

AN ACT OF GOD, OR THE GOVERNMENT?

An 'Act of God' may have pushed the informal workers into poverty, but it is the 'Acts of Government' that has increased their vulnerabilities. The Social Security Code needs to be rejigged to cover hitherto left-out workers.

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AS EXPECTED, INDIA'S GDP fell by 24% in Q1FY21. Except agriculture (+3.2%), all major sectors have contracted - construction (-50%), manufacturing (-39%) and mining (-23%). The official data confirms that the Indian economy is heading towards a free fall. Earlier reports, notably by CMIE, revealed massive job losses (122 mn jobs lost since April), 1 out of every 10 workers are unemployed. The tsunami of the job losses could throw nearly 30 - 40% of India population in dire poverty. Consumption level data from CMIEs consumer pyramid surveys reveal- average per capita expenditure (per month) in December 2019 Rs. 1,281 for the first decile (bottom 10%), Rs. 1,748 for the second decile, Rs. 2,057 for the third decile and Rs. 2,342 for the fourth decile. Notice how vulnerable are India's poor irrespective of any " **Act of God**" like Covid - 19. The poverty line for urban India is Rs. 1,407 (2011-12), as per the C Rangarajan Committee; if adjusted for inflation, the 2019 poverty line would be equivalent to Rs. 2,052. The fact that bottom 30% of the population has a monthly per capita expenditure below the poverty line in the pre-COVID days, itself was a cause of worry. The job losses and subsequent decline in incomes must have pushed the bottom 30-40% of the population below subsistence.

It is well known that workers in the formal sector constitute only a minority with over 91% employed in the unorganized sector. Majority of them work as daily casual labourers, landless labourers, street vendors, etc, earning less than \$ 2 per day, falling in bottom 50th decile of the income pyramid. They are the ones dislocated by the Covid pandemic

and also rendered most vulnerable. With lost livelihoods, no money and food, millions of them are forced into poverty traps. An 'Act of God' may have pushed them in poverty, but it is the 'Acts of Government' that has increased their vulnerabilities and exacerbated their suffering. First, via the unplanned lockdown, and second, by failing to provide social security to the unorganized workers. As a result, 90% of workers remain unprotected and excluded from the purview of social security legislation and schemes.

The existing social protection legislations proved inadequate to protect the poor during the pandemic. Yet, the government is planning to promulgate a new "Social Security Code" in the upcoming session of Parliament. The new code can be best described as a patchwork, targeting amalgamation of eight existing social security legislations into one code. By no definition, can the new code be considered a reform. India already has many underfunded social assurance (PDS, NREGA, etc) and social insurance schemes like PM Jeevan Jyoti Yojana, PM Shram Yogi Maan- Dhan Yojana. The pandemic has shown that despite the availability on paper, informal sector workers are not protected by these scheme as the barely have the income to pay for mandatory contributions. The new code is silent on the protection of informal sector workers. Moreover, the code is based on such thresholds- the type of industry, size of the enterprise, nature of contract and income- that effectively excludes most informal workers. For instance, 10 workers for ESIC, 20 for EPEO, etc. This system of thresholds is outdated and has largely failed to protect workers (organized or unorganized).

India needs to build a universal social security system for all (formal and informal) workers, interstate or otherwise, as we can't repeating past mistakes. This would require a drastic change in the way we perceive social security - from an employment- based approach to empowerment-based approach. This essentially means a policy rethinking- social protection is a human and development right, constituting policies designed to reduce poverty and vulnerability.

Such a shift requires bringing uncovered workers under the existing safety net and new universal protection scheme guaranteeing a basic level of security to all. The move

requires amending the draft code too include all uncovered groups, independent of their employment status and mainly supported by the exchequer. Countries like South Africa, Brazil, Argentina, Germany, Japan, Thailand, and Singapore have successfully extended social protection using these approaches.

The National Commission on Enterprises in the Unorganized Sector, 2007, has already recommended a comprehensive law for the unorganized sector workers that could form the basis of a social protection architecture. The fundamentals of such an architecture should start with the portability of social security schemes, issuance of Aadhaar-linked portable National Social Security Card to unorganized workers, ensuring social security for workers where there is no defined employer-employee relationship (MSMEs and self-employed) and ensure minimum social security to all by providing necessities like healthcare, old age pension, unemployment insurance.

III - conceived targeting, inclusion and exclusion errors and a lack of credible data are problems that social security schemes are subjected to. Implementation of Aadhaar Based Biometric System will have some positive impact, but the implementation and identification process need overhaul. India needs a mechanism that can incentivize workers to register and help the government in identifying the beneficiaries for various social protection schemes. To achieve this, one option would be a national registration portal to provide a one-time small cash transfer immediately upon registration. The government can follow a simple yet innovative method of self-reporting- a hotline number where workers will have to register themselves (name, place, phone number and Aadhaar Card). The workers should be given cash incentives to register themselves with a condition of speaking for 30 minutes. The amount can be pegged at Rs. 100- a sum that is low enough to deter high income earners from spending that time. The scheme will help in identification, and the registration would bring unorganized workers, including migrants, into visibility and accessibility for government social protection.
