Social Security Budgets in India – A Critical Assessment

Ravi Duggal

Social security is the hallmark of a mature welfare state. Strong welfare states, like the social democracies of Europe, spend over 25% of its GDP (for the year 2005) on social security of which one-third is on healthcare. The global average is 8.39% of GDP (2.67% on healthcare) and ranges from 4.05% (0.95% healthcare) in India to 12-13% in South Africa, Brazil and Russia (3-4% healthcare) and 29.40% (6.8% healthcare) in Sweden. What do we understand by social security? The ILO definition is as under:

“The notion of social security adopted here covers all measures providing benefits, whether in cash or in kind, to secure protection, inter alia, from:

(a) lack of work-related income (or insufficient income) caused by sickness, disability, maternity, employment injury, unemployment, old age, or death of a family member;

(b) lack of access or unaffordable access to health care;

(c) insufficient family support, particularly for children and adult dependants;

(d) general poverty and social exclusion. (see Box 1 below)

Social security thus has two main (functional) dimensions, namely “income security” and “availability of medical care”, which are specifically identified in the ILO Income Security Recommendation, 1944 (No. 67), and the Medical Care Recommendation, 1944 (No. 69), respectively, as “essential elements of social security”.

What distinguishes social security from other social arrangements is that: (1) benefits are provided to beneficiaries without any simultaneous reciprocal obligation (thus it does not, for example, represent remuneration for work or other services delivered); and (2) that it is not based on an individual agreement between the protected person and provider (as, for example, a life insurance contract) but that the agreement applies to a wider group of people and so has a collective character.”

Box 1: Branches of social security prescribed by ILO:

- **Medical care**: Includes any morbid condition, whatever its cause, pregnancy, confinement. Preventive medical care is also intended to be covered.
- **Sickness benefit**: Includes incapacity for work resulting from a morbid condition leading to suspension of earnings.
- **Unemployment benefit**: Includes suspension or loss of earnings due to inability to obtain suitable employment.
- **Old-age benefit**: Includes survival benefit beyond a prescribed age normally years and above.
- **Employment injury benefit**: Available in case of incapacity for work, invalidity or a loss of faculty due to an industrial accident or a prescribed occupational disease.
- **Family benefit**: Includes responsibility for the maintenance of children, i.e. under school-leaving age or under 15 years of age.
- **Maternity benefit**: Maintain earnings for working mothers before and after giving birth.
- **Invalidity benefit**: Inability to engage in any gainful activity where such inability is likely to be permanent or persists after the period during which the beneficiary is entitled to benefit from temporary incapacity.
- **Survivors’ benefit**: Compensation for loss of support suffered by the widow or children as a result of the death of the breadwinner.

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In India there is a wide range of social security measures available to various sections of the population but unlike the OECD countries and elsewhere they are poorly structured and institutionalized, despite clear constitutional mandates (see Box 2 below). Then there is also at the global level mandates from ICESCR on right to social security and health through Article 9 and Article 12 of the covenant:

**Article 9:** The States Parties to the present Covenant recognize the right of everyone to social security, including social insurance.

**Article 12:** 1. The States Parties to the present Covenant recognize the right of everyone to the enjoyment of the highest attainable standard of physical and mental health. 2. The steps to be taken by the States Parties to the present Covenant to achieve the full realization of this right shall include those necessary for: (a) The provision for the reduction of the stillbirth-rate and of infant mortality and for the healthy development of the child; (b) The improvement of all aspects of environmental and industrial hygiene; (c) the prevention, treatment and control of epidemic, endemic, occupational and other diseases; (d) The creation of conditions, which would assure to all medical service and medical attention in the event of sickness.

Also Articles 7 and 11 include health provisions: “The States Parties ... recognize the right of everyone to ... just and favourable conditions of work which ensure ... safe and healthy working conditions; ... the right to ... an adequate standard of living.”

India ratified the ICESCR on April 10, 1979 making it obligatory to honour the provisions of the covenant. But even today more than three decades later the social security legislations and provisioning in India are not in line with the above provisions. In fact in the nineteen eighties there were significant efforts under the Minimum Needs Program through which public investments in social sectors saw a boom period – 6th and 7th Plan periods – but at the turn of the nineties the SAP reforms put a stop to this progress and took us many step backwards. Since then India may have enhanced its economic growth rate but inequality and exclusion of the bottom half have got exacerbated under this new political economy. The few benefits that we have in India today are spread across various Ministries ranging from administrative departments to Ministry of Labour, Social Welfare, Social Justice, Women and Child Development, Ministry of Health etc., resulting in segmentation and fragmentation.

What must also be noted is that the nature of social security provided varies a lot for different sections of the population. (See Box 3 and 4) At one end of the spectrum the civil services employees of Central and State governments get a full range of benefits as defined by the ILO. For instance, their retirement benefits alone (pension, PF, gratuity etc., excluding healthcare) were Rs.166,170 crores in 2010-11\(^2\) (as much as 2.11% of GDP). At another end are the below poverty line (BPL) population who get ad hoc benefits under various welfare and social assistance schemes. For instance in 2010-11 such benefits across the country amounted to Rs.146,247.53 crores or 1.85% of GDP (social assistance schemes/pensions for BPL, SC, ST, nutrition, housing and labour welfare for unorganized sectors)\(^3\). If we include healthcare and water supply and sanitation this figure increases to Rs. 248,456.22 crores\(^4\). Thus in

\(^2\) CAG 2012: Combined Finance and Revenue Accounts 2010-11: Volume 1, Comptroller and Auditor General, GOI, New Delhi (Table 7 page 17)
\(^3\) CAG 2012: op. cit. compiled from Vol 3
\(^4\) ibid
the Indian context we need to differentiate these different benefits that range from comprehensive social security (civil service employees) to ad hoc social assistance programs targeted at different poor and vulnerable groups.

**Box 2: Social Security Constitutional Mandate in India**

- Matters relating to social security are listed in:
  - Directive Principles of State Policy
  - Concurrent List
- Social security issues mentioned in the Concurrent List (List III in the Seventh Schedule of the Constitution of India):
  - Item No. 23: Social Security and insurance, employment and unemployment.
  - Item No. 24: Welfare of Labour including conditions of work, provident funds, employers’ liability, workmen’s compensation, invalidity and old age pension and maternity benefits.
- Directive Principles of State Policy:
  - Article 39(a): that the citizens, men and women equally, have the right to an adequate means of livelihood;
  - Article 41: Right to work, to education and to public assistance in certain cases.
  - Article 42: Provision for just and humane conditions of work and maternity relief.
  - Article 46: Promotion of educational and economic interests of Scheduled Castes, Scheduled Tribes and other weaker sections
  - Article 47: Duty of the State to raise the level of nutrition and the standard of living and to improve public health.

**Box 3: Social Security for Organized Sector in India**

- Employees’ Provident Funds and Miscellaneous Provisions Act, 1952
  - Welfare legislation enacted for the purpose of instituting a Provident Fund for employees working in factories and other establishments.
  - Applicable to establishment employing 20 or more employees.
  - Implemented through the following three schemes:
    - Employees’ Provident Funds Scheme, 1952
    - Employees’ Deposit Linked Insurance Scheme, 1976
    - Employees’ Pension Scheme, 1995
- Employees’ State Insurance Act, 1948
  - Provides for health care and cash benefit payments in the case of sickness, maternity and employment injury.
  - Applicable to non-seasonal factories using power and employing or non-power using factories and certain other establishments employing 20 or more employees.
  - Covers employees whose wages do not exceed Rs. 15,000 per month
- Payment of Gratuity Act, 1972
  - Provides for payment of compulsory gratuity to employees at the time of termination of service either:
    - on superannuation
    - on retirement or resignation
    - on death or disablement due to accident or disease.
  - Applicable to establishment employing 10 or more employees.
- Maternity Benefit Act, 1961
  - Enacted to promote the welfare of working women.
  - Prohibits the working of pregnant women for a specified period before and after delivery.
  - Provides for maternity leave and payment of certain monetary benefits for women workers subject to fulfillment of certain conditions during the period when they are out of employment on account of their pregnancy.
  - Maximum period for which a woman can get maternity benefit is 12 weeks.
- Workmen’s Compensation Act, 1923
  - Imposes an obligation upon the employers to pay compensation to workers for accidents arising out of and in course of employment.
- New Pension Scheme (NPS)
  - NPS is a voluntary defined contribution pension system in India.
  - NPS is managed, regulated and reviewed by Pension Fund Regulatory and Development Authority, Ministry of Finance, Government of India.
  - All resident and non resident Indian citizen between the age of 18 and 60 years are eligible to join NPS.

**Box 4: Social Security for Unorganized Sector in India**

- The National Rural Employment Guarantee Act, 2005 (by definition NREGA is not social security, except when the dole is paid)
  - Aim at curbing unemployment or unproductive employment in rural areas.
  - Focuses on enhancing livelihood security to rural people, as it guarantees productive wage employment for at least 100 days in a year.
- Unorganized Workers’ Social Security Act, 2008
  - Targets at extending social security measures to unorganized sector workers.
  - Aims at extending to workers in informal sector - status and benefits similar to that of formal sector workers.
- Domestic Workers Act, 2008
  - 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.
- Various cess based Welfare Funds for different Occupational groups – plantation workers, Mine workers, construction workers, beedi workers, cinema workers, headload workers, mathadi workers etc.. both under central and state laws which the NCEUS has sought to integrate under the UWSSA 2008
- Various social assistance schemes like PDS, ICDS, Indira Awas Yojana, Mid-day Meals, old age and widow pensions, RSBY and other social insurance schemes etc targeted at specific groups (and not universal access)
In Table 1 some of the key social security/assistance expenditures over the last two decades have been listed. We do see a growing trend but still India remains a little over half of the global average as a proportion to GDP. In fact, the larger increase has been in the proportion of social security benefits to civil servants, thanks to the 5th and 6th Pay Commissions – from 27% share in 1990-91 of all such benefits to over 40% presently.

Table 1: Social Security and Social Welfare Expenditures 1990-2012: Combined Central and State Governments  

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<tbody>
<tr>
<td>1. Pension and retirement benefits for civil servants*</td>
<td>5183.63</td>
<td>38818.67</td>
<td>60871.14</td>
<td>139551.19</td>
<td>160086.09</td>
<td>171659.34</td>
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<td>2. Social Assistance, social welfare, nutrition and SC/ST welfare</td>
<td>3883.17</td>
<td>15006.80</td>
<td>27099.84</td>
<td>83790.82</td>
<td>107422.44</td>
<td>103064.36</td>
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<td>3. Natural Calamity Relief</td>
<td>867.46</td>
<td>3717.24</td>
<td>7980.24</td>
<td>7972.08</td>
<td>11339.13</td>
<td>7687.15</td>
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<tr>
<td>4. Labour Welfare</td>
<td>731.75</td>
<td>2079.34</td>
<td>2918.22</td>
<td>5492.54</td>
<td>7367.64</td>
<td>8109.31</td>
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<td>5. Housing</td>
<td>766.45</td>
<td>4156.22</td>
<td>6300.83</td>
<td>17535.82</td>
<td>22220.54</td>
<td>23713.68</td>
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<tr>
<td>6. Health and WSS</td>
<td>7496.38</td>
<td>27186.63</td>
<td>45485.63</td>
<td>89038.17</td>
<td>105738.29</td>
<td>118295.78</td>
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<td><strong>TOTAL@</strong></td>
<td><strong>18928.84</strong></td>
<td><strong>90964.90</strong></td>
<td><strong>150655.90</strong></td>
<td><strong>343380.60</strong></td>
<td><strong>414174.10</strong></td>
<td><strong>432529.60</strong></td>
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<tr>
<td>GDP (market prices)</td>
<td>586212</td>
<td>2168652</td>
<td>3693369</td>
<td>6457352</td>
<td>7674148</td>
<td>8980860</td>
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<td><strong>Total as Percent of GDP</strong></td>
<td><strong>3.23</strong></td>
<td><strong>4.19</strong></td>
<td><strong>4.08</strong></td>
<td><strong>5.32</strong></td>
<td><strong>5.40</strong></td>
<td><strong>4.82</strong></td>
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<td>Civil servant pension as % of GDP</td>
<td>0.88</td>
<td>1.79</td>
<td>1.65</td>
<td>2.16</td>
<td>2.09</td>
<td>1.91</td>
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*Please note that these benefits to civil servants are only the monetary ones and excludes healthcare and other benefits that various pensioners enjoy, making this figure an underestimate. Also social benefits of in-service civil servants are excluded.

@Food subsidy is not included in the above data as it is not part of the ILO definition. If we add food subsidy then the % share of the GDP for social security would increase by 0.4 – 0.9% across different years.

Source: compiled from Ministry of Finance, 2012: Indian Public Finance Statistics 2011-12, GOI, New Delhi (Table 1.1 pg 1 and Table 1.9 pg 16)

So it is clear from budgetary allocations/expenditures that social security benefits in India are highly discriminatory. Civil servants, who anyway benefit from their secure and well paid employment, have life-long social security of a very high standard. On the other hand, those who struggle for an existence all their life get adhoc benefits from residual resources of the budget, in most cases if they are below the poverty line, through a variety of social assistance/welfare programs. Let us illustrate this with two contrasting examples. A person working with the Indian army retires in the rank of Major and gets PF and

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5 As an illustration in 2010-11 the armed forces spent Rs. 5913.99 crores on health and medical benefits and of this Rs. 1058 crores was on pensioners and their eligible family members. This translates into a princely amount of Rs.6000 per capita (Rs.7708 per capita for serving officer/soldier and families and Rs. 2939 per retired officer/soldier and families, perhaps indicative of what spending is needed for good health security (CAG, 2012: Performance of Medical Establishments of Defense Services 2010-11-Report No.18 of 2012-13)

6 The food subsidy figures in Rs. crores are: 1990-91=2492; 2000-01=12553; 2005-06=24240; 2009-10=62120; 2010-11=64054; 2011-12=63676 (source: same as Table 1)
gratuity totaling 20 to 25 lakhs as retirement benefits. Then for life he gets half of his last drawn salary as inflation-indexed pension, which today is over Rs.50,000 per month. If he dies, his spouse gets a family pension of half that amount, that is Rs.25,000 for her life. Apart from this they have unlimited free healthcare, outpatient, inpatient, dental, ophthalmic etc. In addition they get subsidized groceries and all possible consumer products through the canteen services. They also get continued access to the mess and clubs so that they remain socially connected to their “community”. This is the best case scenario and about 15% of the households in India have this kind or something similar as social security benefits earned from their “organized” sector employment.

In contrast there is the BPL family of a daily wage worker, whose daily wage depends on the market – if they are lucky they may just manage to earn about Rs. 5000 for the entire household in a month. They have access to education and healthcare services from government facilities but there is no guarantee that they would get what they need and often they have to pay for it. The children may not go to school because they may have to work to sustain the family’s basic needs. They have no savings, PF, gratuity or any other work related benefits. They have to continue working much beyond the retirement age. If they fit the parameters then they may get a small sum of Rs. 200 – 500 per month as an old age or widow pension that is not indexed to inflation. If both husband and wife are qualified to get old age pension then only one of them will get it. If they are lucky they may have been registered for RSBY or a similar health insurance cover so that if there is a catastrophic illness their healthcare bill is atleast partly paid. This is the worst case scenario with two thirds of the households in India experiencing an existence of near about this kind.

The remaining 20% “middle” classes have to struggle to make their own arrangements for social security through their savings, extended family/community support – they did not get the organized sector benefits and they are not eligible for the various social assistance programs of state and central governments.

Given the above political economy of social security in India the challenge is huge. We are committing only about 6% of GDP for social security and about half of this goes to the top 15% of India’s population. In the last decade or so there has been a growing trend in committing more resources to the remaining 85% of the population but this is being done in a very adhoc manner through targeted schemes where the focus of the target is electoral catchment and not the development of a sustainable mechanism to deliver basic social security. Under the UPA regimes the flagship programs have basically tried to do precisely that and substantial budgetary allocations have been committed but the approach has been very fragmented with the consequence that outcomes in the form of improvements in for example the MDG indicators has been poor.

Thus NREGA, NRHM, SSA, NSAP, RSBY, IAY, ICDS etc.. have seen useful changes towards increased social security but because of the segmented/fragmented approach their impact has been feeble. Further these programs are spread across departments which do not coordinate with each other and thus bureaucratic meddling and management failures derail all efforts and render wasteful the precious investments made. The NCEUS tried to bring some convergence of such social assistance schemes to universalize social security for the unorganized sector. It did lead to a national legislation, the Unorganized Workers’ Social Security Act 2008 which became operative in 2009 but the legislation turned out to be toothless and at best remains an enabling legislation which has to wait for the right political will to get it going. All this legislation has done is to appropriate ten existing schemes by adding
them to its Schedule 1. These schemes are: (i) Indira Gandhi National Old Age Pension Scheme, (ii) National Family Benefit Scheme, (iii) Janani Suraksha Yojana, (iv) Handloom Weavers’ Comprehensive Welfare Scheme, (v) Handicraft Artisans’ Comprehensive Welfare Scheme, (vi) Pension to Master craft persons, (vii) National Scheme for Welfare of Fishermen and Training and Extension, (viii) Janshree Bhima Yojana, (ix) Aam Aadmi Bima Yojana (Life Insurance Scheme for Common People), and (x) Rashtriya Swasthya Bima Yojana (National Health Insurance Scheme).

Continuing the above trend the UPA government is now launching another major initiative with respect to all such social assistance schemes by converting them into direct cash transfer (estimated by the Finance Minister at Rs 200,000 crores for 2013) to the targeted population thus absolving itself of implementation responsibilities on one hand and using it as a carrot for reaping electoral favours. This strategy is very clearly indicative of the government’s weak policy and inadequate strategy towards social security and this will definitely take us further away from moving towards universal access to social security.

On another front there is a growing interest in social security issues in civil society and various peoples’ movements and CSOs are increasingly engaging with them. One such initiative is the pension parishad that is demanding universal pensions that are linked to atleast half the minimum wage or atleast Rs. 2000 per month per family. Then there is the universal healthcare coverage initiative which has partly emerged through the Jan Swasthya Abhiyan, mfc and other health groups advocacy efforts, including contributions through the HLEG. These are under the 12th Five Year Plan consideration. These efforts of civil society need to be increased manifold so that universal access to social security and healthcare become strong political concerns.

To conclude, the various progressive policy targets that have been initiated, like 3% of GDP for healthcare, 5% of GDP for education, and expansion of the social security net as per ILO norms to take comprehensive social security beyond the civil servant and organized sector for which the UWSSA has provided the first step, have to be now translated into effective rights of citizens by ensuring that maximum available resources are made available to secure them. The numerous social assistance schemes have to be consolidated and restructured into a comprehensive social security program that is not targeted but is transformed into a universal access benefit for citizens as a right. First steps in education have happened, universal coverage of healthcare is under debate and what we now need is to merge all this into a universal social security access. As seen in Table 1 we are already spending close to 6% of GDP, including food subsidy, for social security and health. This needs to be doubled at the minimum so that we reach the middle income country levels as quickly as possible. Resources are there if adequate political will and civil society pressure is exerted – uncollected taxes and revenues forgone account for over 6% of GDP. In addition, regulation of capital and unaccounted outflows to tax havens, estimated at one-third of the GDP, are clear opportunities to move our Tax:GDP ratio from the present 16% to close to 30%. This will bring in all the resources we need to provide universal access to social security. All we need is political will and political champions who will back this cause.

rduggal57@gmail.com