Article

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The crucial need for Social Security Protection to combat the devastating COVID-19

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Abstract

Social security benefits may be provided in cash or kind for medical need, rehabilitation, and domestic help during illness at home, legal aid, or funeral expenses. India's social security system is composed of a number of schemes and programs spread throughout a variety of laws and regulations. India's social security schemes cover the social insurances viz., Pension; Health Insurance and Medical Benefit; Disability Benefit; Maternity Benefit; Gratuity; Subsidies; and Public Distribution System. In the current Coronavirus crisis and the ensuing lockdown, most migrants in India find themselves suddenly jobless as factories close, supply chains shut down and services freeze.

Keywords: Social security, social insurances, Pension Scheme, employer obligations.

Introduction

Any of the measures established by legislation to maintain individual or family income or to provide income when some or all sources of income are disrupted or terminated or when exceptionally heavy expenditures have to be incurred (e.g., in bringing up children or paying for health care). Social security may provide cash benefits to persons faced with sickness and disability, unemployment, crop failure, loss of the marital partner, maternity, responsibility for the care of young children, or retirement from work. Social security benefits may be provided in cash or kind for medical need, rehabilitation, and domestic help during illness at home, legal aid,

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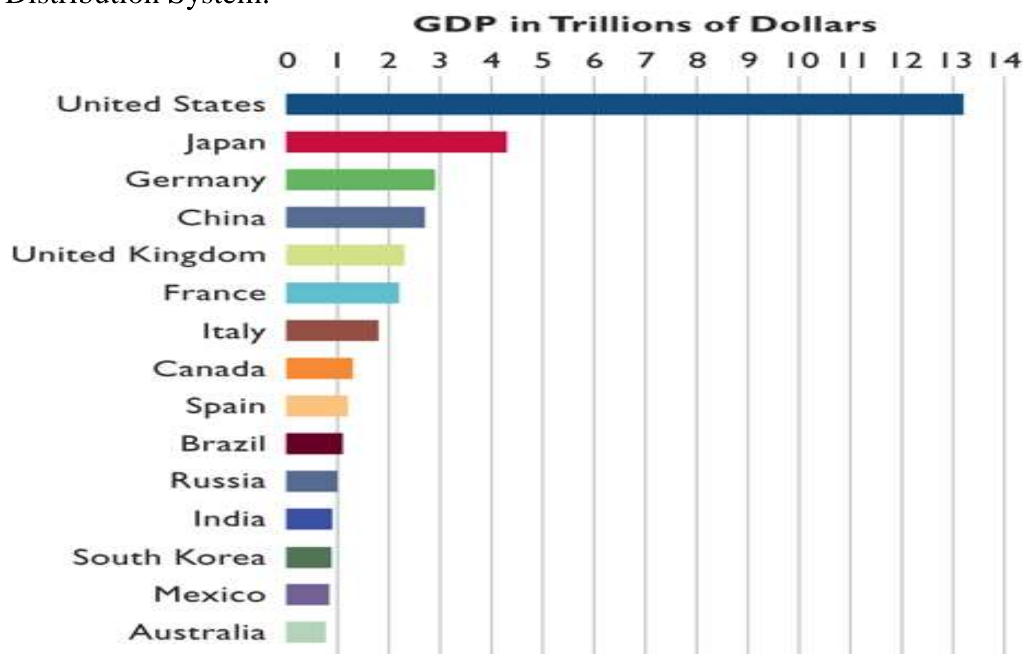
or funeral expenses. It acts as a facilitator – it helps people to plan their own future through insurance and assistance.

India's social security system is composed of a number of schemes and programs spread throughout a variety of laws and regulations. Keep in mind, however, that the government-controlled social security system in India applies to only a small portion of the population. Furthermore, the social security system in India includes not just an insurance payment of premiums into government funds (like in China), but also lump sum employer obligations. Generally, India's social security schemes cover the social insurances viz., Pension; Health Insurance and Medical Benefit; Disability Benefit; Maternity Benefit; Gratuity; Subsidies; and Public Distribution System.



The above picture illustrates the contribution made by each country towards social security in trillions of dollars in 2020

Pension or Employees' Provident Fund

The Employees' Provident Fund Organization, under the Ministry of Labor and Employment, ensures superannuation pension and family pension in case of death during service. Presently, only about 35 million out of a labor force of 400 million have access to formal social security in the form of old-age income protection in India. Out of these 35 million, 26 million workers are members of the Employees' Provident Fund Organization, which comprises private sector workers, civil servants, military personnel, and employees of State Public Sector Undertakings (PSUs).

The schemes under the Employees' Provident Fund Organization apply to businesses with at least 20 employees. Contributions to the Employees' Provident Fund Scheme are obligatory for both the employer and the employee when the employee is earning up to Rs 15,000 (US$220) per month, and voluntary, when the employee earns more than this amount. If the pay of any employee exceeds this amount, the contribution payable by the employer will be limited to the amount payable on the first Rs 15,000 (US$220) only.

The Employees' Provident Fund Organization includes three schemes:

- The Employees' Provident Fund Scheme, 1952,
- The Employees' Pension Scheme, 1995, and,
- The Employees' Deposit Linked Insurance Scheme, 1976.

The Employees' Provident Fund (EPF) Scheme is contributed to by the employer (1.67-3.67 percent) and the employee (10-12 percent). The Employee Pension Scheme (EPS) is contributed to by the employer (8.33 percent) and the government (1.16 percent), but not the employee. Finally, the Employees' Deposit Linked Insurance (EDLI) Scheme is contributed to by the employer (0.5 percent) only.

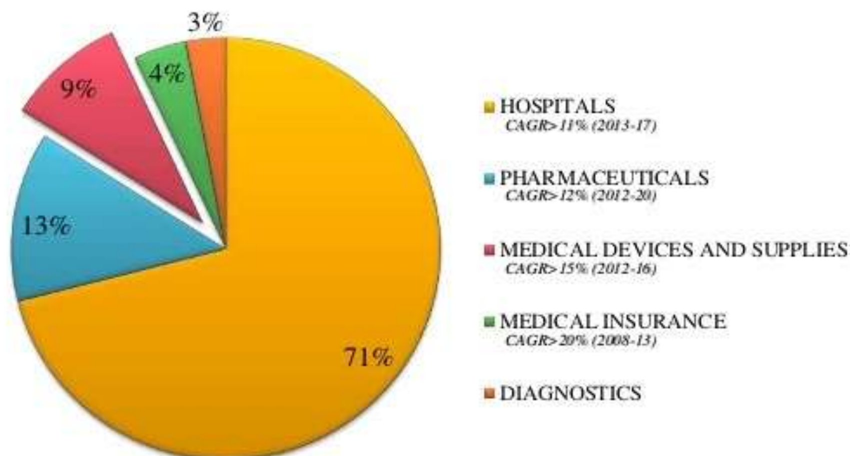
New Pension Scheme or contributory Pension Scheme

The New Pension Scheme works on defined contribution basis and will have two tiers – Tier-I and II. Contribution to Tier-I is mandatory for all government servants joining government service on or after 1-1-2004 (except the armed forces in the first stage), whereas Tier-II will be optional and at the discretion of government servants.The Tier II account works more like a savings account where you can withdraw your money whenever you wish. You can make your contributions using your permanent retirement account number at any of the designated points of select banks. In the old pension scheme, government employees were getting pension as an additional post-retirement benefit. But, the new scheme provides for pension based on the contributions from the employees and the income accrued in a fund set up for the purpose. The pension funds will be invested in the stock market and the quantum of pension is therefore subject to its vagaries. The lives of the retirees would therefore swing as per the bulls and bears of capital market.

Health Insurance and Medical Benefit

India has a national health service, but this does not include free medical care for the whole population. The Employees' State Insurance (ESI) Act creates a fund to provide medical care to employees and their families, as well as cash benefits during sickness and maternity, and monthly payments in case of death or disablement for those working in factories and establishments with 10 or more employees.

The ESI (Central) Amendment Rules, 2016 – notified on December 22, 2016 – expanded coverage to include employees earning Rs 21,000 (US$313.53) or less in a month from January 1, 2017; previously, the wage limit for ESI subscribers was Rs 15,000 (US$223.95) per month. Subsequently, the Employees' State Insurance (Central) Amendment Rules, 2017 was notified on January 20, detailing new maternity benefits for women who have insurance. Sickness benefit under ESI coverage is 70 percent of the average daily wage and is payable for 91 days during two consecutive benefit periods.



Disability Benefit

The Employee's Compensation Act, 1923, formerly known as the 'Workmen's Compensation Act, 1923', requires the employer to pay compensation to employees or their families in cases of employment related injuries that result in death or disability. In addition, workers employed in certain types of occupations are exposed to the risk of contracting certain diseases, which are peculiar and inherent to those occupations. A worker contracting an occupational disease is deemed to have suffered an accident out of and in the course of employment, and the employer is liable to pay compensation for the same. Injuries resulting in permanent total and partial disablement are listed in parts I and II of Schedule I of the Employee's Compensation Act, while occupational diseases have been defined in parts A, B, and C of Schedule III of the Employee's Compensation Act.

Compensation calculation depends on the situation of occupational disability:

(a) Death: 50 percent of the monthly wage multiplied by the relevant factor (age) or an amount of Rs 80,000 (US$1,246.20), whichever is more.

(b) Total permanent disablement: 60 percent of the monthly wage multiplied by the relevant factor (age) or an amount of Rs 90,000 (US$1,401.98), whichever is more.

Maternity Benefit

The Maternity Benefit (Amendment) Act, 2017 came into force on April 1, 2017, and increases some of the key benefits mandated under the previous Maternity Benefit Act of 1961. The amended law provides women in the organized sector with paid maternity leave of 26 weeks, up from 12 weeks, for the first two children. For the third child, the maternity leave entitled will be 12 weeks. India now has the third most maternity leave in the world, following Canada (50 weeks) and Norway (44 weeks).

The Act also secures 12 weeks of maternity leave for mothers adopting a child below the age of three months as well as to commissioning mothers (biological mothers) who opt for surrogacy. The 12-week period in these cases will be calculated from the date the child is handed over to the adoptive or commissioning mother. In other provisions, the law mandates that every

establishment with over 50 employees must provide crèche facilities within easy distance, which the mother can visit up to four times a day. For compliance purposes, companies should note that this particular provision will come into effect from July 1, 2017. The Maternity Benefit (Amendment) Act introduces the option for women to negotiate work-from-home, if they reach an understanding with their employers, after the maternity leave ends.

Under the pre-existing Maternity Benefit Act of 1961, every woman is entitled to, and her employer is liable for, the payment of maternity benefit at the rate of the average daily wage for the period of the employee's actual absence from work. Apart from 12 weeks of salary, a female worker is entitled to a medical bonus of US$54.45 (Rs 3,500). The 1961 Act states that in the event of miscarriage or medical termination of pregnancy, the employee is entitled to six weeks of paid maternity leave. Employees are also entitled to an additional month of paid leave in case of complications arising due to pregnancy, delivery, premature birth, miscarriage, medical termination, or a tubectomy operation (two weeks in this case).

In addition to the above, the 1961 Act states that no company shall compel its female employees to do tasks of a laborious nature or tasks that involve long hours of standing or which in any way are likely to interfere with her pregnancy or the normal development of the fetus, or are likely to cause her miscarriage or otherwise adversely affect her health.

Gratuity

The Payment of Gratuity Act, 1972 directs establishments with ten or more employees to provide the payment of 15 days of additional wages for each year of service to employees who have worked at a company for five years or more. Gratuity is provided as a lump sum payout by a company. In the event of the death or disablement of the employee, the gratuity must still be paid to the nominee or the heir of the employee.

The employer can, however, reject the payment of gratuity to an employee if the individual has been terminated from the job due to any misconduct. In such a case of forfeiture, there must be a termination order containing the charges and the misconduct of the employee. Gratuity is calculated through the formula mentioned below:

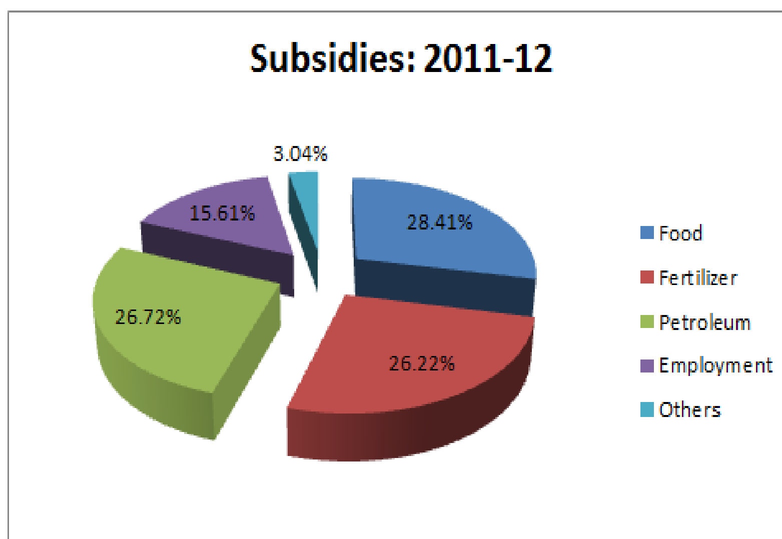
Gratuity = Last Drawn Salary × 15/26 × Years of Service, where

- The ratio 15/26 represents 15 days out of 26 working days in a month.
- Last Drawn Salary = Basic Salary + Dearness Allowance.
- Years of Service are rounded up or down to the nearest full year. For example, if the employee has a total service of 10 years, 10 months and 25 days, 11 years will be factored into the calculation.

Gratuity is exempted from taxation provided that the amount does not exceed 15 days' salary for every completed year of service calculated on the last drawn salary (subject to a maximum of US$15,467.62 or Rs 10 lakh). It is important to note that an employer can choose to pay more gratuity to an employee, which is known as ex-gratia and is a voluntary contribution. Ex-gratia is subject to tax.

Subsidies

Sizeable amount of Govt spending takes the form of subsidies which again turns to be the social security protection specifically for supporting the cultivators, small scale industries and cottage industries . Even the pie diagram below shows that 28.41% of subsidies applies to food and 26.22% goes for fertilizers while 26.72% of the govt subsidies was found to be spent on petroleum



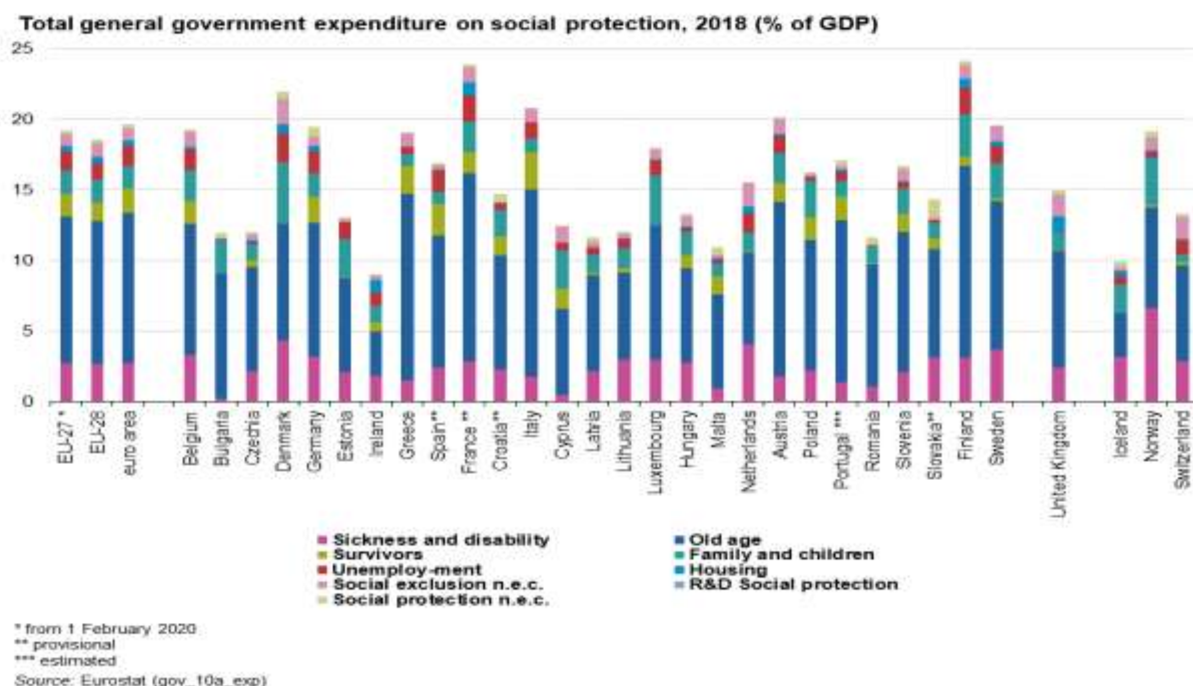
Public distribution system

Public distribution system (PDS) is an Indian food security system. Established by the Government of India under Ministry of Consumer Affairs, Food, and Public Distribution and are managed jointly by state governments in India, it distributes subsidized food and non-food items to India's poor. This scheme was launched in India on June 1947. Major commodities distributed include staple food grains, such as wheat, rice, sugar, and kerosene, through a network of fair price shops (also known as ration shops) established in several states across the country. Food Corporation of India, a Government-owned corporation, procures and maintains the PDS.

In coverage and public expenditure, it is considered to be the most important food security network. However, the food grains supplied by the ration shops are not enough to meet the consumption needs of the poor or are of inferior quality. The average level of consumption of PDS seeds in India is only 1 kg per person / month. The PDS has been criticised for its urban bias and its failure to serve the poorer sections of the population effectively. The targeted PDS is costly and gives rise to much corruption in the process of extricating the poor from those who are less needy. Today, India has the largest stock of grain in the world besides China, the government spends Rs. 750 billion ($13.6 billion) per year, almost 1 percent of GDP, yet 21% remain undernourished. Distribution of food grains to poor people throughout the country is managed by state governments. As of date there are about 500,000 Fair Price Shops (FPS) across India.

Social Protection of India Compared to other nations

India has been taking a back seat when it comes to the proportion of social security protection as % of country's GDP. The top countries like Germany, UK, Japan, Brazil & US have been having their percentage of greater than or around 20 % of GDP



India spends 1.4 percent of its GDP on social protection, among the lowest in Asia, far lower than China, Sri Lanka, Thailand, and even Nepal. The governments has not yet indicated any support to the idea of legally guaranteed social protection for all workers. Officials say the government is proposing CPS and issue a smart card, “U-WIN,” Unorganised Sector Identification Number, Aaadhar card to every worker in the unorganised sector with a unique identification number for accessing social schemes. What these benefits will be, and what their legal guarantee is still up in the air.

Conclusion:

Therefore, Social security for employees is a concept which became important in the developed and industrialized countries. It can be defined as measures providing protection to workers class against risk like retirement, resignation, retrenchment, maternity, old age, unemployment, death, disablement and other similar conditions. In the current Coronavirus crisis and the ensuing lockdown, most migrants in India find themselves suddenly jobless as factories close, supply chains shut down and services freeze. The present government has responded to the crisis by announcing several social protection schemes, including direct benefit transfers for certain sections of the population and free LPG refills, grains and pulses for the poor. But large sections of the population, including urban informal workers, are ‘invisible’ to the state. There is also no single view of ‘who is getting what’ and ‘who should get what’ to enable an efficient entitlement-based approach to social protection.

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