ABSTRACT

This paper analyzes India’s social security system and the role that corporate can play in addressing the social security requirements in a developing country like India. The paper is organized as follows: Section 1 introduces the concept of Social Security. This is followed by a discussion of India’s current social security system and its various components in Section 2. The next Section (section 3) discusses the Corporate Social Responsibility initiatives in India. The penultimate section (Section 4) discusses the opportunity of providing social security through CSR. The final section (Section 5) suggests broad reform themes designed to transform the current system for making it more appropriate for meeting India’s social security challenges in the 21st century.

Keywords: Social Security; Unorganised Sector; Corporate Social Responsibility

INTRODUCTION

“The concept of social security has evolved over a period of time. In the primitive societies, it was mankind’s prime need to protect itself from the vagaries of nature like earthquakes, famines or even finding shelter and food. Societal groups were formed to confront and brave such hazards resulting in community living and formation of villages and also bringing in the concept of family. These institutions provided whatever limited social security those societies needed and served them adequately.”  

Social security, in a broad context, refers to benefits that cover both risk management and risk prevention, and is an essential tool to prevent vulnerability to deprivation. In a larger context, “social security includes policies on access to productive assets, employment guarantees, minimum wages and food security”. ILO defines social security as “the protection that a society provides to individuals and households to ensure access to health care and to guarantee income security, particularly in cases of old age, unemployment, sickness, invalidity, work injury, maternity or loss of a bread winner”. Objective of most social security schemes is to provide access to health care and income security i.e. minimum income for those in need, and a reasonable replacement income for those who have contributed in proportion to their own level of income.

It is obvious that not all societies can afford the same level of social security, yet it is inconceivable that any society exists in absence of social security. Minimum social security might range from health service and basic food, shelter and educational rights in the poorest countries to more elaborate income security schemes in the industrialized countries.

“The State bears the primary responsibility for developing appropriate system for providing protection and assistance to its workforce. Social Security is increasingly viewed as an integral part of the development process.” It helps to create a more positive attitude to the challenge of globalization and the consequent structural and technological changes.
“Social security systems are a critical part of the public policy of any country and its development agenda. Policies are crucially linked with the country’s economic growth and human development. It is not just the “welfarism” of a nation being displayed by its social security system; it is also a performance and governance index of the state as a whole and of its mechanisms and ability to deliver wellbeing to the poor, the marginalized, and the vulnerable.”

“However, even as the need for inclusive growth has acquired greater urgency due to globalization, the need to maintain social cohesion and reform the social security system has not been accorded high priority by policy-makers, the bureaucracy and other stakeholders.”

OBJECTIVES
The Specific objectives of the present paper are:
1. To discuss the present social security system in India.
2. To expose the inadequacy of social security for the Unorganised Sector.
3. To study and analyse the role, if any, that the corporate can play in addressing the Social Security requirements of the said sector as part of their CSR initiatives.

HYPOTHESIS
1. Social Security system in the country is conspicuously silent on unorganised sector.
2. There is potential for private sector to contribute towards social security of the unorganised sector through CSR initiatives.

METHODOLOGY
The present paper involves doctrinal approach. It critically analyses various social security mechanisms available in the country. The primary data is collected from various committee reports. Indian journals, publications and related websites.

Social Security System in India
India, being a developing country and with its current economic needs and priorities, addresses its social security requirements to a limited extent only. In this context, the term social security encompasses social assistance, social safety nets, social insurance, micro-insurance or “insurance for the poor”, social protection, and any other preventive, promotional or protective measures.

The Government of India has been dealing with a population that has been ever growing. The planners with the limited resources have barely been able to cope with the ever-increasing demands. The rapid disorganization of a joint family system due to urbanization is leaving more and more families insecure, vulnerable and devoid of social security.

The organized sector workers which constitute about 7% of the total workforce of about 400 million in the country are covered under various legislations providing social security to these workers. The major legislations providing social security to these workers are:

1. The Employees’ State Insurance Act, 1948
2. The Employees Provident Fund & Miscellaneous Provisions Act, 1952 etc
3. The Workmen’s Compensation Act, 1923
4. The Maternity Benefit Act, 1961, and
5. The Payment of Gratuity Act, 1972

The first two legislations provide for medical and health insurance and provident fund & pension to the workers respectively and the other legislations protect those workers who are specifically mentioned in the enactments.
“The workforce in the unorganised sector comprising about 37 crore or 93% of the total workforce do not get adequate labour protection in terms of job security, wages, working conditions, social security and welfare due to various factors such as: casual and seasonal employment; scattered work place; poor working conditions; lack of employer-employment relationship; irregular and often long working hours; limited access to credit; lack of legal protection, social security and government support.”

A recent report of January 2014 titled “Social Security Systems around the Globe” by Price water house Cooper gives the following information on social security scenario in the country. The Indian Scenario in the Report begins with the following words:

“India has a social security system which provides for retirement and insurance benefits to employees working in factories or other establishments. The system is governed by the Employees’ Provident Fund and Miscellaneous Provisions Act, 1952 (‘PF Act’) and the schemes made there under, namely the Employees’ Provident Fund Scheme (‘EPF’) and the Employees’ Pension Scheme (‘EPS’). The EPFO, a statutory body established by the government of India, administers the social security regulations in India.”

This is telling statement on the lack of awareness regarding the social security provisions in the organized sector of the country. There is no mention of the Employees’ State Insurance Scheme being administered by the ESI Corporation which derives its mandate from the Employees’ State Insurance Act, 1948 which is, “An Act to provide for certain benefits to employees in case of sickness, maternity and ‘employment injury’ and to make provision for certain other matters in relation thereto.” The absence of availability of social security framework in the unorganized sector, and lack of awareness regarding the same, is even more pronounced.

“The dimensions and complexities of the problem in India can be better appreciated by taking into consideration the extent of the labour force in the organized and unorganized sectors. The NSSO survey of 2004-05 has brought out the vast dichotomy between these two sectors into sharp focus. While as per the 1991 census, the total workforce was about 314 million and the organized sector accounted for only 27 million out of this workforce, according to the survey conducted by the National Sample Survey Organization (NSSO) in 2004-05, the total number of workforce was 459 million of which About 433 million (about 94%) of the total workforce is engaged in unorganized sector and 26 million on organized sector. The organized sector is already covered through social security legislations like the Employees’ Provident Funds and Miscellaneous Provisions Act, 1952 and the Employees State Insurance Act, 1948. The Government has also enacted Unorganised Workers’ Social Security Act to create a framework for providing social security to unorganized workers. Thus, it can be concluded from these findings that there has been a negative growth in the organized sector in comparison to the growth in the unorganized sector.”

The unorganized sector is massive and comprises the bulk of country’s workforce. “It is characterized by the lack of labour law coverage, seasonal and temporary nature of occupations, high labour mobility, dispersed functioning of operations, casualization of labour, lack of organizational support, low bargaining power, etc. all of which make it vulnerable to socio-economic hardships. The nature of work in the unorganized sector varies between regions and also between the rural areas and the urban areas, which may include the remote rural areas as well as sometimes the most inhospitable urban concentrations. In the rural areas it comprises of landless agricultural labourers, small and marginal farmers, share croppers, persons engaged in animal husbandry, fishing, horticulture, bee-keeping, toddy tapping, forest workers, rural artisans, etc. where as in the urban areas, it comprises mainly of manual labourers in construction, carpentry, trade, transport, communication etc. and also includes street vendors, hawkers, head load workers, cobblers, tin smiths, garment makers, etc.”

“The alarming expansion of informal sector, in recent times, has adversely affected employment and income security for the large majority of the workforce, along with a marked reduction in the scale of social welfare/security programmes. Thus, an important challenge raised by the exploding informal economy is the need for ensuring adequate social safety nets and welfare measures to provide social
security to the growing segment of unorganised sector workers. Accordingly, during the past decades, government in India (both at the centre and state levels) have been striving towards designing and implementing more effective measures to strengthen and expand the social protection in the unorganised sector workers.\textsuperscript{XIII}

The existing social security arrangements in the unorganised sector can be broadly classified into five groups as follows:

- **Central Legislations including Welfare Funds**: The Central Government, through the Ministry of Labour and Employment, operates five Welfare Funds for Beedi Workers, Limestone & Dolomite Mine workers, iron ore, chrome ore & manganese ore mine workers, mica mine workers & cine workers created under various Acts.

- **Centrally Funded Social Assistance/Employment Generation Schemes**: National Old Age Pension Scheme (NOAPS), National Rural Employment Guarantee Scheme.

- **Social Insurance Schemes**: Janshree Bima Yojana (JBY), The Health Package Scheme, Universal Health Insurance Scheme (UHIS).

- **State Legislations**

- **Public initiatives**: Self-Employed Women’s Association (SEWA), Working Women’s Forum (WWF).

- **Unorganised Sector Workers Social Security Act, 2008**: The Act aims primarily at providing social security and welfare of unorganised sector workers. The benefits proposed are Life and Disability cover, Health and Maternity Benefits, Old Age Protection.

“The implementation of laws and schemes leaves much to be desired both in terms of effective coverage of all eligible establishments and workers, on the one hand, and the delivery of benefits to the eligible workers on the other. The overwhelming majority of Indian workers in the unorganized sector—wage earners in small establishments and the self-employed in farming and petty trade, processing and services—have remained outside the purview of the statutorily provided social security against different contingencies of work and life. The policy in this area has been partial, fragmented, limited in scope and coverage, and rather poorly implemented. Until recently, very little had been done either to extend the social security provisions available to organized sector workers, or to evolve a comprehensive scheme to provide a minimum floor of social security to the unorganized. The main reasons for this relative neglect are twofold: first, lack of resources and second, difficulties in implementing schemes for a large mass of dispersed, variegated and diversely employed workers.”\textsuperscript{XIV}

There is ample evidence to suggest that if a country has to maintain its economic growth, it needs to develop and expand its basic welfare provisions. India has poor levels of welfare and below average public expenditure on health and education as compared to other developing countries. The huge chasm in social security provisions between informal and formal sectors can curtail India’s exciting potential for growth. The state alone cannot be burdened with this humongous task of providing universal social security in the country. Unfortunately, as of now, there are not many alternatives available.

Governments in the west have advocated & enforced a strong social security net so that companies may focus on making profits. However, India is far from that phase of economic development. Absence of State’s adequate social security framework makes it imperative for the companies to respond to the call of the society regarding the same. Herein comes the role of the private sector, more specifically, that of the corporate. Emerging business culture of profit-maximization and competition has marginalized social issues such as health, education, social security for the vulnerable sections of society into peripheral pursuit. Corporate ought to play a dominant role in addressing these issues.

**Corporate Social Responsibility**
Corporate Social Responsibility (CSR) has long been discussed as a possible remedy to the inequalities created by rapid industrialization and corporatization. Concept of CSR has become widely integrated with business ethics in all parts of the globe.

The World Business Council for Sustainable Development in its publication "Making Good Business Sense" by Lord Holme and Richard Watts, defined the concept as: - "Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large". XV

The International Labour Organization defines CSR as “a way in which enterprises give consideration to the impact of their operations on society and affirm their principles and values both in their own internal methods and processes and in their interaction with other actors. CSR is a voluntary, enterprise-driven initiative and refers to activities that are considered to exceed compliance with the law” XVI

The concept of giving Trusts has always been a part of the Indian business tradition. The pioneers in this regard were the Tatas who established Trusts a century ago. At that time, however, this was neither articulated nor viewed in terms of CSR as it is understood today. Traditions of giving existed even during the time of our freedom struggle in the form of the idea of Trusteeship articulated by Mahatma Gandhi. Trusteeship, according to him, requires that the owner of property should regard himself as the protector and not its master. Influenced by Gandhiji’s ideal, some of the businessmen in India saw their business empires as a Trust held in the interest of the community at large. Therefore, pre and post independence, businesses made significant contributions to support schools, colleges and hospitals and, later, businesses went on to support technical training, public health and rural development.

Post-independence, the democratic set-up and the rights enshrined in the Indian constitution helped shape a new socio-political order in which development of society required industrialisation. The colonial system fell woefully short of the quest for development of people. Hence, the post-independence set-up was heavily in favour of public sector organizations. These PSUs, besides concentrating on industrial production, got involved in connecting with local communities and enabled them to access education, health and other infrastructural facilities.

In the decade of 1980s, government control over public sector came under a lot of criticism because of the inspector raj. As a result, the social responsibilities of business suffered a lot. The PSUs could not longer be expected to shoulder the task of social development. The era of 1990s was marked by Liberalisation, Privatisation and Globalization. For the first time, private sector assumed significant dimensions which brought into focus socially responsible behaviour of the corporates.

“In India there are an existent but small number of companies which practice CSR. This engagement of the Indian economy concentrates mainly on a few old family owned companies, and corporate giants such as the Tata and Birla group companies which have led the way in making corporate social responsibility an intrinsic part of their business plans. These companies have been deeply involved with social development initiatives in the communities surrounding their facilities. Jamshedpur, one of the prominent cities in the north-eastern state of Bihar in India, is also known as Tata Nagar and stands out at a beacon for other companies to follow. Jamshedpur was carved out from the jungle a century ago. TATA’s CSR activities in Jamshedpur include the provision of full health and education expenses for all employees and the management of schools and hospitals.” XVII

CSR, as the concept was understood prior to the legislation of the Company’s Act, 2013, goes beyond what corporations are legally required to do. However, do corporations have a social responsibility towards society? In other words, do corporations operating in India have an obligation to provide education and health initiatives to informal sector workers who have no affiliation with the company?
The answers to these questions have become fairly easy subsequent to mandatory provisions regarding CSR in the Company’s Act, 2013.

Companies must not only contribute as employers and taxpayers, but they can also support the extension of social security through their Corporate Social Responsibility strategies and, through the resulting practices, they can compensate for the dearth of Government welfare provisions because of a moral imperative to ‘help’. “Participation in community programmes, engagement in social security management and involvement of the local people in the decision-making of the corporation are all considered as part of the social dimension of CSR. The said aspect of corporate responsibility is intended to remove ‘the social welfare deficiency’ and enhance and improve the community’s quality of life.”

“The purpose of a business is not to make a profit, full stop. It is to make a profit so that the business can do something more or better. That “something” becomes the real justification for the business….It is a moral issue. To mistake the means for the end is to be turned in on oneself,” which Saint Augustine called one of the greatest sins….It is salutary to ask about any organization, “If it did not exist, would we invent it?” “Only if it could do something better or more useful than anyone else” would have to be the answer, and profit would be the means to that larger end.”

Leading Chambers of Commerce and Industry of India are traditionally active in social and environmental norms. The Federation of Indian Chambers of Commerce and Industry (FICCI) and the Confederation of Indian Industry (CII) work closely in partnership with the Government. CII, in partnership with UNDP, set up India Partnership Forum to promote multi stakeholders approach to CSR. Social Development Council (SDC) set up by CII ensures corporate participation in social development and provides an institutional base for social activities of the corporate sector. Progress, Harmony and Development Chambers of Commerce and Industry (PHDCCI) has major interventions in family welfare and rural development.

Two recent surveys shed light on Indian Corporates’ CSR record. In June 2009, The Associated Chambers of Commerce and Industry (ASSOCHAM) conducted a survey called the “Eco Pulse Study: CSR 2008-09” to track the CSR activities of the top 300 Indian companies by net sales. In aggregate, the 300 companies identified 26 areas of focus for their CSR initiatives. The top four were, by priority, community welfare, education, environment and health in descending order. It is interesting to note that in keeping with the notion of nation-building, rural development comes next on the list of CSR initiatives.

The Times Foundation and TNS4 India survey shows “how companies have woken up to the value of virtue.” The survey, a national level study on CSR among 826 of India’s leading business firms, corporate houses and public sector organisations revealed that 90% of the companies were involved in CSR initiatives. The most popular areas of intervention were education and health followed by the environment. India has enormous potential and resources to transform into a prosperous, inclusive and equal nation with factors aiding success: high economic growth and emergence as a global power in the global economic landscape; a working democracy; a constitution that aims to protect people’s rights; an active and engaged judiciary, a free and dynamic public media, powerful people’s movements working for social justice, several hundreds of development organisation committed to ensuring people’s rights and entitlements, and millions of people with tremendous creative and entrepreneurship potential.

**CSR and Social Security**

It is clear, therefore, that, given the vast inequalities that exist between the formal and informal sector welfare systems, corporations in India, through their CSR programs, are attempting to address the lack of Government-provided welfare provisions and social investment. Specifically, corporations are taking steps to bridge the gap in welfare inequality by providing education and health initiatives to informal sector workers and their families. Social security is, however, a broader term. It involves,
besides healthcare, a reasonable “income security, particularly in cases of old age, unemployment, sickness, invalidity, work injury, maternity or loss of a bread winner”

“As India addresses the challenges of 21st century and charts its rise at the international level, constructing and implementing an all-encompassing social security framework represents one of its major imperatives.” Indian corporates must work in tandem with the government to make measurable progress towards the professional goal of constructing and implementing a modern social security system that is sustainable and covers most of the population.

The IFMR Finance Foundation & IFMR Research - Centre for Microfinance, in the Report of December 2013 have attempted to analyse and characterize the nature of challenges in the design and implementation of existing social security schemes, and has conceptualized a Comprehensive Social Security Scheme for India. This report also, however, conceptualizes the social security scheme as a Government-run scheme, thereby foreclosing the possibility or opportunity of private sector in this direction.

What, for instance, is stopping a corporate of “adopting” a backward village of few hundred unorganized small & marginal farmers wherein the corporate entity pays say 90% of life insurance premium upon payment of remaining 10% by the farmers themselves? As of now, this model of taking social security to unorganized sector has not been conceived of. What is worst is that the Company’s Act, 2013 does not provide for such an expenditure being termed as CSR. Similar initiatives could be thought of for agricultural labourers, taxi drivers, rickshaw pullers, etc. If Self-Help Groups (SHGs) can succeed in organizing themselves, why can’t the corporates pitch in and take advantage of the CSR provisions under the Company’s Act, 2013?

CONCLUSION

It is the right time for Corporates to concentrate their efforts towards the social security needs of people in the unorganised sector. The role that CSR can play in the welfare scene in India is, needless to say, immense. CSR is now being held as an integral measure of good and responsible corporate governance.” An estimated 16,000 companies in India will fall within the Rules’ ambit. The new provision in the Act comes with new opportunities. We must focus on capacity building of all those who are responsible for implementing and formulating CSR policies at the ground level. CSR should be used as a window to fill the critical voids which are not being filled by the Social welfare programs of the Indian government. CSR programmes should supplement the government sponsored schemes.

Section 135 of the Companies Act 2013 offers a great opportunity to businesses to develop themselves through responsible governance. The organisations business is no longer about sustainability and growth but one that reflects the larger needs of the society. Schedule VII of the Act enumerates eleven activities which can and should be undertaken by the corporate. These range from eradication of hunger, poverty, malnutrition, promoting education, environmental sustainability protection of national heritage and others. It is worth mentioning here that had the schedule included measures on social security amongst the CSR initiatives undertaken by companies, it would have gone a long way in addressing this very important universal problem with respect to social security, education, and health.

With only about 7 per cent of the total Indian workforce in the formal sector, provision of social security network to the humongous 93% of the remaining population is a major challenge. The promulgation of the Unorganized Workers Social Security Act, 2008 was supposed to meet this challenge. It is, however, merely a collection of 10 piecemeal social security schemes for the unorganized workers mentioned in Schedule I of the said Act: -

- Indira Gandhi National Old Age Pension Scheme.
- National Family Benefit Scheme.
- Janani Suraksha Yojana.
Handloom Weavers’ Comprehensive Welfare Scheme.

Handicraft Artisans’ Comprehensive Welfare Scheme.

Pension to Master Craft Persons.

National Scheme for Welfare of Fishermen and Training and Extension.

Janshree Bima Yojana.

Aam Admi Bima Yojana.

Rahstriya Swasthya Bima Yojana.

The reach of these schemes for the vast proportion of the working population (93%) is limited & exaggerated. In this light, the CSR measures of Corporates have the potential to penetrate deep into the vast multitude of Indian population which is bereft of social security framework of the organized sector, and thereby, has the potential to contribute to growth & development of the country & generation of demand for their own goods & services. It is time that the Corporates look towards this direction for the nation’s, as well as their own, interests.

The path-breaking legislation for CSR i.e. the Company’s Act, 2013 also leaves ample scope for motivating corporate involvement in the field of Social Security. Although less than three years old, the Government should not shirk from adding more dimensions to the scope of CSR activities especially when there is a potential to impact the lives of 93% of the labour force & their dependent family members.

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