Social Security Schemes in India and Its Relevance during COVID-19 2020

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Abstract: The COVID-19 crisis is not only a health crisis but an economic one which has exposed the vulnerabilities of individuals, societies and economies, calling for a rethink of how economic and social activities are organized. The complete shutdown of all economic activities except essential services created an economic crisis and misery for the poor. The exposure of the poorest to the greatest risk from COVID-19 lockdown and unpreparedness of social policy system brings the desire of the author to evaluate the existing Social Security Schemes in India and justify the need to revolutionize them to meet the crisis of the pandemic. The article draws on sources such as academic articles, government surveys and online media reportage. The article argues that the scale and depth of poverty revealed by the COVID-19 migrant issue in particular suggest renewed attention to protect the basic entitlement and fundamental rights of all.

Keywords: COVID-19 Pandemic, Economic Crisis, Social Security Schemes

1. Introduction

The COVID-19 pandemic provided a wake-up call to the significant gaps in coverage and adequacy of existing social protection systems. Social protection has a central role to play in addressing the social, economic and health dimensions of the crisis. Ninety per cent of the Indian workforce is employed in the unorganized sector; uncounted millions work in urban areas at great distances from rural homes. As a preventive mitigation measures, India initiated harsh controls since March, asking 1.3 billion people to stay at home for the period of lockdown unless involved in permitted essential services. Through a combination of control measures worldwide, countries are working to ‘flatten the curve’, that is, ‘reducing the number of COVID-19 cases. Resulting an economic crisis and misery for the poor, with massive job losses and rising food insecurity. The hardest hit is often individuals and families that were already struggling before the crisis, highlighting the significant pre-existing inequalities in the region. Moreover, the suffering borne by the uprooted informal workers, who constitute more than 90 per cent of India’s workforce and have helped to build India’s US$2.9 trillion economy demonstrate the frailty of state social protection systems. Failing to address the uneven impacts of the crisis on different groups will compromise the promise of the 2030 Agenda for Sustainable Development to “leave no one behind”. It will also jeopardize the achievement of various Sustainable Development Goals set out as part of the Agenda (United Nations, 2020a) Thus social protection has a central role to play in addressing the social, economic and health dimensions of the crisis.

Present pandemic demands that the people from the marginalized section of society must be assured of a minimum level of social security and effective expenditure of public entitlements must be catered now more than ever. India needed to step up its already existing social security system to cope up with the new-age workforce and technology that will arise after the COVID-19 outbreak. The article argues that the scale and depth of poverty revealed by mainly the COVID-19 migrant issue suggest renewed attention towards the urgency of adequate financial resources to consolidate social protection to protect the basic entitlement and fundamental rights of all, and especially its most disadvantaged citizens.

2. Social Security - A perspective Social Security in India

Social security schemes are schemes imposed and controlled by government units for the purpose of providing social benefits to members of the community as a whole, or of particular sections of the community. It represents basically a system of protection of individuals who are in need of such protection by the State as an agent of the society. India is a Welfare State and therefore, social security is an essential component of Government policy. The Indian government has several social security schemes in order to boost the financial security for the citizens and support the economic development of the country.

The last three decades witnessed fundamental changes, as new economic policies and programmes were triggered by developments on the global stage (Jha, 2012). A strong need has been felt to provide some sort of social insurance coverage to the population that has remain excluded from the benefits of rapid economic growth.. Schemes such as the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), public distribution system (PDS), and a modest universal income transfer can drive growth by boosting demand, correcting market failures, improving credit access, and providing the insurance needed for people to undertake risky investments to improve productivity. While the scope of social policies also increased during this period, the performance and reach remained diverse across different states, and not all need and rights could be addressed (Drèze, 2016, pp. 14–15) There have been repeated calls to make economic growth more inclusive and temper its
harmful effects through redistributive social policy (Summer, 2019, pp. 410–411). Drawing from the Constitution of India and ILO Conventions on Social Security some of the legislation that have been enacted for social security are Employees Provident Fund and Miscellaneous Provisions Act, 1952, Maternity Benefit Act, 1961, Payment of Gratuity Act, 1972, etc. A social security division has also been set up under the Ministry of Labour and Employment which mainly focuses on framing policies for social security for the workers of organized sectors.

Since the last decade the government has initialized efforts to extend the benefits to the unorganized sector too. Legislative enactments like the National Rural Employment Guarantee Act, 2005, Unorganized Sector Workers’ Social Security Act, 2008 and the Domestic Workers (Registration, social security and welfare) Act, 2008 are examples of the same.

Some of the prominent Social Insurance programmes currently in operation are

1. **Mahatma Gandhi National Rural Employment Act, 2005**: Aims to enhance livelihood security in rural areas by providing at least 100 days of wage employment to every household whose adult members volunteers to do unskilled manual work

2. **Pradhan Mantri Jan dhan Yojana** which aims at financial inclusion by providing zero balance saving accounts

3. **Atal Pension Yojana** was launched at 2015 with the objective of benefitting people working in the unorganized sectors.

4. **Pradhan Mantri Jeevan Jyoti Bima Yojana** one year life insurance scheme offering coverage for death only to people in the age group 18 to 50 having a saving bank account.

5. **Pradhan Mantri Mudra Yojana**: There are three sub-schemes under this program. Shishu gives a loan of Rs 50, 000; Kishore gives a loan anywhere between Rs 50, 000 and Rs 5 lakhs and Tarun gives a loan anywhere between Rs 5 lakhs to Rs 10 lakhs. These loans do not need collaterals. This scheme intends to create the first generation of aspiring entrepreneurs and existing small businesses that wish to expand.

6. **Stand Up India Scheme**: The Stand-Up India scheme provides a bank loan between Rs 10 lakh and Rs 1 crore to at least one borrower from the scheduled caste or scheduled tribe category and at least one woman borrower per bank branch for the purpose of setting up greenfield enterprises in any one of the sectors including manufacturing, services or trading.

7. **Pradhan Mantri Vaya Vandana Yojana**: This scheme is aimed at benefiting persons beyond the age of 60 against a full fall in their income due to some unexpected market conditions

8. **Ayushman Bharat Yojana** was launched in 2018 which gives cashless treatment to patients along with wellness centers which provide primary care to them.

9. **Unorganized Workers’ Social Security Act, 2008**, which targets at extending social security measures to unorganized sector workers. The law thereby aims at extending to workers in informal sector status and benefits similar to that of formal sector workers.

10. **Domestic Workers Act, 2008** has also been enacted. The legislation aims at regulating payment and working conditions of domestic workers and entitles every registered domestic worker to receive pension, maternity benefits and paid leave that is a paid weekly off.

As the announcement of lockdown with a notice of less than 4 hours spread, many people in general and migrant workers in particulars were rendered instantly without work. 400 million workers in the informal economy, constituting 90 per cent of India’s workforce, were at risk of falling deeper into poverty. Migrants were not allowed to leave, the Apex Court had asked the central government to ensure the provision of food, water and shelter for the migrants (Bindra & Sharma, 2020). Butlack of work has also pushed several thousand workers in general migrant workers in particulars to the edge of starvation.

The above situations underscore not just shortcomings of emergency measures and unpreparedness of local administration but also the challenges of providing relief to millions of unprotected informal workers with no means of subsistence, no homes to practice distancing and receiving confusing information and communication about the ongoing situation, as the COVID-19 lockdown was extended with no end date in sight. In spite of all existing schemes universal social coverage is far from being achieved. These legislations for organized and unorganized sector workers need to be bestowed attention because this will help improve their productivity and industrial relations and thus ensure development of the country.

3. **Need to revolutionize the pre-existing social security schemes**

The lockdown announcement had huge implications for the economy in general and for the informal migrant labourers in particular was acknowledged and responded to by the government. It was widely felt during this onset of the pandemic the existing social security schemes fail to include a major section of the society that is in dire need of social security and acceptance. After March 25, 2020 when a national lockdown, forced by the onset of COVID-19, was implemented and several states imposed additional curfew measures, economic activity - particularly industry and services slowed sharply. Real GDP contracted by an unprecedented 23.9 percent (year-on-year) in Q1 FY21. Growth was, however, already slowing when the COVID-19 pandemic struck. The sense of security within people started deteriorating and even though the food security (Food Security Act, 2013) tried to expand its branches, it was not enough to cater to this large unemployed population, highlighting the loopholes in this crisis. Now keeping in mind that people are entitled to these basic social securities, the system genuinely failed in providing them so. With the lack of food security among the economically vulnerable community during this lockdown, the lack of housing and security of providing shelter was highlighted. Even though the Central
Government has tried to implement universal ration and Social Housing welfare for better utilization of the Public Distribution System, it looks like the schemes were mostly reactive and need a long period of time before actually implemented. India needed to step up its already existing social security system to cope up with the new-age workforce and technology that arose after the COVID-19 outbreak. This massive health crisis has pointed out the abysmal loopholes in the social security system of the country whose objective was to reduce the sufferings of these marginalized sections of society.

The informal sector, where the vast majority of India’s labor force is employed, has been particularly affected. Half of India’s population already live precariously close to the poverty line and any income and job losses increased their risk of slipping back into poverty. Most of the migrant workers are not enrolled in any social protection scheme, and those who are, have been only provided with contingencies. These measures are inadequate to address the multidimensional deprivations and fundamental causes of vulnerability arising due to globalization and a changing labour market. The pandemic has also exacerbated the vulnerabilities for traditionally excluded groups, such as youth and women. Recognizing these challenges, India is reworking its social protection architecture to protect its workers, particularly informal sector workers, hit hard by the COVID-19 pandemic. Until now, 70 percent of its vast social protection programs focused on the rural poor. Internal migrants who crossed state borders to work were not covered. The country is now pivoting from a social protection program with a primarily rural focus into an integrated pan-India system that encompasses the informal sector and the urban poor. The Indian Government has also announced range of other initiatives including – MSME incentives, infrastructure sector boost, agriculture infrastructure, micro food enterprises boost, increased public employment outlay, special liquidity window, etc. This pandemic brought out the reasons for making social welfare schemes from adequate and humane more than ever. The whole social security system needs a dynamic shift in its approach to make it more inclusive and benefit more sections of the society, especially to the vulnerable class in order to mitigate their sufferings. The International Labour Organization (ILO) estimates the loss of 25 million jobs, and the United Nations Development Programme (UNDP) foresees USD 220 billion in loss of income for developing countries (International Labour Organisation (ILO)-Monitor Ed-3, 2020; United Nations Development Programme [UNDP], 2020).

4. Social security measures undertaken in India during the COVID-19 era

Since the disease outbreak, Indian government like the other governments elsewhere have struggled to put in place a stimulus package and economic recovery plan to respond to the devastating socioeconomic effects arising from the pandemic. Indian government has taken a measured and calculated plan for economic recovery and stimulus, which has come in a piece meal manner. India is thus among the top five nations to have set aside 10% or more of GDP toward economic recovery in order to secure the well being of the nation’s poor and vulnerable groups. Estimates by the Centre for Monitoring Indian 2020 Economy show that unemployment shot up from 8.4% in mid-March to 23% in the first week of April. In urban areas, unemployment soared to 30.9% as of April 5. The shutdown has caused untold miseries for informal workers and the poor, who lead precarious lives facing hunger and malnutrition. The best way to address this urgent need is to use social safety nets extensively to stabilize their lives with food and cash.

Despite sharp declines in wage incomes and self-employed livelihoods, official relief was minuscule. The first relief package announced after the lockdown included many items that were already committed public spending: additional expenditure amounted to only around 0.5% of GDP. Six weeks into the lockdown, the Prime Minister announced another package supposedly equivalent to 10% of GDP, but the details showed that much of this was in the form of credit guarantees and other liquidity provision that did not require additional fiscal outlay. Total additional public spending promised by all the relief measures announced by the end of May amounted to only around 1% of GDP (CBGA 2020), and much of this had not reached to the desired people.

In April, the government announced that 330 million poor people have been assisted through transfers amounting to ₹312, 350 million under Prime Minister’s Poor Relief Scheme (PMGKY) (All India Radio News, 2020); ₹100, 000 million has been transferred to 200 million women holding special Jan-Dhan accounts (₹500 per person), ₹14, 050 million was provided under welfare pension schemes to 28.2 million people, ₹161, 460 million to 80 million registered farmers under cash income support scheme, PM-KISAN, and ₹34, 970 million worth of financial support to 21.7 million building and construction workers. Under the PMGKY, 392.7 million people received free food grains, and 26.6 million LPG cylinders were distributed under the PMUY scheme (All India Radio News, 2020). However, an assessment by the International Monetary Fund (IMF) shows that overall support by the central and state governments through various cash and kind transfers and other measures, such as healthcare infrastructure, testing facilities and tax relief, was only about 0.2 per cent of India’s GDP (IMF Policy Tracker). Critics argue that these disbursements are part of regular welfare dues to eligible groups and do not address the new catastrophic losses, such as that of incomes, leading to ongoing survival crises suffered by stranded and out-of-work migrant informal workers. The government seems, was dressing up the small, targeted transfers as a special package for COVID-19 (Bajaj et al., 2020). These transfers amounted to less than 0.8 per cent of the GDP and only 5.6 per cent of the central government’s planned financial outlay for 2020—21. Cash transfers to Jan-Dhan accounts amount to less than ₹17 per household and ₹4 per person per day (Bajaj et al., 2020). Moreover, migrant
workers unable to return home and those who are not ration card holders at the destination would not benefit from additional free food grains under the PDS. They cannot avail increased MGNREGA (public works) wages until they go back home and the lockdown is over. The PMJDY list for cash transfers would exclude poorer women. As the majority of the seasonal migrants are landless or marginal farmers, they will not be benefitted from the grant to landholders under schemes such as PM-KISAN through which the central government provides an income support of ₹6,000 a year to farmers in three equal cash transfers of ₹2,000 every 4 months. The government should have used a consolidated list of beneficiaries of all welfare schemes to make immediate transfers (Biswas, 2020; Somanchi & Khera, 2020). Beyond standard welfare measures, the COVID-19 pandemic requires disaster-grade response, and the government issued directives under the appropriate law, the National Disaster Management Act, to support key decisions.

In his address to the nation on 12 May, the Indian Prime Minister Narendra Modi announced an economic package worth ₹20 trillion with the intended aim to make India self-reliant in the post COVID-19 world. He described this intervention as a movement towards self-reliant India (‘Atmanirbhar Bharat Abhiyan’). This was followed by a five-phased announcement by the finance minister who emphasized ‘land, labour, liquidity and laws’ as vital aspects of this package. The announcement of free food grain supply (5 kg of grains per person and 1 kg of chickpeas per family) for 2 months to 80 million migrant workers without a ration card, outside the ambit of National Food Security Act, was expected to provide some relief to migrant workers. This national food program became essential in securing basic food items for the poor until the onset of the economic recovery and the arrival of agricultural produce. The “One nation, One ration” card scheme was also launched during the pandemic, providing a food ration to people across the country, irrespective of their domicile and place of work; and bringing more transparency to food distribution while potentially avoiding a large-scale mass migration.

Several state governments have announced their own support packages, to help informal workers and the poor. For example, the Kerala government is providing meals with diversified diets at the doorsteps of households. Unemployed informal workers need cash income support. The central government’s relief package, called Pradhan Mantri Garib Kalyan Yojana (Prime Minister’s plan for well-being of the poor), is aimed at providing safety nets for those hit the hardest by the COVID-19 lockdown. However, it is inadequate compared to the enormous scale of the problem.

COVID-19 is an unprecedented challenge for India; its large population and the economy’s dependence on informal labor make lockdowns and other social distancing measures hugely disruptive. The central and state governments have recognized the challenge and responded aggressively—this response should be just the beginning. India must be prepared to scale it up as events unfold, easing the economic impacts through even greater public program support and policies that keep markets functioning. Central government is in the process of overhauling India’s labour law regime, subsuming 44 central labour laws through the formulation of four labour codes: Code on Wages, Industrial Relations Code, Social Security Code, and the Occupational Safety, Health and Working Conditions Code. Given the ramifications of the COVID-19 crisis, this presents an opportunity for the government to legislate to ensure equal treatment for workers regardless of contractual status. The objective is to integrate India’s over 460 different social security programmes into a flexible and adaptable system.

5. Suggestions and Conclusions

National lockdown was followed by a comprehensive policy package to mitigate the impact on the poorest through various social protection measures as well as liquidity and financial support for small and medium enterprises. As it has inflicted a heavy cost on India’s poor. India’s social policy experiments and vibrant democracy must rise up to address resurgent poverty brought on by the new challenges of the 21st century. On moral grounds alone, there is a strong case for augmenting spending on social protection for the poor, and the Government of India has taken some important first steps in this regard. Migrant worker tragedy unfolding in the wake of the COVID-19 pandemic lockdown is reinforcing the necessity of consolidating the social policy efforts of the past decades. Social protection schemes should provide all citizens—migrants or not—with the basic rights to secure work, housing and sanitation. Post-COVID-19, workplaces must provide better protection and decent work standards for informal workers based on existing policy framework. Government must also recognize that rural social protection schemes, such as public works under MGNREGA, should be expanded to urban areas, and other welfare measures, such as maternal and child protection and PDS, should be made portable. Similarly, farmers and the agrarian rural sector need greater commitment from the state as urban informal work and migrant remittances dry up. The lockdown’s adverse impact on incomes, especially in the non-farm sector, generate negative multiplier effects. Therefore, the government must counter the decline in aggregate demand by increasing its own spending: directly by providing food and incomes to the poor and indirectly by enabling the revival of micro, small and medium enterprises that employ the bulk of the workforce. This requires increased public expenditure of fairly large

On the whole, the COVID-19 pandemic is a crucial juncture in the Indian history. Undoubtedly, each Indian has taken the “Break the chain” slogan to their minds by staying home for a promising future ahead for the entire world. Evidently, the Indian government has taken some steps to feed the entire nation and protect their lives and livelihoods amid the corona virus outbreak. However, more can and should be done, because spending on social protection is not only ethically desirable but also critical for driving the broader economic recovery. This paper makes the case for the critical role of government in
coordinating pandemic response by examining how state authorities are attempting to bridge the gap.

References


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