Paper-1 of 2001, Registrar General, India. (2) NSSO for 2004–05, Report No. 515, Employment & Unemployment Situation in India, 61st Round, July 2004–June 2005. Cited in Rao, H. (2007).

Appendix II

Infant mortality rate – sex wise-rural areas – state-wise – 2002 and 2005

Sl. No.	State / UT	Infant mortality rate (IMR) 2002 (per 1,000 live births) rural			Infant mortality rate (IMR) 2005 (per 1,000 live births) total		
		Male	**Female**	**Total**	**Male**	**Female**	**Total**
1	Andhra Pradesh	69	72	71	56	58	57
2	Arunachal Pradesh	39	40	39	36	40	38
3	Assam	72	73	73	66	69	68
4	Bihar	57	67	62	60	62	61
5	Chhattisgarh	84	62	73	61	66	64
6	Goa	18	19	18	17	16	16
7	Gujarat	60	76	68	52	55	54
8	Haryana	56	75	64	51	70	60
9	Himachal Pradesh	68	57	63	66	55	61
10	Jammu & Kashmir	46	44	45	45	40	43
11	Jharkhand	45	42	44	44	37	41
12	Karnataka	67	62	65	48	51	50
13	Kerala	8	14	11	14	15	14
14	Madhya Pradesh	85	94	89	72	79	76
15	Maharashtra	54	49	52	34	37	36
16	Manipur	10	6	8	13	7	10
17	Meghalaya	60	75	68	64	69	66
18	Mizoram	–	3	1	9	2	5
19	Nagaland	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
20	Orissa	101	80	90	74	77	75
21	Punjab	41	73	55	41	48	44
22	Rajasthan	79	83	81	64	72	68
23	Sikkim	23	27	25	23	27	25
24	Tamil Nadu	51	49	50	35	39	37
25	Tripura	33	32	32	35	31	33
26	Uttaranchal	78	90	83	71	75	73
27	Uttar Pradesh	38	77	57	16	55	34
28	West Bengal	55	49	52	38	39	38
Union Territories							
29	A & N Islands	17	38	27	17	29	23
30	Chandigarh	25	25	25	15	30	22
31	D & N Haveli	53	52	53	51	52	51
32	Daman & Diu	30	22	26	46	12	30
33	Delhi	6	53	28	29	38	33
34	Lakshadweep	11	25	18	6	26	15
35	Pondicherry	34	29	32	24	25	25
All-India		**67**	**72**	**69**	**56**	**61**	**58**

NA: not available.

Source: Documentation Centre on Women and Children (DCWC), Fact sheet on Women in India, 2005. Cited in Rao (2007).

Appendix III

Expectation of life at birth and maternal mortality rate 1996–2001

Sl. No.	State / UT	Expectation of life at birth 2001–06		Maternal mortality rate 1998 (per 1,000 live births)
		Male	Female	
1	Andhra Pradesh	62.79	65.00	159
2	Assam	58.96	60.87	409
3	Bihar	65.66	64.79	452
4	Gujarat	63.12	64.10	28
5	Haryana	64.64	69.30	103
6	Karnataka	62.43	66.44	195
7	Kerala	71.67	75.00	198
8	Madhya Pradesh	59.19	58.01	498
9	Maharashtra	66.75	69.76	135
10	Orissa	60.05	59.71	367
11	Punjab	69.78	72.00	199
12	Rajasthan	62.17	62.80	670
13	Tamil Nadu	67.00	69.75	79
14	Uttaranchal	63.54	64.09	707
15	West Bengal	66.08	69.34	266
	All-India	**63.87**	**66.91**	**407 (SRS) 540 (NFHS 2)**

Source: Documentation Centre on Women and Children (DCWC), Fact sheet on Women in India, 2005. Cited in Rao (2007).

Appendix IV

State-wise literacy rates – All-India – 2001
(percentage, rural and urban)

Sl. No.	State / UT	2001		
		Male	**Female**	**Persons**
1	Andhra Pradesh	70.85	51.17	61.11
2	Arunachal Pradesh	64.07	44.24	54.74
3	Assam	71.93	56.03	64.28
4	Bihar	60.32	33.57	47.53
5	Chhattisgarh	77.86	52.40	65.18
6	Goa	88.88	75.51	82.32
7	Gujarat	80.50	58.60	69.97
8	Haryana	79.25	56.31	68.59
9	Himachal Pradesh	86.02	68.08	77.13
10	Jammu & Kashmir	65.75	41.82	54.46
11	Jharkhand	67.94	39.38	54.13
12	Karnataka	76.29	57.45	67.04
13	Kerala	94.20	87.86	90.92
14	Madhya Pradesh	76.80	50.28	64.11
15	Maharashtra	86.27	67.51	77.27
16	Manipur	77.87	59.70	68.87
17	Meghalaya	66.14	60.41	63.31
18	Mizoram	90.69	86.13	88.49
19	Nagaland	71.77	61.92	67.11
20	Orissa	75.95	50.97	63.61
21	Punjab	75.63	63.55	69.95
22	Rajasthan	76.46	44.34	61.03
23	Sikkim	76.73	61.46	69.68
24	Tamil Nadu	82.33	64.55	73.47
25	Tripura	81.47	65.41	73.66
26	Uttaranchal	84.01	60.26	72.28
27	Uttar Pradesh	70.23	42.98	57.36
28	West Bengal	77.58	60.22	69.22
Union Territories				
29	A & N Islands	86.07	75.29	81.18
30	Chandigarh	85.65	76.65	81.76
31	D & N Haveli	73.32	42.99	60.03
32	Daman & Diu	88.40	70.37	81.09
33	Delhi	87.37	75.00	81.82
34	Lakshadweep	93.15	81.56	87.52
35	Pondicherry	88.89	74.13	81.49
All-India		**75.85**	**54.16**	**65.38**

Source: www. Censusindia.net. Cited in Rao (2007).

Appendix V

Rate of growth and share of projected population

States	Rate of growth (1997–2012)	Share of population to total		Year by which TFR*=2.1 may be achieved
		1997	2012	
Andhra Pradesh	1.06	7.48	6.98	2002
Assam	1.39	2.65	2.58	2015
Bihar	1.78	9.71	10.07	2039
Gujarat	1.37	4.73	4.62	2014
Haryana	1.54	1.94	1.94	2025
Karnataka	1.24	5.13	4.91	2009
Kerala	0.90	3.21	2.92	1988
Madhya Pradesh	1.77	7.74	8.01	2060
Maharashtra	1.09	9.01	8.44	2008
Orissa	0.89	3.58	3.25	2010
Punjab	1.15	2.33	2.20	2019
Rajasthan	1.82	5.20	5.42	2048
Tamil Nadu	0.82	6.17	5.55	1993
Uttar Pradesh	2.22	16.37	18.10	2100
West Bengal	1.29	7.77	7.50	2009
Rest of India	2.05	7.03	7.58	
All India	**1.45**	**100.00**	**100.00**	**2026**

*total fertility rate

Source: Planning Commission, Ninth Five Year Plan 1997–2002, Volume I. Cited in Rao (2007).

Appendix VI

Projected levels of the expectation of life at birth during 1996–2001, 2001–06, 2006–11 and 2011–16 state-wise

State	Male				Female			
	1996–2001	2001–06	2006–11	2011–16	1996–2001	2001–06	2006–11	2011–16
Andhra Pradesh	61.55	62.79	63.92	64.94	63.74	65.00	66.16	67.23
Assam	57.34	58.96	60.44	61.77	58.84	60.87	62.70	64.36
Bihar	63.55	65.66	67.46	69.98	62.07	64.79	67.09	69.05
Gujarat	61.53	63.12	64.60	65.76	62.77	64.10	65.49	66.45
Haryana	63.87	64.64	65.50	66.03	67.39	69.30	70.00	70.00
Karnataka	61.73	62.43	63.10	63.73	65.36	66.44	67.43	68.35
Kerala	70.69	71.67	72.00	72.00	75.00	75.00	75.00	75.00
Madhya Pradesh	56.83	59.19	59.20	60.70	57.21	58.01	59.80	61.40
Maharashtra	65.31	66.75	67.98	69.02	68.19	69.76	71.13	72.00
Orissa	58.52	60.05	61.44	62.70	58.07	59.71	61.23	62.63
Punjab	68.39	69.78	70.88	71.74	71.40	72.00	72.00	72.00
Rajasthan	60.32	62.17	63.79	65.21	61.36	62.80	65.22	66.84
Tamil Nadu	65.21	67.00	68.45	69.64	67.58	69.75	71.54	72.00
Uttar Pradesh	61.20	63.54	65.48	67.10	61.10	64.09	66.60	68.72
West Bengal	64.50	66.08	67.42	68.57	67.20	69.34	71.11	72.00
India	62.36	64.11	65.63	66.93	63.39	65.43	67.22	68.80

Source: Ministry of Health and Family Welfare: *Year Book 1996–97*, *Family Welfare Programme in India*, Department of Family Welfare. Cited in Rao (2007).

References

Ahuja, Rajeev. 2004. “Health Insurance for the poor”, in *Economic and Political Weekly,* 10 July 2004.

Ahuja, Rajeev ; Indranil De. 2004. “Health insurance for the poor: Need to strengthen healthcare provision”; in *Economic and Political Weekly,* 9 Oct. 2004.

Bhat, Ramesh; Somen Saha. 2004. “Health insurance: Not a panacea”, in *Economic and Political Weekly*, 14 Aug. 2004.

Chakraborti, Rajagopal Dhar. 2004. *Greying of India*. New Delhi. Sage Publications:

Centre for Monitoring Indian Economy (CMIE). 2002. *Public Finance, Economic Intelligence Service*, Mumbai.

Dreze, J.; Sen, A. 1991. “Public action for social security: foundations and strategy”, in E. Ahmad et al. (eds.): *Social security in developing countries*, New Delhi, Oxford University Press.

Ghai, Dharam. 2002. *Decent Work: Concept, models andiIndicators*. Geneva, ILO.

Government of India (GoI). 2002. *Report of the National Commission on Labour*. New Delhi.

—. 2004. Speech of the Finance Minister, P Chidambaram, delivered on 8 July. New Delhi.

ILO 2000a. *India: Social protection for the unorganized sector*. Geneva.

—. 2000b. *World Labour Report. Income security and social protection in a changing world*, Geneva.

—. 2001. *Report of the Director-General: Reducing the Decent Work Deficit*. Geneva.

—. 2006. *Realizing Decent Work in Asia*. Geneva. http://www.oit.org/public/english/standards/relm/rgmeet/14asrm/dgrealizing.pdf. (accessed at 20.5.2008).

—. 2007. *Towards globalization for the people: The role of social protection in shaping a fair globalization*. Geneva.

—. 2008. *DWCP-India (Draf)t*. New Delhi.

Krishna, Anirudh (2004). “Escaping poverty and becoming poor: Who gains, who loses, and why?” in *World Development*, 32 (1), 121–36.

Lalvani, Mala (2008). “Demonstrating a “New Political Budget Cycle”, in *Economic and Political Weekly*, 12-18 April, 43(15): 25–32.

National Commission for Enterprises in the Unorganized Sector (NCEUS). 2006. *Report on the unorganised sector*. New Delhi.

Planning Commission. 2006. *Report of the Working Group on Social Security*. New Delhi; Government of India.

Prabhu, K. S.; Iyer, S.V. 2001. "Public provision of social security: The challenge in south Asia" in *South Asia Economic Journal*, 2(1).

Rajan, S Irudaya.; Mishra, U.S.; Sarma, P Sankara. 1999. *India's elderly – Burden or challenge*. New Delhi. Sage Publications.

Rajasekhar, D.; Sreedhar, G. 2002. "Changing face of beedi industry in Karnataka" in *Economic and Political Weekly,* Sept. 2002.

Rajasekhar, D.; Narasimha, Reddy; Suchitra, J.Y. 2006. *Effectiveness of microfinance programmes in reducing vulnerability to debt bondage.* ISEC Research Report. Bangalore, ISEC (www.bondedlabour.org).

Rajasekhar, D.; Manjula, R.; Suchitra, J.Y. 2006. *Social security needs and willingness to contribute to social security: Garment workers in Karnataka*. GTZ. Mimeo.

—. 2006. *Social security needs and willingness to contribute to social security: Agarbathi workers in Karnataka*. New Delhi. GTZ. Mimeo.

—. 2007. "Women workers in urban informal e—employment: The status of agarbathi and garment workers in Karnataka" in *Indian Journal of Labour Economics*.

—. 2008a. *Government sponsored health insurance schemes in India: An overview*. New Delhi. ILO.

—. 2008b. *Assessing the microfinance needs of vulnerable groups*, Bangalore. Institute for Social and Economic Change. Mimeo.

Rajasekhar, D.; Suchitra, J.Y.; Madheswaran, S.; Karanth, G.K. 2006. *Design and management of social security benefits for the unorganized sector workers in Karnataka*. New Delhi. GTZ.

Rao, Hanumantha K. 2007. *Rural development statistics 2005–2006.* Hyderabad. National Institute of Rural Development.

Rao, V.M.; Rajasekhar, D.; Suchitra, D.Y. 2006. "The unorganized worker: Deprivations, social security and policy implications", in *Economic and Political Weekly*, XLI (19).

Ray, Debraj. 1998. "Chapter on Credit" in *Development Economics*. New Delhi. Oxford University Press.

Sengupta, Arjun K. 2007. *Report on conditions of work and promotion of livelihoods in the unorganized sector*. New Delhi. Academic Foundation.

United nationsl Development Assistance Framework (UNDAF). 2007. *India United Nations Development Assistance Framework 2008–12.* New Delhi.

World Bank. 2006. *India inclusive growth and service delivery: Building on India's success*. Development Policy Review. Washington DC.