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Santosh Mehrotra

Centre for Development Studies, University of Bath

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Corresponding author:

Santosh Mehrotra

Email: santoshmeh@gmail.com

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Can India universalize social insurance before its demographic dividend ends? The principles and architecture for universalizing social security by 2030

Santosh Mehrotra

Centre for Development Studies

Abstract

As much as 91% of India's workforce of 475 million is informal, lacking social insurance. The latest effort on social security is India's Social Security Code 2020, which merges eight existing laws. The paper finds the Code wanting by comparing it with the principles that should guide social insurance for informal workers in India. Drawing on this analysis it then sets out proposals for what a social insurance system for India could look like. The roadmap to such reform is long drawn out and challenging given the size of the country, the immensity of its population, its diversity and the complexity of informality in the workforce. Nevertheless, the goal remains that over the next ten years, social insurance should cover the entire workforce, in accordance with ILO Conventions. The paper closes by estimating the fiscal cost of what is proposed, both to federal and state governments.

Key words: disability benefits, informal labour, maternity benefits, pensions, social insurance

1. Introduction

Globally, social security comprises two types of protection for citizens. The first, consisting of old age, death and disability insurance, and maternity benefit is called Social Insurance (henceforth SI). In principle, health insurance could be included as part of SI, but being covered for preventive and primary care services, as well as for basic curative care, is a human right, and should be a responsibility of the state, regardless of whether a person is working or not. SI is normally associated with the insured person being a worker, regardless of whether the worker is self-employed or in wage work (casual or regular wage work). Access to health services, on the other hand, should be a right of all persons as citizens, and should have nothing to do with whether a citizen is a worker or not. Hence, for the purposes of this paper, we will not be examining health services.

The second form that social security normally takes is Social Assistance (henceforth SA), which is state assistance provided to some segments of citizens whose access has nothing to do with whether they are workers or not. Examples consist of food rations (e.g. in India's case through the Public Distribution System), which are delivered in kind; or it could consist of cash payments. This paper will focus on SI, and not on SA. In fact, the gaps in SI's coverage of workers in India are huge. By contrast, SA has historically been much more in evidence in India. Meanwhile, social insurance has very limited coverage in India. This reality has not changed since India's independence, one of greatest failures of the development strategy India adopted in the early fifties.

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

The terms 'unorganized' and 'informal' sector are used interchangeably as shorthand throughout this paper, but it is recognised that informal workers without social insurance also exist in the 'organized' sector: e.g. those working with limited contracts and hired through labour contractors.

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

In 2004, and after decades of neglecting the phenomenon of informality of the workforce, the Government of India formed a Commission on Enterprises in the Unorganized Sector, and this drew up a plan for social insurance for informal workers. However, other than legislating to establish the National Social Security Board for Unorganized Workers in 2008, there was very little action on the ground. Earlier governments had created welfare funds for construction workers, cinema workers, mine workers, and other informal workers in an ad hoc and sporadic fashion. Some State governments had also formed welfare boards for specific categories of informal workers (e.g. coir plantation workers in Kerala), but there was no coherent social insurance system for informal workers. Recognising the urgent need for a social insurance system covering informal workers in both formal and informal enterprises the Indian Parliament passed the Social Security Code (2020).

This paper is organized as follows. Section 1 examines the Social Security Code (2020) (henceforth SS Code), which is one of four laws that supposedly cover all subjects related to labour welfare (the other three being minimum wages, industrial relations, and occupational health and safety). Section 2 spells out the principles that should guide social insurance for informal workers in India. Section 3 then, draws upon the preceding analysis, to lay out the design and architecture for what a social insurance system for India could look like. This constitutes the roadmap for what will be a long-drawn challenge for India, given the size of the country, the immensity of its population, its diversity, and the complexity of informality in the workforce. The goal remains that over the next ten years, social insurance should cover the entire workforce, in accordance with ILO Conventions. Section 4 examines the fiscal cost to the federal (normally referred in India as the Union or central) government as well as the state governments, and Section 5 concludes.

A methodological note might be in order. The paper draws upon data from the National Sample Survey Organization labour force surveys of 2018-19 (the Periodic Labour Force Survey) and Unorganized Sector Enterprise Survey of 2015-16. The data on informal workers comes from the Labour Force Survey, while that on the informal enterprises is drawn from the Enterprise Survey. The raw data for estimating costs was drawn from government administrative sources, which provide information on number of current beneficiaries, as well as other sources (as explained in section 4, where the cost estimates are presented). The Social Security Code 2020, passed by Parliament, is available on the website of the Ministry of Labour and Employment, Government of India.

2. Issues Needing Resolution with Social Security Code 2020

There are major issues in the SS Code that need resolution. To start, the SS Code amalgamated eight existing pieces of social security legislations, most of which deal only with the formal enterprises, not the informal ones. Merging and consolidating a number of Acts does not necessarily amount to an advance, given that seven out of eight of them. belong to the 20th century. India's labour market is changing rapidly, and those looking for work face growing problems. Unemployment rose post-pandemic to more than three times what it was in 2018 (which was already a 45 year high), and although it has fallen to pre-Covid levels, wages have fallen sharply to those in employment (Mehrotra and Parida 2017; Mehrotra and Parida, 2021). Covid has exposed informal workers to great hardship, and another pandemic or climate change induced catastrophe will push workers into poverty (Mehrotra, 2021).

There are a number of other problems with the SS Code. The first seven of its 15 chapters are all about organized sector workers, one chapter is then devoted to construction workers and another to unorganized/gig/platform workers. The remaining six chapters are again focused on organized workers. In other words, for 91% of the India's workforce, the SS Code devotes precisely four out of 104 pages. Clearly, informal workers were not exactly the focus of the Code in the first place. There are mainly two main substantive clauses about unorganized workers in general (109-110). In addition, there are eight clauses (100-108) about construction workers; they have received more space because there was an existing law and a welfare fund for them, and provisions of that law had to be incorporated. However, the substantive problems go beyond these basic facts.

First, the SS Code 2020 does not recognize that informal workers always have multiple sources of livelihood, which are evolving in response to their own needs as well as the demands of the labour market. The poorly educated change their form of employment periodically (and often within a year): they may be agricultural workers, then in the farming lean season they may become construction workers; then, they could be selling fruits or vegetables as street vendors; then they may go back to agriculture for some months. They may turn from being such informal workers to becoming formal workers, and back again. There is no mention anywhere in the Code of such workers. If a SI system is to be designed for such workers, it must begin by recognizing this reality.[2]

Second, a Social Security system cannot be dependent upon the size of enterprise, defined by number of workers. However, the Code relies upon a system of thresholds defined by number of workers employed in an establishment (e.g. 10 workers for Employee State Insurance Corporation (ESIC), 20 for Employee Provident Fund Organization (EPFO)[3]. This system of thresholds that exists in India's existing labour laws has been retained in the Code. This is not a system that has worked for the benefit of any worker (organized or unorganized), regardless of whether the employing unit is registered under any Act or not. This is because for the organized sector, employers are able to understate the actual number of workers with impunity to escape registering under EPFO. Gradually these thresholds will need to be lowered, at least for those who are regular salaried workers in the non-agricultural sector, whose numbers have shot up to 104 million (2017-18), which is 40% of the non-agricultural workforce. Eventually, the system of thresholds must be abandoned altogether, if we are agreed that social security is a universal right of any worker, regardless of whether he or she is an organized or unorganized

[2] The portability of his registration as well as that of his benefits has been resolved in this Code, but only in respect of construction workers ("Article 47)."

[3] These two funds, the ESIC and EPFO, cover workers in the formal private sector. Such workers constitute no more than 5% of India's workforce. The remaining 4% of the workforce that is formal is in government (federal and state); the public sector enterprises; state universities and other such autonomous organizations funded by the government. Together these two sets of workers constitute the 9% of India's workforce which is formal.

worker. However, there is no mention of lowering thresholds in SS Code 2020, although we know from the international experience that this is one means of incrementally increasing coverage of workers within the formal sector social insurance network (ILO, 2019; ISSA 2017).

We have argued elsewhere (Mehrotra and Giri, 2020) that 70% of India's non-farm enterprises are not registered anywhere, making it difficult to capture them either in the indirect tax net or the social insurance net. The current Code merely wants "Every establishment to which Code applies" to be registered. There seem to be no sanctions applicable if the establishment does not register. It does not recognize that there are over 64.6 million establishments in India, both registered and un-registered, in the organized and unorganized sectors. Of the unorganized sector establishments, over 43 million (or 67.7%) are unregistered anywhere, under any Act. Only 31% of the unorganized establishments (or over 19.5 million) are registered, but under different Acts which have nothing to do with social security (Mehrotra and Giri, 2019). Clearly, the Code does not recognize the problem. In other words, if the establishments themselves are not registered, the goal of ensuring unorganized workers of all kinds are provided with social security cannot be achieved.

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

The implementation of such a comprehensive social insurance would also require the registration of all unorganised sector workers. These registered workers would have their Aadhar identity cards (biometric card) seeded with the registration number. The Act also provides for the constitution of a National Social Security Board, chaired by the Labour Minister, with representation of both workers and employers in the unorganised sector. Similarly, the Act provides that every state government shall constitute a State Social Security Board. These Boards should be responsible for registration of unorganised workers, using the bio-metric identification Aadhar. In other words, the institutional structure for rolling out a social insurance system exists. These Boards have been recognized in the SS Code. However, there is absolutely no recognition in the Code that the majority of enterprises in India are simply unregistered anywhere, and how they will be captured in the net of SS, if ever.

Social Security Organisations

The SS Code provides for a Central Board for EPFO and a separate body for the ESI Corporation (ESIC). In addition, as noted above, it provides for a National Social Security Board for unorganised workers and for every State Government to constitute an Unorganised Workers' Social Security Board. In addition, there is separate provision for a National Social Security Board for Gig Workers and Platform Workers.

No country in the world has multiple organizations governing social security, including large, populous, federal countries. Having multiple organizations implies that the implicit vision underlying the Code is a continuation of the fragmented system of social security that currently exists. Moreover, the hitherto pre-existing State Building Workers Welfare Boards, which address the needs of different sectoral and trades' workers at state level are likely to continue, as they are not even mentioned in the SS Code 2020.

There is a need for comprehensive, universal social security for all 466 million workers of India, provided by one body. In a federal country like India, it is inevitable that such a body will have a hierarchical structure, with arms and legs spread across the length and breadth of India but reaching down to the village Gram Panchayat level and Urban Local Body Ward level. What this means is that the responsibility of registration and implementation should rest with an expanded version of the EPFO/National Pension Scheme, which exists at the federal level. While the funds of "organized" segment of workers can remain separate from the fund for the "unorganized" segment of workers (as demanded by some national trade unions in 2018 when the SS Code was under negotiation), for purposes of administration of social security in India they will be one body, with constituent administrative units at levels at central, state, district and sub-district level.

Maternity Benefit

ILO defines maternity as an essential element of social insurance (as we noted at the beginning of the paper). In India, maternity Benefit for 26 weeks was extended to organized sector workers just before the SS Code was passed and has been incorporated into it. Again, the threshold comes into the picture as maternity benefit is applicable to establishments employing ten or more workers. This implies that in practice there is no maternity benefit for the entire informal sector. There is, however, a lump sum maternity benefit for the mothers categorized as 'poor', who are given Rs 5,000 (plus Rs 1,000 for institutional delivery) which is outside this Code. But what about maternity benefit for all the millions of women in rural and urban India in the unorganized sector?

Poor women are often compelled to work right up to the last stage of pregnancy and to resume work soon after childbirth. Hence, there is a need for a modest maternity benefit to partly compensate for her wage loss. Note that this maternity allowance of Rs 5,000 for the poor does not cover all unorganised workers but would cover only the 22 per cent of the population, which, by Planning Commission estimates, are below the poverty line. Administered by the Ministry of Women and Child Development (and called the Indira Gandhi Matritva Sahyog Yojana), it came into effect in 52 of India's 641 districts in the financial year 2011–12, the last year of the Eleventh Plan.

The benefit consisted of Rs 6,000 to women over 19 for the first two live births. It was paid in two instalments starting in the second trimester before childbirth (to enable the poor mother to stop work and thus put on weight with a view to reducing the phenomenon of low birth weight), till six months after childbirth (to enable the poor mother to exclusively breastfeed and also let her own body fully recover). It is conditional upon the pregnant mother getting ante-natal care check-ups before birth and post-natal check-ups after births. It is also conditional upon her obtaining a tetanus toxoid vaccination, and full immunisation of the child. Such a maternity benefit thus could potentially help to reduce child malnutrition, child mortality and improve the mother's health.

This same maternity benefit was extended to all below poverty line mothers-to-be (the poor were identified by means of the Socio-Economic and Caste Census), from 1 January 2017, across the entire country. However, the vast majority of poor women who work in agriculture or as domestic workers or are self-employed, who might not qualify, are still without maternity benefit. Moreover, the benefit is now meant only for one child, not two. Further, the amount was reduced from Rs 6000 to Rs 5000. The SS Code 2020 does not even mention this non-contributory maternity benefit for poor pregnant mothers (the poor being identified in accordance with the Socio-economic and Caste Census, 2011-13).

Final remarks about the SS Code

The SS Code provides for unorganised sector social security boards at the Central and State levels, but the major part of the organization seems to be with States. The scope of the proposed Central Board seems very limited. Presently States have Unorganized Workers Welfare Board under the Unorganized Workers' Social Security Act 2008. Most States got Boards under this Act. There is no explicit mention either in the Code or in the draft Rules, about the continuation of existing social security schemes run by State Governments.

In the new Code, the social security framework for unorganized workers has become unnecessarily complex. There are dual authorities and overlapping zones. There is an urgent need for simplifying things and avoidance of multiple authorities before the Code goes into effect, perhaps through the Rules.

Finally, we should note that the Code is still not law until the State governments notify the Rules of the law, individually. It is the State governments that are to implement the law, and they have not notified the Rules of the law. It is clear at the time of writing (January 2022) that the new laws (all four of them) will not be implemented until 2022, when there is an expectation that Covid might subside, as also its effects on the labour market.

3. Principles Underlying the Proposed Architecture of Social Insurance for Informal Workers

Given the weaknesses in the SS Code, we believe there is a need to set out a roadmap for ensuring social insurance for informal workers in India as rapidly as administratively and fiscally feasible. We identify nine principles below for this roadmap.[4]

[4] These principles were first articulated in my written comments submitted to the Indian Parliament's Standing Committee on Labour in April 2020, when the Committee was examining the SS Code 2020 (that was later passed by the Parliament). The Standing Committee had incorporated many of my suggestions into its report, available on Parliament's website. Unfortunately, the Committee's recommendations were mostly ignored by the Government of India's Ministry of Labour, which was responsible for drafting the law. We drew upon a vast

1. **Universality of coverage of the entire workforce**

The first principle that any country needs to recognize is that there should be a vision and goal to universalize social insurance within a defined time frame. The SS Code 2020 passed by India's parliament does not. There are two international conventions of prime importance on social security: the Social Security (Minimum Standards) Convention, 1952 (No. 102), and the Social Protection Floors Recommendation, 2012 (No. 202) of the ILO. The long-standing Convention of 1952 (No. 102) brings together the nine classical social security contingencies (medical care, sickness, unemployment, old age, employment injury, family responsibilities, maternity, invalidity, survivorship) into a single comprehensive and legally binding instrument. A key principle in these Conventions) is that access to these should be universal for all workers. Such a commitment could still be enshrined in a policy statement by the union government, even if it is not stated in the SS Code 2020.

2. **Incremental coverage**

If a large share of the population is without social insurance, a second principle is that they will be covered incrementally. Incremental coverage could be achieved in two ways. First, expanding the coverage of regular workers into the existing Employee Provident Fund Organization (EPFO) for old age pension and death/disability insurance, and for health insurance under the Employee State Insurance Corporation (ESIC), through contributory social security. This will also mean that the EPFO threshold of 20 workers will need to be reduced progressively. Also, it means that those firms that are registering in the nationwide Goods and Services (GST, implemented July 2017), with uniform indirect tax rates, that replaced the state-wise value-added tax (which tended to vary by state) should also be included under the EPFO and ESIC. Second, establishing coverage of unorganized sector workers incrementally but rapidly to ensure that all such workers will be captured within a ten-year time frame, at most (with SDG 2030 6.3.1 providing the target and indicator).

3. **Poor treated differently from non-poor**

The poor, as defined by a national poverty line, should (for India's Social Security code) be treated differently than the rest of the population who are non-poor for purposes of financing their social security. Planning Commission (2013) had estimated that 22% of India's population was below the national poverty line (the so-called *Tendulkar* poverty line).[5] To clarify, the poor should not be expected to contribute until their incomes rise above the poverty line beyond a minimum flat amount (e.g. say Rs 1,000) per annum towards the accumulated fund (see discussion later in section four). The organized sector workers at the top end of the wage distribution in the workforce are already part of a contributory system of social security, where both employer and employee contribute to the EPFO and ESIC. Meanwhile, the rest of the unorganized workers, who are *non-poor*, should be expected to contribute towards their social

literature of ILO, the International Social Security Association and the World Bank's Social Protection team to draw the lessons for India. See Bibliographical references at the end of the paper.

[5] Mehrotra and Parida (2021) estimate that between 2012 and 2020, the incidence of poverty hardly fell to 21%, but the absolute number of poor increased by 15 million to 285 million

security, with some contribution from government (both state and centre) on a declining scale as the incomes of such unorganized sector workers rise. Since many among those who work in the unorganized sector are themselves employers, they could be expected to contribute more towards their own social security.

4. Unorganised workers defined

Unorganised workers should be defined clearly and comprehensively in the Code, so that not a single type of such worker gets excluded- the current definitions in the Social Security Code 2020, henceforth SS Code (2020), are unclear. The current Code risks confusing different types of such workers. Unorganized workers should be defined as those who are either a) working in unorganized enterprises; or b) those who are informal workers (i.e. without social security) in the organized enterprises. The unorganized category a. should include the following: i. self-employed, consisting of three types (a. employers; b. unpaid family labour; and c. own account workers); ii. casual wage workers; and iii. regular wage workers, lacking a written contract and also without social security. The first category account for nearly half of the total workforce; the casual wage and regular workers account for around a quarter each of the workforce.

Regular wage workers might be working for employers who are not themselves registered. Alternatively, regular workers could be working as informal workers, without social security, in organized enterprises that are registered. In other words, nearly half of organized sector workers lack any access to EPFO or ESIC, since they are contract workers. These are standard official terms (regular workers, casual workers, self-employed), used by the National Sample Survey organization and ILO for purposes of classifying workers. These terms should be officially adopted.

5. Register establishments and workers

All establishments should be registered on a mandatory basis, and workers working for them should also be registered by the same enterprise. The SS Code (2020) Clause 3 does state: "All establishments to which this Code applies will be required to be registered within such time as prescribed by the central government." However, this statement does not address the question: what if establishments claim the Code does not apply? There are 64.6 main enterprises in the non-agricultural sector alone, along with at least 130 million owner-cultivator farmers (Mehrotra and Giri, 2020). Does this Code apply to them all? Moreover, there is no connection drawn between registration of establishments and the registration of workers. (The latter figures in clause 113 of the Code, while registration of establishments is in Clause 3). The Code should have explicitly stated that "failure to register by the unorganized enterprise will be a punishable offence"; and that "failure to register their workers by unorganized establishments will also be a punishable offence". This issue can still be resolved at the current stage, given that the rules of SS Code 2020 have not been notified by the Government of India. As noted earlier, the registering authority of the government- for both establishment and worker- should be an expanded version of the EPFO. No country of the world has multiple organizations registering workers and enterprises, as is proposed in the current Code.

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

The SS Code 2020 does not deal with the extreme fragmentation of social security provision for the unorganized sector, limited as it is in the first place in coverage, with 91% of the workforce remaining without any serious social security. Suffice here to say there is in the SS Code no recognition of state governments' own trade-wise welfare funds (noted in the introduction). Central and state governments provide a variety of what are termed welfare funds, but those often do not meet the criteria of social insurance since they don't all cover old age pension, death/disability benefit, and maternity benefit, nor health insurance.

There are essentially two types of welfare funds in India: tax-based ones and contributory ones. The central government has created tax-based funds for six types of mines (mica, iron, manganese, chrome, limestone and dolomite), *beedi* workers (traditional cigarettes made from tendu leaf consumed the working class), cinema workers, dock workers and construction workers. All these funds are based on a tax levied on the products produced or services provided, and then earmarked for use of workers in that product/service group. These (except the Construction and Building Workers Fund) are not mentioned in the current draft of the Code.

We would propose that to reduce fragmentation it is critical that these cess-based funds are merged into one fund, a national fund for unorganized workers, at least for all central funds created by the national Parliament.

7. **Mandatory Social security for all of India's workforce should be mandatory over time, and not voluntary**

Any social insurance currently available to informal workers is voluntary. One would have expected that the enactment of the SS Code (2020) would make social security mandatory for the currently included, but within a period of ten years, all unorganized workers of all varieties in whatever sector will be covered by social security. The implication is that regardless of sector all unorganized workers will be contributing into one fund, which is the Unorganized Sector Social Security Fund.

8. **Health insurance need not be considered as part of Social Insurance for the SS Code**

The reason is that, while ESIC (which started in 1952) may remain an exception, the objective of social security is not to ensure health services. In a developing country that should remain the function of the state (central and state governments together): to ensure that all citizens, as a right and without exception, should have access to free preventive, primary and basic curative care, through general tax revenues, and not through an insurance mechanism. This is the objective of India's National Health Policy 2017. Post the Covid-19 pandemic, it is critical that the state expands spending on health services for all citizens, to ensure primary and basic curative care to all. There is no reason to include health services as part of social insurance.

Health services are a public good and basic right of citizens and should be provided by the state largely from general tax revenues.[6]

9. Unemployment benefits are avoidable now, can be introduced later

We will not consider unemployment benefit as a core dimension of social insurance (though the ILO Conventions mentioned earlier had included it). In a developing country where hundreds of millions lack basic social insurance coverage, providing unemployment benefits to those who lose work in formal employment with a contract, while leaving out those in the informal sector, would deepen inequality among the workforce, and is like entrenching a 'labour aristocracy'. There is almost no developing country, certainly none at India's level of per capita income (approximately $1800 per person annually), which is still far from even achieving Upper-middle Income Country status (or approx. $4000 per person pa), that offers unemployment benefits to its formal workers. Where nine out of ten workers do not even have old age pensions, there is a very weak case for introducing an unemployment benefit. We should not forget that unemployment benefits became standard practice even in the now industrialized countries well after the First World War, the last social security benefit to be extended among the panoply of benefits that are considered as social security by the ILO (Mehrotra, 2016).

4. Social Security for Unorganized Workers: The Coverage and Architecture

India's policy makers will need to recognize that India will be an aging society by 2036, and its demographic dividend will be over (Mehrotra, 2016). This is making the imperative of preparing the architecture of Social Insurance for informal workers all the more urgent. Of the projected increase in population of 310 million in India during 2011-36, 170 mn are likely to occur in the five States spreading from east to west: West Bengal, Bihar, Uttar Pradesh, Madhya Pradesh and Maharashtra (Ministry of Health and Family Welfare, 2019). In these five the population will grow at 1% pa, but in the five main southern states at 0.4% pa. The State of Kerala, where lower fertility and mortality rates have been achieved earlier than the other states, the proportion of older persons aged 60 years and above is expected to increase from 13 percent in 2011 to 23 percent in 2036. Thus, almost every fifth individual in Kerala is expected to be a senior citizen by 2036. In contrast, Uttar Pradesh, India's most populous at 230 million, is expected to have an increase of the proportion of old age population from 7% in 2011 to 12% in 2036, implying that the population of Uttar Pradesh will be expected to be relatively younger compared to that of Kerala – but UP will still be an aging society.

Already by 2031, the share of people over sixty in India's population would have crossed the 10% mark – the threshold for an aging society – and stand at 12.5%, and by 2036 to 14.5% of the population. The total population of over-60s would have jumped from 101.4 million in

[6] The Union government (in 2018) expanded hospitalization insurance for those identified as 'poor' (under a scheme called Ayushman Bharat, an extension of the National Health Insurance Scheme (or Rashtriya Swastha Bima Yojana, started in 2008), simply increased the amount of hospitalization coverage expenses covered from Rs 30 000 to Rs 500 000 per family of five for poor households. Neither programme was meant to provide universal basic public and personal health services, of both preventive and curative nature.

2011 to 228 million by 2036, all of them will need social insurance. Currently, the number of those in formal jobs, and hence with SI, is approximately 42 mn. This calls for a nearly five-fold increase for those attaining the age of 60. That means that each year between now and 2036 nearly 12.5 mn workers must be added to those with social insurance. If in 73 years since independence, barely 42 mn workers have SI (i.e. less than 0.5 mn added pa), we can imagine the scale of the challenge to be met (an over 2500% increase is required).

Alternative models of social insurance for India

India can adopt different models for universalizing social insurance for all workers. One model is that India waits for all firms to become formal. In other words, for the informal sector to become formal one day, perhaps through the mechanism of the extension of the Goods and Services Tax. The new firms registering for GST could be also compulsorily required to register for the EPFO and ESIC (provided they meet the latter's threshold requirements, though these requirements are themselves open to question, as we noted in section two). The extension of EPFO and ESIC can then take on these workers on a contributory basis, as the employer-employee relationship will be clear. The implication of this model is that the gradual formalization of firms or workers will be the sole way forward. There will neither be any other effort made to formalize the informal units, nor any effort to extend social security to unorganized/informal sector workers, whether in the formal or the informal sector. Given the pace of success of this strategy in the recent past, it cannot address the challenge outlined in this paper.

The second model is that, as and when the government decides on a scheme, different categories of workers will be offered SI on a voluntary basis. This is the model that has been in place for the last half century. This is exactly what is proposed by the government of India in the SS Code 2020. This model has acquired some additional momentum since 2015 with the adoption of the Atal Pension Yojana, the PM Jeevan Jyoti Bima Yojana, and the PM Jeevan Suraksha Yojana – all voluntary schemes: the first for old age pensions for unorganized workers, and the second and third are accident insurance and life insurance. They are tied to opening of Jan Dhan bank accounts, which are no frills bank accounts in public sector banks. In addition, in late 2018, the government of India announced another scheme for old age pension (in addition to the Atal Pension Yojana, which continues), called the PM Mazdoor Samman Nidhi (which, according to its website, has 4.2 million registrants). However, after making some initial headway, these schemes have plateaued. These shows how poorly the voluntary model for social insurance has worked so far.

The third model is that India's informal workers and gig workers have to content themselves with the current schemes, while the dominant majority remain without social insurance into the foreseeable future. In this scenario, the poor are provided some form of social assistance only. So the majority of those without SI will be left with two choices: continue to work into their dying days to earn their livelihood, or if there is some form social assistance available from the state, use those funds to 'buy' SI from private insurers. In other words, the majority of informal workers remain informal and unorganized, since enterprises will not be registered, as that is not a requirement under any law at present in place – and that will remain so into the foreseeable future, since the objective is not to provide SI to all the informal workers. This third model cannot but be fraught with grave consequences, since India is on the verge of becoming an aging society and will in less than two decades run out of its demographic dividend. That will leave hundreds of millions without social insurance, while the workforce begins to shrink. Well before that eventuality, India would already be the most populous country in the world, by 2026.

The fourth model, which we propose, is that India moves towards formality in accordance with international Social Security Convention of 1951 and of 2002. That would mean adopting an architecture that: a. involves a multi-pronged approach aimed at expanding SI at the fastest pace possible, given fiscal and administrative capacity constraints; b. incrementally growing the coverage, while differentiating between the capacity to pay of different groups of informal workers towards SI; c. while using both contributory and non-contributory mechanisms. The choice of which alternative model to adopt between these four is a choice of the governments of India and of the states' governments. However, in this paper we proceed from this point onwards on the assumption that the implicit objective of the SS Code 2020 passed by parliament, after five years of debate and discussion, is in some foreseeable future to ensure that the objectives of Social Insurance, as enshrined in ILO Conventions 102 and 202, of universalization of SI will be realized.

Many informal workers fall below India's national poverty line; they constituted 22% of the country's population in 2012-12, the last year for which official poverty estimates are available. Our own estimate of the share of the population below the national poverty line (Tendulkar) is 21% for 2020 (Mehrotra and Parida, 2021). This group of poor should be the first entitled to be covered by social insurance. How these 21% could be identified is spelt out clearly later in section four. Given the high differentiation among different groups of informal workers in India, there is a case for three categories of beneficiaries: one, non-contributory for the poorest; partial contribution by the non-poor regular (but informal) wage workers as well as the non-poor self-employed, complemented by government subsidies towards their contribution (as found in many Asian countries), while employers make the full contribution; and finally, for the formal workers, full employer and employee contribution under EPFO system. To eliminate fragmentation, the first two should be part of the same system, since they are the unorganized sector informal workers. The third category will consist of those who are formal workers in organized sector enterprises. So we would propose two funds only, one managed by the EPFO, and the other by National Social Security Board for Unorganized Workers (which is mentioned in the SS Code 2020).

The rationale for the subsidization of the contributions of workers with insufficient contributory capacity is that it is preferable to have workers and employers with low contributory capacity contribute to social insurance schemes even at a reduced rate, assuming that they may contribute more at other times. This allows those workers to remain insured in a social insurance scheme throughout their lifetimes, even in difficult periods when their own contributory capacity is insufficient. They can therefore continue building entitlements, which facilitates labour mobility and contributes to greater stability, better protection and an effective safeguard against the informalization of employment. Second, such an approach is particularly relevant for young workers, for whom this approach facilitates joining the social insurance scheme at an early age, thereby enhancing their protection and preventing them from slipping into informal employment. Please note that the young are more likely to be informal than the older workers. Third, such an approach can also avoid a fragmentation of the social protection system, by providing for schemes to cover a large proportion of the population and allowing for large-scale risk-pooling and sustainable financing based on the principle of solidarity. We keep these issues in mind in Section four when suggesting a differentiated model of financing specific to Indian labour market conditions.

4.1 Administrative arrangements

We propose a two-pronged strategy to incrementally cover all the 91% of India's workforce that are informal through social insurance: the strategy should be a dual-track one, one track would involve a top-down approach, the other a bottom-up one. The top-down one essentially involves an increase in those workers who are registered with the EPFO/ESIC system. That process has been set in motion, albeit slowly, through the GST registration and PMRPY. The larger un-registered MSMEs have since July 2017 found it in their self-interest to register with the GST, thus declaring themselves to tax authorities. The PM's Rozgar Protsahan Yojana (PMRPY) has incentivized registration with EPFO by the government of India committing to, for three years, subsidize enterprises that register new workers (earning <Rs 15 000 per month, which is a very restrictive requirement) with EPFO. They will be compensated by the government the full amount of EPFO contributions for workers. The expansion of this process would constitute the top-down part of the dual-track approach.

The other track will focus on coverage for the poor, in the first five years starting immediately. That, however, would require a totally new approach, the potential for which has been opened by SS Code 2020 (although that door was already open since the Social Security for Unorganized Workers Act, 2008 was enacted).

Covering them should have been a moral imperative for decades. It has become more urgent now post-Covid pandemic, a period in which India will add at least 40 mn to its 'extremely poor' population (World Bank, 2020) within 2020 alone, with more to follow in following years, because the economic contraction will hurt the poor the most. Covering them rapidly also has an economic imperative: the need for raising aggregate demand in an economy which is collapsing because of rising joblessness and falling wages. The fiscal stimulus post-Covid in India was limited to no more 2.2% of GDP, which is miniscule relative to needs, and also only about half the size of government of India's fiscal stimulus at the time of the global economic crisis in 2008 (Mehrotra, 2020).

4.2 Recognizing the importance of unorganized enterprises in increasing SI coverage

How is the second track of a focus of SI for the poor to be achieved? Answering that question requires an understanding how important MSMEs are for total employment in the country, especially in the non-agricultural sectors. It is these MSMEs where most non-agricultural informal workers without SI are located. To fully capture how overwhelmingly significant are the MSMEs in India, we present data on the formal and informal sectors in Table 1, which shows the total universe of India's non-agricultural enterprises. In Indian parlance, enterprises that employ less than ten workers are considered as unorganized sector units, and those employing more than ten workers are regarded as organized. What jumps out is the scale of informality among India's enterprise structure. India has 63.56 mn enterprises, informal (unorganized) and formal (organized) taken together in the non-agricultural economy. Around 30 percent of enterprises are registered in both years (2015-16 and 2010-11) under any act or authority. There is no change in the share of registered enterprises in the informal sector over the years. Registration (under any act) by no means implies formality; however, all it does is record that they are 'somewhere' registered.

A finding from Table 1 is that 96.1 & 96.7 percent of enterprises are in the unorganized sector in 2010-11 and 2015-16, respectively. Two-thirds of all non-farm units in India are not registered anywhere – which is a severe problem from the perspective of the policymaker since that makes it challenging to extend services to them (including social insurance) if the state desires to do so. What is most notable is how small is the total number of organized / formal sector firms: 3.86 percent and 3.34 percent only in 2010-11 and 2015-16, respectively.

All Indian enterprises with <10 workers are informal and not covered by SI. A similar situation prevailed in Vietnam until 15 years ago. How did Vietnam increase coverage of SI for informal units? In Vietnam, workers in enterprises with less than ten employees were not covered by social security legislation until 2005 and were therefore not covered by social insurance until then. That changed after legislation in 2005. Clearly the lesson for India is that it needs to do the same. However, the Social Security Code 2020 has not reduced the threshold of workers for coverage under EPFO, despite the Standing Committee on Labour recommending to the Government of India to do so. Therefore, the only way forward to cover the poorest informal workers is through a non-contributory mechanism to provide SI (by means of creating schemes that the Code does promise).

However, without two prerequisites being met it is difficult to provide SI to workers in unregistered, unorganized enterprises unless: a. the enterprises are registered; b. the SI provided should be either non-contributory, or heavily subsidized by the government, given low incomes of workers in these MSMEs, especially in micro units (employing two-nine workers). We discuss each concern below.

Registration of unregistered units can be subject to several mechanisms to encourage formalization. According to the ILO, compliance to existing laws and regulations can be promoted by mechanisms of deterrence, incentives and persuasion efforts (ILO 2019). The first deterrence refers to stronger inspection services, the existence of credible sanctions (such as high penalties)- and their enforcement- but also early detection and prevention of social evasion through the exchange of data between tax authorities and social security institutions. The second mechanism, the use of incentives, is obtained by linking the payment of firms and workers' contributions to the access by companies and workers to business support services, markets and subjecting the proof of social security registration to other interactions with public administration. The third mechanism of persuasion involves increasing legal awareness of employers and workers, promoting higher tax morale and a culture of compliance and making more evident the benefits of formalisation. All these require significant efforts from the authorities in charge of implementing social security. Mehrotra (2020) discusses (for the ILO) at length measures adopted in Asian countries to encourage formalization and does a meta-analysis of these measures.

Table.1: Total Number of Enterprises in the organised and unorganized sector in 2010-11 & 2015-16

Sectors		Number of Enterprises (Nos.)		Share (%)	
		2010-11	2015-16	2010-11	2015-16
Unorganized Manufacturing, Services (NSS) & Construction (EC)	Registered under any act/authority	16,826,639	19,592,554	28.86	30.30
	Not registered under any act/ authority	40,846,606	43,799,421	70.05	67.73
	Construction (EC)	634,466	1,276,862	1.09	1.97
	Total	58,307,711	64,668,837	100	100
Organized	Manufacturing: Registered under Factories act, companies act or other (ASI)*/ Formal	159,957	165,632	6.84	7.41
	Services (EC)	2,173,193	2,061,310	92.87	92.18
	Construction (EC)	7,010	9,244	0.30	0.41
	Total	2,340,160	2,236,186	100	100
Total Unorganised				96.1	96.7
Total Organised				3.86	3.34
Total Unorganised & Organised		60,647,871	66,905,023	100	100

Source: Annual Survey of Industry Unit level data of 2014-15, Annual survey of Industry Unit level data of 2010-11, 73rd round NSSO Unincorporated Non-Agricultural Enterprises (Excluding Construction) Survey 2015-16 unit-level data & 67th NSS Unincorporated Non-Agricultural Enterprises (Excluding Construction) survey 2010-11 unit level data and 5th Economic Census 2005 & 6th Economic Census 2013

4.3 Registration of workers for SI

We noted in the previous section (while critiquing the SS Code 2020), that the SS Code 2020 makes very limited provision for registration of units. However, we also note in Table 1 that in 2015-16 only 30% of all non-agricultural enterprises are registered – which is 1.95 million units (in manufacturing and services) (under which authorities or acts information about these units are recorded is found in Mehrotra and Giri, 2020). In other words, for purposes of registration, the government could use these various sources of information to capture data about the workers in these enterprises for the purposes of SI. However, the database available with the government on these registered firms will have to be merged for the purposes of capturing their workers into a SI net. This is a separate task to be undertaken with the explicit objective of collating, digitizing, and verifying this data.

There is another set of workers (requiring registration): the self-employed. Here there is a distinction between those SE that are own-account units (henceforth OAEs, with no employees but possibly involving unpaid family labour who are also informal), either providing services (e.g. cobbler, hair dresser, iron-wall, street vendor, tailor) or manufacturing (buy in raw materials and other inputs and selling the product himself), and b. those in manufacturing which are in a sub-contracting relationship with another enterprise, with the latter being micro, small or medium (essentially, a home-based worker). There would have to be systematic effort to register the OAEs as well as the micro-units (employing 2-9 workers). Once the micro units (2-9 workers) are registered, that database could be used to access the home-based workers, operating in a subcontracting relationship with MSMEs.

The approach for registration of the OAEs and micro-units (2-9 workers) that are in the *services sector* would be different from that related to manufacturing. Two-thirds of the 64 million units are in services. The services micro units are usually linked to are Market-Based Associations in each small town and city. The information about them would be available with these Associations and can be accessed by the state governments. Units that are in unorganized *manufacturing* which account for the remaining one-third (roughly 22 million units) would be linked with the Industry Associations or Business Member Organizations for each sector/cluster. Information about these micro units can be obtained by government from these Industry Associations in each sector/town/cluster.

Next, we consider the case of registering the micro units that are in a sub-contracting relationship with other bigger units in manufacturing. We can see from Table 2 that about 1% firms of total MSMEs are practicing subcontracting. The firms that are giving out the sub-contracts are predominantly in the small segment of Micro and Small enterprises. There are almost no states with any medium firms engaged in subcontracting (see Table 2 last column). At all India level, 12.1 per cent small firms are into this subcontracting work.

Table 2: India: State-wise Distribution of Subcontracting MSMEs in 2015-16 (Percentage)

States	**Micro**	**Small**	**Medium**
Andhra Pradesh	5.18	8.25	0
Arunachal Pradesh	0.09	1.70	
Assam	2.96	5.50	
Bihar	3.13	0.95	0
Chhattisgarh	1.69	17.81	0
Goa	1.24	0.00	
Gujarat	5.41	52.51	0
Haryana	1.42	0.77	0
Himachal Pradesh	0.38	1.44	0
Jammu & Kashmir	4.52	4.21	0
Jharkhand	10.11	5.45	0
Karnataka	8.88	0.00	0
Kerala	5.78	4.80	0
Madhya Pradesh	8.66	1.37	0
Maharashtra	4.42	8.34	0
Manipur	1.69	0.00	
Meghalaya	0.72	0.00	
Mizoram	0.52	0.00	
Nagaland	0.04	0.00	0
Odisha	6.08	2.41	0
Punjab	2.51	4.71	0
Rajasthan	0.49	0.45	0
Sikkim	0.17	0.00	
Tamil Nadu	11.59	12.02	0
Telangana	20.23	1.98	0
Tripura	4.90	0.12	
Uttar Pradesh	6.05	4.32	0
Uttarakhand	1.72	3.99	0
West Bengal	31.57	10.71	0
Union Territories			
A & N Islands	3.96	15.48	100
Chandigarh	1.61	0.00	
D & N Haveli	0.10	0.00	
Daman & Diu	1.10	0.00	
Delhi	8.27	8.97	
Lakshadweep	0.00		
Puducherry	0.08	0.00	
All India	10.04	12.19	0.045

Source: Computed from NSS 73rd round Unincorporated Non-Agricultural Enterprises (Excluding Construction) Survey 2015-16 unit-level data

One way of capturing in the registration dataset both the MSEs and the self-employed sub-contractees in a relationship with the MSEs would be to ensure that first the MSEs are registered, and in the same portal the sub-contractee self-employed household enterprises/workers are also registered. This would enable both being included in SI, provided the political will existed at first central government level, and then state level, and thus a determined effort to register both the MSEs and the sub-contractee household units is made.

Finally, we need to discuss how to register the 53.4 million or so OAEs. For them, we need to consider the same mechanism that has been provided for inter-state migrant workers in the Code on Occupational Health and Safety, 2020 (one of the four labour Codes that were enacted by Parliament over 2019 and 2020 in lieu of the 35 labour laws of the central government that have existed hitherto). This states that all migrant workers, whether working through contractors or not, are entitled to register themselves in both the home state and the destination state on a web portal run by the state government. A similar arrangement can be made to register OAEs. This online registration would involve an app on mobile phones. Given the ubiquity of mobile phones (1 billion subscribers in India in 2020), the OAEs should find it possible to register. Given that the entire population now has a Aadhar number, a form of biometric identification, the OAE can be verified using the Aadhar. However, these are the most vulnerable of informal workers, and hence will need facilitation.

Piggy-backing on databases that exist or are currently being created.

There are three databases for the purposes of registering workers that should be utilized. First, there is the employment guarantee database for rural India of the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), a public employment programme (since 2005). This would be especially useful to registering one of the most potentially difficult groups, the mostly illiterate and relatively poor landless labourers in rural areas, who would almost all be in the MGNREGA data. Second, there is a one nation, one ration card database (serving the Public Distribution System for subsidized cereal provision by means of a ration card), covering two-thirds of India's least well-off. Third, the Ministry of Labour and Employment launched the E-Shram Portal, to gain information on migrant workers (an issue that arrived on the policy-makers' plate suddenly after the pandemic triggered lockdown, which resulted in mass reverse migration from cities to rural home of the migrants).

It will involve using these databases to prepare the software. It will also involve taking databases and de-duplication with Aadhaar, de-duplication with ESIC, EPFO databases, and then allowing for registration, either on their own or through CSCs (Common Service Centres), that exist across all 700+ districts of India.

The government estimates about 200-250 million unorganised workers will be added on the portal over the next four or five years (maybe even more, since it has already clocked 212 mn registration by mid-January 2022). There are around 80-100 million workers registered under MGNREGA. About 1-1.5 million would be gig and platform workers. One nation, one ration card database has around 300-350 million people under it. Even gig and platform workers might have worked earlier in organised sectors with EPF contributions and so, there could be duplication; thereby making de-duplication required. Given that a SI system would preferably work through the banking system for collection and transfer of payments, whether contributions by insured persons or payments to them by the insurer, the fact that India has achieved near universality in bank accounts, for rural and urban areas, is a infrastructure requirement that has already mostly been accomplished in the last few years.

The sequence of coverage of informal workers by groups

Along with the construction/building workers, the workers in unorganized enterprises as well as informal workers in organized enterprises, together constitute 91% of the total workforce of India. Therefore, they must all be covered by social security eventually. Secondly, the goal should be to gradually cover unorganized workers broadly in the following manner: start by covering the poorest and most vulnerable workers in each of the three economic sectors of the economy. The sequence could go as follows:

a. in agriculture, the landless labourers and small and marginal farmer (that will capture nearly 90% of the 232 million engaged in agriculture as of June 2020). That means that medium and large size farm owners will be expected to be covered later, but on a contributory basis. In any case, the owner-cultivators are already covered by a cash transfer (PM KISAN), which itself has now evolved a database since 2019. But millions of those in rural areas who are not owner-cultivators are not covered by the cash transfer. Hence, the registration of such landless labour and tenant cultivators who are small/marginal farmers should be accomplished by the Panchayats, the lowest level administrative unit of the district administration. For this purpose the panchayat administration will have to be strengthened with staff, who are trained for the purposes of registration and account maintenance.

b. in manufacturing, unorganized workers should be covered next, with priority to the most labour-intensive sectors (textiles including handloom, garments, food processing, leather, and wood and furniture), who account for 30 million workers (or 50% of the total manufacturing workforce of India). They are mostly in unorganized sector units. In other words, to keep the task manageable, the beginning in manufacturing should be made with the most labour-intensive sectors. They would be easily identifiable mostly in clusters of manufacturing across the country. Over time, all sectors in manufacturing can be covered.

c. in the services sector, the wholesale and retail trade workers (a sector that employs about 42 million workers, or nearly 30% of the services workforce), and transport workers (employing 21 million workers or nearly 15% of the services workforce). These are among the poorest and most vulnerable workers. They should be covered along with the manufacturing sector workers (i.e. the labour intensive ones).

Most poor unorganized workers will not be able to make more than a token annual contribution of more than INR 1000 per annum towards their SS Fund (as under the current Atal Pension Yojana). The remaining contribution to the premium should be covered from general tax revenues. In other words, such poor unorganized workers will not be contributing (other than a token sum) towards their own pensions, death/disability insurance, and maternity benefit.

5. The Cost to Governments and Financing Arrangements

Drawing upon the previous sub-section, we discuss both the cost of providing SI to all poor workers, as well as the financing arrangements. The cost for Central and State governments of Social Security for poor unorganized workers has been estimated as follows:

1. We have stated above that 22% of the population in India lived below the Tendulkar poverty line in 2012. These poor unorganized workers will be covered in a SI system through a non-contributory mechanism, in which most of the cost is borne by the Central and State governments. We have estimated in Tables 3 and 4 below the number of beneficiaries for the three types of benefits: a. old age pension; b. death and disability insurance; and c. maternity benefit for the poor beneficiaries of a national SS for unorganized workers. Logistically, covering even only the poor unorganized workers will take at least five years, given the administrative issues that need to be resolved, as we discussed in the previous section.

2. The second principle underlying this costing is that the non-poor unorganized workers will be part of a contributory system of SS, in which both workers and employers, and reasonably well-to-do self-employed (shop owners, and such employers among the self-employed) will contribute to a fund towards their SS. However, we believe that even among the non-poor unorganized workers, who will be part of a contributory system of SI, there will those whose earnings are close to the poverty line, i.e. possibly the third and fourth deciles from the bottom in the income distribution, who will need some government subsidy. For that reason, provision could be made for a minimum income guarantee (an unconditional cash transfer) for them, that could serve as a subsidy towards their contribution to their own SS funds (on the subject, see Mehrotra et al, 2020)**.**

Table 3 estimates the number of poor beneficiaries for each type of benefit, and the addition each year to the number of beneficiaries. The Stock (column 1) consists of those who are both poor and over 60 years of age in the total population. Columns 2-5 estimate the number of beneficiaries that will get added to the pre-existing Stock, each year. This addition takes place because of the following reasons. First, more workers age, and attain the age of 60 years each year, and get added to the beneficiary Stock in column 1. Second, more workers die and hence receive life insurance payments in one go. Third, more workers become disabled each year, and get added to the stock of disabled persons in Column 1.

Please note that the Ministry of Rural Development already runs a Widow Pension and a Disabled Pension for poor households. Since these will need to be continued, the costs of these must also be counted.

Table 4 estimates the costs on an annual basis. Note that these are total costs to governments, not the additional costs**.** That means that governments, central and state, are already spending on the a. Central Welfare Funds (e.g. Building and other Construction Workers, size types of mines' funds, Beedi Workers Welfare fund); the Atal Pension Yojana; the PM-ShramYogi Maandhan (in which 4.3 million unorganized workers are registered). b. There are State Welfare Boards, to which state governments contribute. Finally, there is expenditure being undertaken by the central government on PM Matritv Sahayog Yojana (PMMSY), the maternity benefit given to BPL mothers, in addition to the Rs 1,000 given to encourage institutional delivery.

From the total costs presented in Table 4, the current expenditures already undertaken by the state and central governments must be deducted. We have found estimates on what the central and state governments are currently spending annually from the consolidated fund of India. In 2019-20, according to the Ministry of Labour & Employment *Annual Report*, the total expenditure on social insurance is approximately Rs 19,000 crore (or Rs 190 billion). However, Rs 18,000 crore of this is on organized sector social insurance (Rs 5,097 crore on the EPFO Employees' Pension Scheme, Rs 12,000 crore on ESIC). The remaining schemes absorb miniscule amounts of funds (Rs 155 crore and Rs 300 crore in 2019-20) for two unorganized sector workers.[7]

However, state governments of India spend much more on social security: Rs 146,629 crore (or Rs 1,466 billion). These are expenditures for all states of India on a head called 'Social security and welfare'. However, it is important to clarify that these are all citizen-centric schemes, and are not intended to provide comprehensive coverage to informal workers- which is our intention. What is clear, though, is that the state governments are already spending a significant sum, which in our view, should be redirected to cover all informal workers. Citizens, meanwhile, who are not workers could still be captured in social assistance schemes.

We estimate that the Total cost (which includes what central and state governments are already spending on various funds and maternity benefit listed above) comes to Rs 137,737 billion (or 1.37 trillion rupees to cover all the poor elderly, the pregnant and the costs of death/disability) in 2019-20. This would cover only the bottom two deciles of the worker population, i.e. the designated poor. This amount could be compared with the central government's annual total expenditure under all heads of approximate Rs 34 trillion in 2019-20. In other words, total cost of social insurance for poor informal workers, we estimate, is 0.69% of GDP in 2019-20 (i.e. at 2019-20 prices); since this will be shared equally between central and state governments (on a 50-50 basis), the cost to all state governments together will barely be 0.35% of GDP annually; similarly for the Union government it will be 0.35% of GDP.

The cost will decline with each year as a share of GDP to 0.61% of GDP in the fifth year, after assuring benefits to the existing stock of all types of beneficiaries, who are currently uncovered. This decline is explained by the rise in GDP every year (assumed here at the rate of 5% per annum from FY2023 onwards once 2019-20 level of GDP is achieved, which is the best India can expect in the aftermath of the economic contraction after the Covid 19 pandemic).

[7] Since 2019-2020, two recent schemes are as follows: Pension Benefit to 30 million retail traders, small shopkeepers with annual turnover less than Rs.1.5 crore under Pradhan Mantri Karam Yogi Maandhan Scheme; and an old age pension scheme (PM Shram Yogi Maandhan) for unorganised workers engaged as home based workers, street vendors, etc and similar other occupations, whose monthly income is Rs 15,000 per month or less and belong to the entry age group of 18-40 years. It is a voluntary and contributory pension scheme, worth Rs 3,000 per month.

Table 3: Details of Beneficiaries of the Social Insurance Scheme of the Government

Beneficiary Category	**Stock of Beneficiary as in 2019-20**	**Annual Addition (Flow) to the existing stock**
Poor, elderly (Aged 60 years & more) and below the poverty line (BPL).	28.1 million	1.7 million
Pregnant Women	---	1.2 million
Disabled Population	0.5 million	26 thousand
Widowed Women	5.6 million	0.5 million
Deaths among BPL(Poor) Population	---	1.3 million

Sources: Author's estimates, based on International Institute of Population Sciences (2015-16), *National Family Health Survey 4*, Mumbai; Registrar General of India, *Census of India 2011*, Government of India, New Delhi; National Sample Survey Organization, *Health Survey 2017,* Ministry of Statistics and Programme Implementation, Government of India.

Table 4: Cost of Social Insurance Scheme of the Government (Rs billion)

Type of social Insurance	**Total Cost (Year 0)** (Rs billion)	**Total Cost (with annual increments) for the next four years would be as follows (Rs. billion)**			
		Year 1	**Year 2**	**Year 3**	**Year 4**
Social Insurance to Elderly Poor (Age 60 years & more) @ Rs 3000 per month	101,160	101,524	101,889	102,252	102,617
Social Insurance to Pregnant Women @ Rs 6000 per birth	732	732	732	732	732
Social Insurance to Disabled Population @ Rs 1000 per month	724.8	906	1,087.2	1,268.4	1,449.6
Social Insurance to Widow Women @ Rs 1000 per month	9,120	11,400	13,680	15,960	18,240
Death Insurance @ Rs 200000 per death	26,000	26,000	26,000	26,000	26,000
Total Cost Per annum (Rs trillion)	1.37737	1.40562	1.43388	1.46213	1.49038
Expenses % of GDP (if GDP continued to grow @ 5 % per annum)	0.69%	0.67%	0.65%	0.63%	0.61%

Source: Author's estimates, based on Table 3

The last two rows (Total Cost per annum in Indian rupees billion and expenses % of GDP for governments) are annual cost. The first column only shows the cost of covering the existing Stock of beneficiaries. The next four columns show the total cost (including Stock of beneficiaries in column 1) as beneficiaries increase. The increase in beneficiaries has been based on (a) existing and past rates of death and disability per annum; (b) rates of pregnancy for women in reproductive age; (c) those turning over sixty, to estimate old age pensioners annually. All these baseline data are from government sources (see note to Table 3).

These are total costs. The Ministry of Finance's concern should only be additional cost over and above what the central and state governments are currently spending. All existing schemes will have to subsumed into a new Social Security system for unorganized workers. Hence, in fact, the additional cost will be lower.

6. Conclusion

In this paper I have proposed a comprehensive plan to cover the entire 91% of workers who are informal in a social insurance net, which includes old age pension, death/disability insurance and maternity benefits. The paper proposes that even under post-Covid fiscally constrained conditions it is possible to put in place a social insurance system which is partly non-contributory (for the extremely poor), and partly contributory (for the non-poor). Meanwhile, formal sector enterprises could continue to expand coverage of their own informal workers, as discussed in the paper.

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