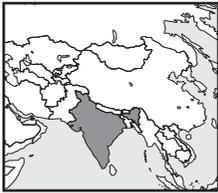


INDIA

Macroeconomic growth, challenging realities



In this phase of impressive macroeconomic growth, there is a clear need for renewed political and policy emphasis on reinforcing existing social security schemes, as well as developing new initiatives to keep up with the ever evolving socioeconomic and demographic realities of the country, such as its ageing population. While proposed legislation to protect the informal sector is a positive step, much more is needed to ensure an effective safety net for the vulnerable and marginalized.

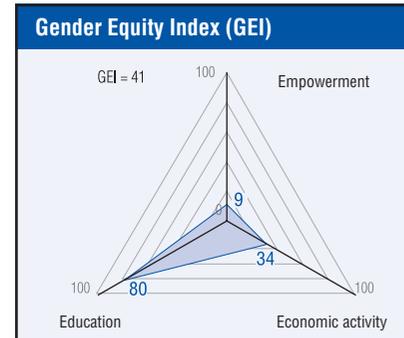
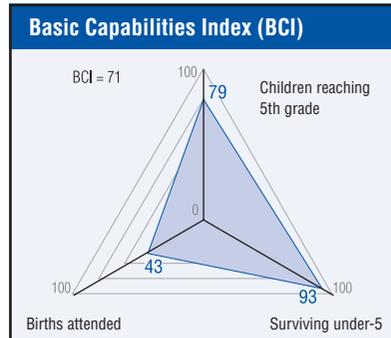
National Social Watch Coalition
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The Indian state is now moving towards a growth-oriented neoliberal policy, where GDP growth, privatization and industrial expansion have become buzzwords for the future. Yet there are considerable sections of society who are in need of some kind of safety net to realize their economic, social and cultural rights. In this phase of 9%-plus annual economic growth, it has become inevitable to move towards the realization of social security for all.

The nature of socioeconomic and demographic realities is such that it makes an effective social security system a necessity. The percentage of the population living below the poverty line is still around 27.8%. People aged 60 and over now make up 7% of the total population and projections indicate that the population in this age group will grow to 100 million by 2013. Workers in the unorganized or informal sector number over 370 million and represent 93% of the total workforce. The unemployment rate in the country increased from 6.1% in 1993-1994 to 7.3% in 1999-2000, and then rose even further to 8.3% in 2004-2005. The country's current economic growth has clearly not generated employment, and employment levels have declined even in the organized (formal) sector (Government of India, 2006).

Agriculture is an important sector supporting close to 115 million families across the country and providing employment to around 58.2% of all workers. It is therefore a matter of particular concern that there has also been a sharp increase in unemployment among agricultural labour households – from 9.5% in 1993-1994 to 15.3% in 2004-2005 – which are already among the country's poorest households (Government of India, 2006).

The urgent need for an effective social security system is increased by the rapid and widespread changes at the present juncture. Indian society is undergoing transitions on several fronts where the traditional social security system has almost completely broken down, leaving the old, the destitute and other vulnerable sectors to fend for themselves. On the other hand, the retreat of the state under the impact of the neoliberal framework and the forces of globalization has created a policy dilemma in which the concerns of the welfare state have been left behind. In spite of constitutional stipulations



regarding the provision of social security, the current system leaves wide gaps, especially in terms of covering vulnerable sectors of the population like the elderly, women, children, and the millions of paid and unpaid workers employed in the unorganized sector. So far, there has been an absence of a comprehensive and realistic social security net provided by the state. Existing initiatives are ridden by ineffective and insufficient implementation and lack a long-term perspective. The state cannot shy away from its commitments under the constitutional stipulations. The multidimensional nature of the issue of social security makes it not only more complex but also more urgently in need of immediate action.

Social security for the informal sector: initiatives and challenges

While there is somewhat of a social security framework in place for the organized sector, there has been a serious gap in the social security policy for the unorganized sector. Out of 399 million workers in 1999-2000, it is estimated that 371.2 million (nearly 93% of the entire work force) were employed in the unorganized sector, as compared to only 27.8 million (7%) in the organized sector (Sakthivel and Joddar, 2006).

In line with the commitment made in its National Common Minimum Programme, the United Progressive Alliance government recently finalized the drafting of a social security bill for workers in the unorganized sector. As a complement to existing social security provisions at the national and state level, the bill offers such social protection measures as health insurance, maternity benefits and old age benefits to workers in the informal sector, while also

addressing the conservation of natural resources on which workers depend for their livelihood. The uniqueness of the bill is that it is founded on a rights-based framework and is legally enforceable. The proposed scheme would be voluntary and contributory in nature, with contributions from both workers and government.

A closer look at the draft bill, however, reveals some glaring gaps. First of all, the bill is not in consonance with the principles of non-discrimination and equity upheld by our constitution and the international covenants ratified by India, such as the International Covenant on Economic, Social and Cultural Rights. The bill will cause further fragmentation by excluding people already covered in the existing schemes, and takes a segmented approach to providing social security by making a distinction between the organized and unorganized sectors instead of consolidating the two (Duggal, 2006). Questions can also be raised about the very definition of 'unorganized'. According to the National Commission for Enterprises in the Unorganized Sector, these are unincorporated enterprises owned by the individuals or households, which employ less than ten people. However, there are workers in the formal sector as well who may fall under the category of 'unorganized' because they do not have the rights and privileges that those working in the organized sector are supposed to enjoy (Chandrasekhar and Ghosh, 2006).

The bill has also adopted a 'blanket' approach towards the unorganized sector, failing to take into account its heterogeneity. As observers have pointed out, the specific minimum social security package needed by each of the sub-sectors is likely to be different, due to different priorities (Hirway, 2006).

Furthermore, while the provision of minimum social security coverage to the unorganized sector is a welcome initiative, the amount of money that is ultimately going to be received by the beneficiaries under different schemes and categories is clearly insufficient. For example, the proposed old age pension for workers below the poverty line after the age of 60 would be INR 200 a month (scarcely USD 5), while accidental death would be compensated with a lump-sum payment to survivors of INR 25,000 (USD 615). This raises questions about the intentions and the will of the policy makers, and leads one to wonder if this is perhaps yet another example of tokenism.

The elaborate institutional structure suggested by the bill depends upon the usual hierarchically graded system reaching from the central government to the district level, with the involvement of grassroots organizations like the *panchayats* (local government bodies), self-help groups and trade unions. However, this elaborate set-up has proven ineffective in many other previous schemes, and the fact that grassroots institutions are already loaded with many other functions casts serious doubts about their ability to effectively carry out this new initiative.

The tendency to overload the existing machinery and procedures is also illustrated by the fact that the notoriously inadequate 'below poverty line' criterion is proposed to be used for identifying the beneficiary households (Hirway, 2006).

In response to the social security bill, trade union federations have emphasized the need to improve the legislative proposals with more specific and concrete provisions on such issues as protection against job loss, appropriate compensation, working hours, labour inspection and dispute/grievance settlement machinery, and punishment for violations of labour standards (Central Trade Unions, 2006).

Increased need for protection of the elderly

The increasing life expectancy and growing share of the population aged 60 and over necessitate comprehensive social security coverage for older adults, who made up close to 7% of the population in 2001 and are predicted to account for almost 9% in 2016 (Government of India, n.d.). Estimates place the number of people aged 60 and over at 100 million by 2013 and 198 million in 2030.

Aside from the large size of the elderly population in the future, there are other factors that raise concern. Around 80% of the elderly live in rural areas, posing challenges with regard to an effective delivery mechanism for assistance. In addition, the feminization of this problem is highlighted by the prediction that women will make up 51% of the elderly population by 2016. Finally, the very elderly population – those aged 80 and over – is also increasing, and about 30% of this population lives below the poverty line (EPW, 2007).

In general terms, even the wage-earning population tends to move below the poverty line in old age because of insufficient savings and other contingencies. There are currently few social security provisions for the aged, and the existing provident

fund and pension schemes apply only to the organized sector, leaving the vast unorganized sector uncovered. Other schemes providing some degree of protection to senior citizens are available in the form of marginally higher interest rates on small savings, but much of the effort to save for the future has been thwarted by the recent decision to tax accumulated savings (Gopal, 2006).

The Directive Principles of State Policy stipulate that "the state shall, within the limits of its economic capacity and development, make effective provision for securing the rights of public assistance in cases of old age." In this regard, the National Policy for Older Persons, announced in January 1999, could perhaps be viewed as a milestone. However, a recent study conducted by HelpAge India concludes that progress on its implementation has been tardy (EPW, 2007).

In February 2006, the Cabinet approved the Maintenance and Welfare of Parents and Senior Citizens Bill. The bill mentions a number of government initiatives, including the maintenance of a database on the elderly, the provision of an old age pension of INR 1,000 (USD 24.6) per month, and the establishment of an adequate number of old age homes, especially for those with no family support (EPW, 2007). The bill also outlines the setting up of tribunals through which the government would take action against individuals who do not take proper care of their elderly parents, resulting in imprisonment and fines of up to INR 5,000 (USD 123). This kind of legislation was long overdue, but what is needed now is its quick and effective implementation.

Women deprived as beneficiaries

Unpaid workers have been excluded from the proposed social security schemes for the unorganized sector, which has grave gender implications, since women tend to be considerably overrepresented among unpaid family workers (Neetha, 2006). Excluding unpaid workers as beneficiaries of these schemes will directly affect these women workers who already face the twin deprivations of being poor as well as being women.

Such a gender bias can also be seen in the National Policy for Older Persons. As Gopal (2006) notes, although it recognizes the higher life expectancy of women, "there is not much emphasis to highlight the gender implications of such a policy despite evidence that women in this category suffer greater vulnerability. In the sections on healthcare, nutrition, shelter and education, there is no specific reference to women's situation."

Schemes such as the Integrated Rural Development Programme, Integrated Child Development Services, Development of Women and Children in Rural Areas and other socioeconomic programmes have been operating since the 1980s, but so far have not been able to achieve the desired results. "Even though the state targets the family for provision of social security, as far as women are concerned, when their tie to the breadwinner is broken in case of divorce, desertion, separation or widowhood, it means destitution" (Gopal, 2006).

Rural employment scheme shows mixed results

The National Rural Employment Guarantee Programme (NREGP)¹ is perhaps one of the most extensive schemes in recent years to provide employment in rural areas during the lean season. It covers 200 districts across the country, with the objective of providing 100 days of guaranteed unskilled wage employment to each rural household opting for it. The NREGP is a demand-driven scheme, focusing on works related to water conservation, drought proofing, land development, flood control, drainage and rural connectivity. One major limitation of this programme, however, is the complete disconnect between rural infrastructure plans and the NREGP-related creation of infrastructure.

The implementation of the programme so far has shown mixed results. The registration percentage among eligible households ranges from 14.1% to 100% in some districts. The awareness level among the beneficiaries about the programme is also very low. Much needs to be fine-tuned in the implementation and utilization of the programme, in order to address such problems as the general awareness level, the timely and prescribed payment of wages, and the role of local self-government bodies (*gram sabhas* and *panchayats*) through which the programme is supposed to be implemented at the grassroots.

Essentially, the NREGP is more of an income support programme intended to help people face the current drought of work, and is not an instrument of generating employment in the medium to long run. ■

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1 For further discussion see Social Watch India Report 2007.