Creating a Social Security System for India's Informal Workforce:

Reinforcing Aggregate Demand to Sustain Growth

MARCH 15, 2021

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Social Security in Asia: Lessons for India on Creating a Social Insurance System

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Executive Summary

The Indian economy has contracted, post-Covid 19, much more than any other G-20 country. The destruction of capacity in Micro, Small and Medium Enterprises, where most informal workers outside of agriculture work, is expected to reduce the potential for future growth, and increase poverty in India. The listed companies in the organized sector have done much better, with profits rising, while they are shedding jobs. This has long term implications for growth and poverty reduction, as aggregate demand will grow much slower than before. Without an increase in aggregate demand now and in the medium run, the potential GDP growth rate of India is expected to fall to 5%, from the 6.5% achieved rate since 1991. Slow job growth, with persistent informality, will further undermine future growth, as 'animal spirits' will fail to revive and new investment remains tepid. This paper argues that, combined with a focus on job growth (i.e. MSMEs), providing social insurance to 91% of India's workforce that is informal, gradually, would raise aggregate demand, while protecting the poorest from further falling into poverty. Even more, in the long run, it is a already delayed necessity for India to develop a full architecture of social security for all its workers, at the very most in the next 10 years, since the demographic dividend runs out in 15 years – when India will become an aging society. Without social security, we are consigning our informal workers (who are 91% of the workforce) to a lifetime of poverty and insecurity.

1. What are the Social Security benefits recognized globally?

The internationally agreed standards (as stated in Conventions agreed by member country governments at ILO General Assemblies) require governments to ensure social security to its citizens. The most prominent international instruments on social security are 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.

This paper examines the benefits by type in Asia, discusses how other countries have increased coverage of informal workers, and finally presents the architecture, the implementation roadmap, the cost and the administrative prerequisites of a universal social insurance system for India.

2. Benefits by type in Asian countries

The paper examines the state of social insurance (SI) in seven Asian nations, with a view to finding practices that might be of value for India's goal of expanding social insurance to informal workers. We first examine the social security systems of high-income countries (Japan and South Korea), and upper-middle income (China, Thailand, Indonesia) and low-middle income (Vietnam) countries in Asia – that might possibly offer lessons for India.

In all of them there is some evidence of coverage for many workers, but in no country are all workers covered. The workers with the least coverage are self-employed. In the middle income country group, Vietnam, China and Thailand have insured that all areas of policy are covered by at least one social security program. In India only 7 are while in Indonesia only 5.

It is notable again that there is comprehensive scope of legal coverage in China, Thailand, Vietnam and in one high income country Japan. However, South Korea has an intermediate scope of legal coverage with 5-6 policy areas and the same applies for Indonesia. India has a nearly comprehensive scope of legal coverage with 7 policy areas covered by a statutory program. However, we also know that in India's case this 'nearly comprehensive' scope of legal coverage characterisation is somewhat misleading because India has the highest share of informality among all seven Asian countries at 91%.

Both India and South Korea do not have access to programs for child and family. In South Korea the sickness benefit is available only in kind; for example as a medical benefit but not in cash. The reason for Indonesia's intermediate scope of legal coverage is that for three types of benefits - maternity benefit in cash, sickness benefit in cash, and unemployment benefits – there is limited provision through the labour code only.

Sustainable Development Goals 6 have SDG indicator 6.3.1 called *proportion of population covered by social protection*. We find that the share of population covered in at least one area is the highest in the high income countries of Japan and South Korea, at 74% and 66% respectively. On the other hand in India the coverage is 19% as opposed to 63% in China and 38% in Vietnam.

In terms of type of benefits, the best coverage exists for old age pension for most countries. This partly because self employed are covered through non-contributory (by the beneficiary), tax-financed, old age pensions.

Much progress still remains to be made in the coverage of social insurance in Asian nations; this fact jumps out at the reader when we examine the share of informal workforce (i.e. those without social insurance, the key defining feature of informality) in the total workforce in the same seven Asian economies. Thus, the share of informal workforce is still 31.5% in a high-income country like South Korea. In middle income countries it is much higher. In other words, in all Asian countries there is a way to go before universal social protection is established across Asia. Informal employment in China is 54.5%; % in Indonesia;   % in Vietnam; % in Thailand; and % in India.

We also examine the international evidence, that goes beyond the Asian cases, on what mechanisms adopted have shown promise in respect of extending social security to informal workers. We examine the evidence in respect of different types of informal workers – focusing on those that are commonly found in India as well: the self employed; employees in micro and small enterprises; agricultural workers; and domestic workers.

The key takeaways from these cases for India from the international evidence

Many countries have created one fund, to which both formal and informal workers contribute. However in India, a combined financing mechanism is not possible, as the earlier version of India's SS Code of 2018 which provided for one Fund (for both formal and informal workers) was actually rejected by many trade unions, because of the clause that created one fund for unorganized and organized workers. The organized sector trade unions felt there would be a risk, if one fund only was created, of cross-subsidization by organized sector contributory fund of the unorganized sector non-contributory schemes. This is one takeaway.

The second takeaway is the following. Given the high differentiation among different groups of informal workers in India, there is a case for a three-fold distinction: one, noncontributory 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 supplementing their contribution, while employers make the full contribution; and finally, for the formal workers, full employer and employee contribution under the existing EPFO system. Since the first and second categories are unregistered, or registered under totally unconnected Acts of parliament, it will not only require massive back-end collation of data, and then coordination between the registering bodies and the tax authorities at state and central level.

Legal barriers and the legal framework may exclude or constrain the participation of certain categories of workers in social protection schemes, as has happened in most developing countries. In India, these legal barriers are still there after the enactment of the Social Security Code 2020 (henceforth SS Code 2020), with thresholds in terms of number of workers being entrenched in the law.

Another type of barrier was that micro and small units don't formalize, across developing countries (including India), often because of operational costs associated with operating in the formal economy, such as taxes, license fees and social contributions, as well as the costs of complying with labour regulations.

Third, rural areas, people may face difficulties in accessing social protection schemes owing to the low density of administrative structures and services. Clearly all these issues will need to be addressed in India.

On legal thresholds for inclusion in social insurance schemes, there is a clear lesson from South Korea, where the compulsory health insurance scheme was initially implemented in 1977 for those working in companies of more than 500 employees. But was expanded in 1979 to firms with more than 300 employees, in 1981 to those with more than 100 employees, in 1983 to those with more than 16 employees and in 1988 to firms with more than 5 employees. Similar reductions will need to be made by introducing them through rules at the State level in India to the SS Code 2020 provision. Under the current provisions of the SS Code 2020, micro enterprise units/unorganized units employing less than 10 worker would all remain excluded.

For the self-employed, contributing to a social protection scheme can be particularly burdensome, since they cannot bear the employers' share of contributions. That is why the state has to enter the picture in many countries, and hence we argue it should do in India too. The self-employed workers have been included in existing formal social security schemes as shown by several countries. But for India we propose (see final section) that the self-employed (other than the own-account workers) should be part of one scheme, which is contributory; however, the own account workers should be included in a non-contributory scheme.

The combination of mandatory and voluntary affiliation may create perverse incentives for enterprises to declare workers under arrangements that provide less protection for workers in order to make short-term gains by reducing labour costs. Voluntary schemes have left millions outside the social insurance net even in countries with much higher level per capita income than India. Hence, a clear lesson is that mandatory for all schemes should be preferred to voluntary schemes.

Agricultural workers will deserve better attention than before. Different groups of agri workers have varying paying capacity. Hence, developing countries have adopted different measures. In Ecuador, for instance, the farmers' scheme is financed through a combination of contributions by the insured, cross-subsidization by employers and employees registered in the general insurance scheme, contributions by public and private insurance entities and a state subsidy. Similarly in India, we propose that in India, there should be two types of schemes for agricultural workers: one for landless wage labourers and small/marginal farmers which would be non-contributory, and another for medium to large farmers that would be contributory. For the latter group, the Colombian example of adjustments to annual contribution payments is particularly relevant. The same lesson holds from the Brazil case.

Domestic work is very diverse, including live-in and live-out workers; full-time and part-time work; and vulnerable categories of workers such as child labourers, migrant workers and internal migrants from rural areas. As a result, there cannot be one solution for all countries and probably not even for all domestic workers within one country. These situations will need to be kept in India too.

As regards Financing arrangements, contributory and non-contributory both have been utilized across the world to extend coverage. However, it is essential to ensure effective coordination between contributory and non-contributory benefits for the continued coverage of workers. This combined approach is especially important in India, where workers transition from being formal workers (with access to EPFO and ESIC) and then into informality, and then back again.

Administrative capacity is necessary to implement monotax mechanisms (as emerges from the Latin American experience, especially in Brazil). The introduction in India of the Goods and Services has increased significantly the number of erstwhile unregistered firms to register with the GST. However, that has not necessarily translated into registration of the same firms with the social insurance organization, EPFO. The Latin American experience shows monotax mechanisms require coordination among different social security institutions and tax authorities and often also different levels of government (municipal, state, federal). One entity is usually responsible for collecting the payment and then passes on the agreed part to the different institutions and authorities.

For self-employed, domestic workers or own-account workers, as much as for farm workers, facilitating the payment of contributions is critical (as the experience of many countries has shown). Many employers and workers in the informal economy face practical difficulties in paying social insurance contributions, for different reasons. Own-account workers, as well as some other categories of the self-employed, may not have the necessary IT skills, knowledge and/or the time to provide, prepare, process and send the information requested and effect payments.

A high level of contributions is often considered as an economic barrier to participating in a contributory social insurance scheme. That is why the state has to enter the picture in many countries, and hence we argue later it should do in India too; incomes of agricultural workers often follow seasonal patterns, which makes it difficult for them to pay contributions on a monthly basis.

Administrative Arrangements are also important. There are uses of online platforms in the face of fragmented systems under different laws as well as one-stop shops for informal workers registration.

3. India's Social Security Code: The Issues

The latest effort on social security is India's Social Security Code, which merges eight existing laws. However, we find the Code wanting. A series of principles should have guided the preparation of a Code on social security for all workers, organized and unorganized.

The principles underlying the proposed architecture of social insurance for informal workers. We identify seven principles below.

Universality of coverage of the entire workforce

1. Incremental coverage
2. Poor treated differently from non-poor
3. The unorganized worker category should include: 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, without a written contract and also without social security.
4. Register establishments and workers
5. The fragmentation of the Social Security system across the unorganized sector should end
6. Mandatory Social security, i.e., social security for all 466 million workers in India's workforce will become mandatory over time, and not voluntary

Unfortunately, none of these principles are to be found in the law, which is yet to go into effect, because state governments have not notified the law and its rules. The law is, therefore, in abeyance, and is likely to remain so until 2022, given the Covid pandemic and its aftermath.

The Architecture for a Proposed System of Social Security for India

The Architecture

Given the high differentiation among different groups of informal workers in India, there is a case for three categories of beneficiaries. The first category of beneficiaries should be part of noncontributory scheme, intended for the poorest, financed from general tax revenues (as is found in many Asian countries, and also partly exists in India too). A second category would be for the non-poor beneficiaries. This should involve 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. Finally, the third category would be for the organized sector 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 Roadmap

Administrative arrangements

What we propose is 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 Goods and Services Tax (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. While this should have led to some new firms getting registered under the GST, it has not meant that their workers are also registered for the EPFO/ESIC system. This requires correction. The PM's Rozgar Protsahan Yojana (PMRPY) has incentivized registration with EPFO by the government of India committing to, for three years, pay for enterprises that register new workers (earning <Rs 15 000 per month, which is a very restrictive requirement) with EPFO, will actually be compensated by the government the full amount of EPFO contributions for workers. We had suggested elsewhere that on account of these two reasons the share of those with SI increased to 9% of the workforce in 207-18 (compared to 7% in 2012). 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.

We must note here that a bottom up approach is a moral imperative, since the poorest are the most vulnerable workers, who live from earnings on a day-to-day basis. Covering them as soon as possible 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 fall in demand.

What jumps out at the reader 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; all it does is record that they are 'somewhere' registered.

We find that 96.1 & 96.7 percent of enterprises are in the unorganized sector in 2010-11 and 2015-16, respectively. The share of unorganized enterprises in 2015-16 shows a slight increase in number, which may not a very promising picture. Two-thirds of all non-farm units in India are not registered anywhere – which is a severe problem for the policymaker, since that makes it challenging to extend services to them (including social insurance) if the state was desirous 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.

However, without two prerequisites being met, it is difficult to provide SI to workers in unregistered, unorganized enterprises: a. the enterprises are registered; b. given low incomes in these MSMEs of workers, especially if they micro units (employing 2-9 workers), the SI will need to be either non-contributory, or heavily subsidized by the government.

Registration of unregistered units

Registering micro-enterprises employing 2-9 workers 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 for example 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 for example 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 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.

Registration of workers for SI

While critiquing the SS Code 2020), we note that it makes very limited provision for registration of units. However, we also note that in 2015-16 30% of all non-agricultural enterprises are registered – which is 1.95 million units (in manufacturing and services) (with a diverse set of authorities at different levels of administration). 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 enhancing coverage of SI. However, the database available with the government on these registered firms will have to be merged to capture these workers into a SI net. This requires collating and digitizing, while verifying this data.

There is another set of workers (requiring registration) that we had flagged earlier: the self-employed. Here there is a distinction between those SE that are a. own-account units (or OAEs, with no employees but possibly involving unpaid family labour who are also informal), either providing services (e.g. cobbler, hair dresser, iron-wala, street vendor, tailor) or manufacturing (they buy in raw materials and other inputs and sell 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 will 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 usually are linked to Market-Based Associations in each small town and city. The information about them would be 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. About 10 per cent 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 . At all India level, 12.1 per cent small firms are into this subcontracting job.

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 phone. Given the ubiquity of mobile phone (1 billion subscribers in India in 2020), the OAEs should find it possible. 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 if they need help in registration on the portal. This could be done Common Facility Centres.

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. They must **all** be covered by social security eventually. Secondly, the goal should also be stated that the Indian state will gradually, incrementally 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 be as follows:

a. in agriculture, the landless labourers and small and marginal farmer first (that will capture nearly 90% of the 205 million engaged in agriculture).
b. 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 PM KISAN (a subject we come back to in Appendix 2). The registration of landless labour and 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.
c. 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; clusters are well known. Over time, all sectors in manufacturing can be covered.

d. 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) could be covered. 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).

In other words, the principle that should be stated in the Code is that the poor among the 91% of the workforce will be covered first.

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 will 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.

The Total Fiscal Costs of Social Insurance for the Poor

We estimate the total fiscal costs of covering the poor only (since they are the priority and this will itself take roughly five years). From this total cost, the current expenditures already undertaken by the state and central governments on SI must be deducted. We have not been successful in estimating what the central and state governments are currently spending annually from the consolidated fund of India (because despite several efforts, undertaken at official level through the Ministry of Labour and Employment on our behalf, this information did not become available). 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 1,37,737 crores (or 1.37 trillion rupees to cover all the poor elderly, the pregnant and the costs of death/disability) in 2019-20. This amount is 0.69% of GDP in 2019-20 (ie 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. 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).

Creating a Social Security System for India's Workforce to Reinforce Aggregate Demand

Santosh Mehrotra

Introduction

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, which could be financed/provided either through an insurance company, or public sector funding and provision.

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 (e.g. in India's case the PM KISAN, a Rs 6000 per annum transfer to farmers who are owner-cultivators). This paper will focus on SI, and much less on SA. In fact, the gaps in SI's coverage of workers in India are extremely huge. By contrast, SA has historically been much more in evidence in India, even though the focus in SA has been on in-kind transfers, which are known to suffer to large leakages, rather than on cash transfers.

Meanwhile, social insurance has very limited coverage in India. This reality has not changed since independence, one of greatest failures of the development strategy India adopted in the early fifties. We estimated from the NSO's Periodic Labour Force Survey (2018-19) that as much as 91 per cent of the labour force are in informal employment, (i.e. without any social insurance) (Mehrotra and Parida, 2020). This is barely down 2 percentage points from 93% in 2011-12 (NSO's 68th Round). In fact, regardless of the growth rate of GDP, this high share of informality in the workforce had not changed until 2012, and when it fell recently, it did so by merely 2 points. The remaining 9 per cent of the workforce has varying levels of social security in the form of provident fund, paid leave, medical insurance and other benefits.

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 majority of unorganized sector workers can very easily lead to a crisis like situation as the outbreak of COVID-19 has already shown.

The terms unorganized sector and informal sector are interchangeably used throughout this paper (though informal workers without social insurance exist also in the organized sector, e.g. the workers working for short/long periods, but on limited contracts, or workers hired through labour contractors).

The informal sector in India is overwhelmingly large, and dominates the size structure of India's enterprises. The combined employment share of small economic units decreases as a country's income level rises. In India, as elsewhere the vast majority of informal workers are in units that are in the informal sector (or unorganized sector). Informal sector units as a share of all units in India are an extraordinary 93.7% (ILO, 2020; Mehrotra and Giri, 2019). Clearly, the government of India and states will need to take several measures that can motivate unregistered firms to register (ILO, 2015, ILO GEPR, 2020, and Mehrotra, 2020 discuss these measures). However, that is not the focus of this paper. Rather, here we focus on the need for formalizing workers, by ensuring social insurance to them.

Government of India drafted a Code of Social Security (passed by parliament in October 2020) which incorporates eight existing social security legislations, which mostly dealt with the organized sector. It was expected that the Code on Social Security should aspire to provide universal social security for its entire labour force. However, the law does not have any such aspiration. The SS Code 2020 merely asserts in one of the two chapters on unorganized workers'

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[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 serviceswith 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 concern with the characteristic of economics 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 certainemployment benefits (advance notice of dismissal, severance pay, paid annual or sick leave, etc.)'. (ILO, 2018).

social security (one of which deals with construction workers, the other with other unorganized including gig workers) that schemes will be formulated to cover unorganized workers, which is no advance upon the 2008 Act (Unorganized Workers' SS Act). We will return to this subject later in the paper.

This paper is organized as follows. Section 1 outlines the key ingredients of social security globally and in accordance with internationally agreed standards (as stated in Conventions agreed by member country governments at ILO General Assemblies). Section 2, in four parts, first examines the internationally available evidence on these key ingredients. In the first sub-section we examine the social security systems of high-income countries (Japan and South Korea), and upper-middle income (China, Thailand, Indonesia) and low-middle income (Vietnam) countries in Asia – that might possibly offer lessons for India. In the second sub-section, we examine the international evidence, that goes beyond the Asian cases, on what mechanisms adopted have shown promise in respect of extending social security to informal workers. We examine the evidence in respect of different types of informal workers – focusing on those that are commonly found in India as well. We then examine a. the financial arrangements used by countries; and b. the administrative reforms that countries carried out to extend social insurance to informal workers. The section closes by summarizing the lessons from the international evidence for India based on these design, financing and administrative arrangements. Section 3 then examines the latest effort in India's Social Security Code, which merges eight existing laws, and finds the Code wanting. The section also indicates a series of principles that must guide the preparation of a Code on social security for all workers, organized and unorganized. Section 4 spells out the architecture of this system of social security, including the cost of such an architecture to central and state governments, and the appropriate financing and administrative arrangements.

1. Key Ingredients of a Social Insurance (SI) system: the global best practice

The most prominent international instruments on social security are 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. We will examine the presence or absence of these SI ingredients in the case of seven Asian countries in the section 2.

The recent Recommendation of 2012 (No. 202) provides guidance on closing social security gaps and achieving universal coverage through the progressive establishment and maintenance of comprehensive social security. It calls upon government to achieve minimum levels of protection through the implementation of social protection floors as a matter of priority; and to progressively ensure higher levels of protection. It recommends that national social protection floors should comprise basic social security guarantees that ensure effective access to essential health care and basic income security at a level that allows people to live in dignity throughout the life cycle. These should include at least: • access to essential health care, including maternity care; • basic income security for children; • basic income security for persons of working age who are unable to earn sufficient income, in particular in cases of sickness, unemployment, maternity and disability; • basic income security for older persons.

We will now discuss these various elements of social insurance.

a. Maternity protection

It ensures income security for pregnant women and mothers of newborn children and their families, and also effective access to quality maternal and child health care. It also promotes equality in employment and occupation for women.

Worldwide, 45 per cent of women in employment are covered by law under mandatory maternity cash benefit schemes, with large regional variation. New effective coverage estimates for SDG indicator 1.3.1 show that only 41.1 per cent of women with newborns worldwide receive a maternity benefit.[2]

According to ILO standards, maternity protection includes not only income security and access to health care, but also the right to interrupt work activities, rest and recover around childbirth. It ensures the protection of women's rights at work during maternity and beyond, through measures that prevent risks, protect women from unhealthy and unsafe working conditions and environments, safeguard employment, protect against discrimination and dismissals, and allow them to return to their jobs after maternity leave under conditions that take into account their specific circumstances, including breastfeeding.

The global evidence is that maternity cash benefits are provided through collectively financed mechanisms – social insurance, universal benefits or social assistance schemes – anchored in national social security legislation in 141 out of the 192 countries for which information was available (ILO, 2019). Social insurance schemes form the vast majority of these programmes, prevailing in 138 countries, of which seven also operate social assistance schemes. A variety of schemes can be used to achieve such coverage, including universal schemes, social insurance, social assistance and other social transfers, and providing benefits in cash or in kind.

Maternity cash benefits can be provided by different types of schemes: contributory (e.g. social insurance), non-contributory, usually tax-financed (e.g. social assistance and universal schemes), employer's liability provisions, or a combination of these methods. Collectively financed schemes,

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[2] Target 1.3: Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable. Indicator 1.3.1: Proportion of population covered by social protection floors/systems, by sex, distinguishing children, unemployed persons, older persons, persons with disabilities, pregnant women, newborns, work-injury victims and the poor and the vulnerable.

funded from insurance contributions, taxation or both, are based on the principles of solidarity and risk-pooling, and therefore ensure a fairer distribution of the costs and responsibility of reproduction. Employer's liability provisions, on the other hand, oblige employers to bear the economic costs of maternity directly, which often results in a double burden (payment both of women's wages during maternity leave and costs of their replacement). Maternity cash benefits financed collectively have proved the more effective means of securing an income to women during maternity leave. In recent years, several countries have shifted from employer's liability provisions to collectively financed maternity benefits, a trend that represents an advance for the promotion of equal treatment for men and women in the labour market (ILO, 2019).

In India, the formal sector workers get a contributory social insurance of 26 weeks. For informal workers, who must be poor to be eligible, the Indira Gandhi Matritva Sahyog Yojana (IGMSY) Programme, launched in 2010 in 52 pilot districts, aims at improving the health and nutritional status of women and their children. Pregnant and breastfeeding women aged 19 and over, regardless of their employment status, received maternity cash benefits for their first two pregnancies. This was limited to one pregnancy from 1 January 2017, when this tax-funded scheme was made applicable to all districts. The amount was also reduced from Rs 6000 to Rs 5000. This is paid to registered women in three instalments upon compliance with specific conditions, including medical check-ups for mother and child, exclusive breastfeeding, vaccinations and attendance at health counselling sessions. The cash transfers are equivalent to approximately 40 days of lost work under minimum wage conditions.

We will discuss in section 2 the access to this benefit in the case of six other Asian countries in the next section.

Maternity benefits

In order to allow women to recover fully after childbirth, 99 countries out of 192 provide at least 14 weeks' paid maternity leave, meeting the standards of Convention No. 183; of these, 37 countries provide 18–26 weeks, and 11 more than 26 weeks. In 49 countries, the length of paid maternity leave is 12–13 weeks, which still meets the minimum standard set out in Convention No. 102. In 30 countries, maternity leave with cash benefits is less than 12 weeks. The level of the maternity cash benefit, calculated as a proportion of women's previous earnings for a minimum number of weeks of paid maternity leave varies widely from country to country. In 73 out of the 192 countries, women are entitled to paid maternity leave of at least two-thirds of their regular salary for a minimum period of 14 weeks, meeting the benchmark of Convention No. 183. In 26 countries, women are entitled to 100 per cent of their regular salary for at least 18 weeks, meeting the highest standard set out in Recommendation No. 191 (ILO, 2019).

Several countries have extended the duration of paid maternity leave in law, following the adoption of Convention No. 183 in 2000. Although they have not yet ratified it, China, Colombia and Malta now meet the minimum benefit level requirements set by this Convention, and several countries, including Bangladesh, India, and Viet Nam, have gone further.

b. *Unemployment benefits*

Unemployment protection schemes provide income support over a determined period of time to unemployed workers and can be achieved through unemployment insurance or assistance and employment guarantee programmes, complemented by minimum income guarantee programmes. Such schemes are important for guaranteeing income security to unemployed and underemployed workers and their families, thereby contributing to preventing poverty, providing safeguards against informalization, and supporting structural change of the economy.

Unemployment protection benefits are provided through different types of schemes, or combinations thereof. At present, fewer than half (98) of the 203 countries for which data are available have an unemployment protection scheme anchored in national law. In 92 of them, unemployment protection benefits are provided through periodic cash benefits to unemployed persons meeting the prescribed qualifying conditions. Public social insurance is by far the most common mechanism used to provide such regular payments.

Contributory unemployment benefit schemes most commonly take the form of social insurance (unemployment insurance), based on collective financing and pooling of the unemployment risk. Benefits are a partial replacement of past earnings, provided in the form of periodic payments and for a determined duration. The scheme is financed by contributions paid by employers, or shared between employers and employees, or in some cases shared with the government

Non-contributory unemployment benefit schemes, on the other hand, which are often referred to as unemployment assistance, are usually funded at least partially through general taxation and tend to provide a lower level of benefits than insurance schemes to unemployed workers who either do not qualify for contributory benefits (e.g. because of a short contribution period) or have exhausted their entitlement to unemployment insurance benefits.

Employment guarantee schemes are in some ways similar to unemployment assistance. These schemes provide a legal entitlement to employment in public works to poor workers in rural settings (e.g. the MGNREGA).

In many countries, severance pay is the only form of income compensation available to workers voluntarily or involuntarily dismissed from certain forms of formal employment. This type of compensation is provided by the employer through lump-sum payments that are proportionate to the workers' prior job tenure, thus representing a form of deferred pay or enforced savings by workers rather than a form of social risk-sharing. It offers little help to the unemployed in terms of facilitating return to work, or to employers who may need to make structural changes to their businesses. This is available in India under the Industrial Disputes Act, 1948 for organized sector workers only to permanent workers who are laid off: the severance compensation is the equivalent of 2 weeks salary for each year worked.

Worldwide, only 38.6 per cent of the labour force is covered in law by unemployment protection benefits, largely due to high levels of informal employment and the lack of unemployment protection schemes. Effective coverage for SDG indicator 1.3.1 is even lower: only 21.8 per cent of unemployed workers worldwide actually receive unemployment benefits, and regional differences are large, with effective coverage ranging from 42.5 per cent of unemployed workers in Europe and Central Asia to just over 22 per cent in the Asia and Pacific region, 16.7 per cent in the Americas. In contexts of high informal employment, further efforts are required to introduce innovative measures that combine unemployment cash benefits with employment guarantee schemes, (re)training and/ or support for entrepreneurship.

c. *Employment injury protection*

There are two mechanisms to implement employment injury protection: employment injury insurance and direct employer liability compensation. Effective coverage of workers under *employment injury insurance* (EII) is still significantly low in most low- and middleincome countries due to weak enforcement of schemes, where they exist. As a result, the large majority of workers in low- and middle-income countries are not protected in case of employment-related accidents and diseases. There is a wide array of workplace cultural practices for handling cases of employment injuries through discretionary approaches.

Thirty-six countries still depend on *direct employer liability compensation* in case of injuries at work and in the absence of EII systems, especially in Africa and Asia and the Pacific. A growing number of countries are exploring reforms that move away from employer liability systems towards adopting and implementing EII systems following social security principles as contained in ILO Conventions Nos 102 and 121; this is expected to improve effective coverage in particular in sectors facing relatively more hazardous occupations and in small and medium enterprises, and to enhance levels of protection.

Safety and health at work can benefit from policy synergies integrated into the framework of employment injury benefits for all workers; the challenge of extending employment injury protection to workers in the informal economy remains of high importance, where innovative approaches can be explored, such as through cooperative and associative intermediaries. Many low-income countries involved in global supply chains, such as those in the garment, textile and leather sectors, are keen to effectively implement the coverage of employment injury insurance but remain hesitant, considering the estimated cost too high at around 1 per cent of wages; this sheds light on the competitive context of global supply chains.

According to Convention No. 102 (Part VI), any condition that impacts negatively on health and which is due to a work accident or an occupational disease, and the incapacity to work and earn that results from it, whether temporary or permanent, total or partial, must be covered. The protection also includes, where a worker dies as a consequence of an employment injury or occupational disease, the loss of support suffered by her or his dependants. Accordingly, the provision must include medical and allied care, with a view to maintaining, restoring or improving the health of the injured person and her or his ability to work and attend to personal needs. A cash benefit must also be paid to the injured person or his/her dependants, as the case may be, at a guaranteed level and on a periodic basis, serving an income replacement or support function. Where the disability is slight, the benefit can under certain conditions be paid as a lump sum. The Employment Injury Benefits Convention, 1964 (No. 121), requires the State to take measures to prevent employment injuries, provide rehabilitation services and ensure that displaced workers find suitable re-employment.

Extending the coverage on employment injury protection contributes to SDG 1.3. However, effective coverage of workers under employment injury insurance (EII) is still significantly low in most low- and middle income countries due to weak enforcement of schemes, where they exist. As a result, the large majority of workers in low- and middle-income countries are not protected in case of employment-related accidents and diseases. There is a wide array of workplace cultural practices for handling cases of employment injuries through discretionary approaches. Efforts are made to document and address such practices, guided by social insurance principles (Behrendt et al, 2019).

The patterns of coverage worldwide suggest that the emphasis on social insurance, as opposed to first-generation schemes operating under employer liability, is higher in Europe, Central Asia and the Arab States, and lower in the Americas, Africa, and Asia and the Pacific (ILO, 2019).

For this reason, a number of developing countries are keen to establish an EII scheme. Some countries in Eastern and South-Eastern Asia, including Japan, Malaysia, Republic of Korea, Philippines and Thailand, have a long history of implementing and gradually expanding coverage in case of employment injury, while others, such as Cambodia and Lao People’s Democratic Republic, have recently introduced EII schemes.

d. Disability benefits

Effective social protection measures to protect persons with disabilities and promote independent living and access to decent work are a precondition for achieving the SDGs and human rights. Latest ILO estimates of effective coverage show that 27.8 per cent of persons with severe disabilities worldwide receive a disability benefit, with large regional variation: while coverage in Eastern Europe appears to be almost universal, regional estimates for Asia and the Pacific show an effective coverage rate of only 9.4 per cent (ILO, 2019).

There are different types of disability benefit schemes. these schemes offer short- or long-term assistance in cash or in kind, depending upon the recipient’s needs and requirements. Many countries provide for a combined package of cash and in-kind benefits such as free and adapted public transport, access to other public services free of charge and free or subsidized assistive devices. While these benefits in kind have a monetary value that potentially contribute to guaranteeing income security, this section of the chapter focuses on cash benefits, which account for the majority of disability benefits

e. *Pensions for Old Age*

Worldwide, 68 per cent of people above retirement age receive a pension, either contributory or non-contributory. Consequently, compared with other social protection functions, income protection of older persons is the most widespread form of social protection, showing significant development over the last few years. Regional differences in income protection for older persons are very significant: coverage rates in higher income countries are close to 100 per cent, while in sub-Saharan Africa they are only 22.7 per cent, and in Southern Asia 23.6 per cent. (ILO, 2019).

The level of expenditure on the income security of older persons is a useful measure for understanding the development level of pension systems. National public pension expenditure levels are influenced by a complexity of factors, comprising demographic structure, effective coverage, adequacy of benefits, relative size to GDP, and the variations in the policy mix between public and private provision for pensions and social services. Public social security expenditure on pensions and other nonhealth benefits earmarked for older persons amounts on average to 6.9 per cent of GDP globally.

An important consideration on the adequacy of pensions is their ability to retain their purchasing power and real value. A good practice in the design of pension systems is the establishment of an initial income replacement at retirement, and then ensuring the preservation of such income level for the life of the retiree. Unless the quantum of pensions is adjusted or indexed, the standard of living of pensioners will be jeopardized. ILO Conventions Nos 102 and 128 both call for levels of benefits in payment to be reviewed following substantial changes in level of earnings or of cost of living, while ILO Recommendation No. 131 explicitly stipulates that benefit levels should be periodically adjusted to take into account changes in the general level of earnings or cost of living. ILO Recommendation No. 202, on the other hand, requires social protection floor guaranteed levels to be reviewed regularly through a transparent procedure established by national laws, regulations or practice.

Trends in pension benefit adequacy move in different directions; in some cases pension systems improve the benefit level and in other cases pension benefits are reduced. It is worth noting that recent fiscal consolidation trends are having a negative impact on the adequacy of pension payments in many countries, compromising the social contract. Several national pension schemes have recently announced upward adjustments to pension benefits, including China. In 2014 the Republic of Korea introduced a new formula for determining minimum pensions, which resulted in the minimum pension being revised to nearly twice the previous amount. The practice of indexation varies across countries and schemes; there is price indexation, wage indexation, mixed price/wage and ad hoc.

2. Global and Asian evidence on social insurance

In tables 1 to 9 we present a comparative picture of India and six other Asian countries (Japan, South Korea, Vietnam, Thailand, Indonesia, and China) in respect of social security systems in place in them. (Additional tables Annex Tables 1 to 5 present some additional details. In addition, there is benefit-wise analysis for each country in Appendix 1.) We follow principles outlined in section 1 where the existence or otherwise of the following types of benefits are examined, first together and then individually: child and family benefits; maternity cash; unemployment; employment injury; disability or invalidity; and old age pensions.

Table 1 and Annex Table 1 presents an overview of the national security systems of five middle income countries India, China, Thailand, Indonesia, Vietnam and two high income countries South Korea and Japan. In the middle income country group, Vietnam, China and Thailand have insured that all areas of policy are covered by at least one social security program. In India only 7 are while in Indonesia only 5.

Table 1 Key Asian Countries: Social protection effective coverage (SDG indicator 1.3.1), latest available year

Country	Population covered (in at least one area)	People covered by social protection systems including floors					
		Children	Mothers with newborns	Persons with severe disabilities	Unemployed	Older persons	Vulnerable groups
India	19		41	5.4		24.1	14
China	63	2.2	15.1		18.8	100	27.1
Indonesia	...	...	...	...	...	14.0	...
Thailand	...	18.9	...	35.7	43.2	79.7	...
Vietnam	37.9	...	44.5	9.7	45.0	39.9	10.0
Japan	75.4	...	...	55.7	20.0	100.0	...
South Korea	65.7	...	...	5.8	40.0	77.6	...

Source:
ILO(International Labour Office),2017. World Social Protection Report 2017–19: Universal social protection to achieve the Sustainable Development Goals. Available at: https://www.ilo.org/global/publications/books/WCMS_604882/lang--en/index.htm [29 November 2017].

It is notable again that there is comprehensive scope of legal coverage in China, Thailand, Vietnam and in one high income country Japan. However, South Korea has a intermediate scope of legal coverage with 5-6 policy areas and the same applies for Indonesia. India has a nearly comprehensive scope of legal coverage with 7 policy areas covered by a statutory program. However, we also know that in India's case this 'nearly comprehensive' scope of legal coverage characterisation is somewhat misleading because India is characterized by the highest share of informality among all seven Asian countries at 91%.

Both India and South Korea do not have access to programs for child and family. In South Korea the sickness benefit is available only in kind; for example as a medical benefit but not in cash. The reason for Indonesia's intermediate scope of legal coverage is that for three types of benefits - maternity benefit in cash, sickness benefit in cash, and unemployment benefits – there is limited provision through the labour code only.

Sustainable Development Goals 6 have SDG indicator 6.3.1 called *proportion of population covered by social protection* (table 1). When we examine in table 1 the social protection effective coverage in accordance with SDG indicator 1.3.1, we find that the share of population covered in at least one area is the highest in the high income countries of Japan and South Korea, at 74% and 66% respectively. On the other hand in India the coverage is 19% as opposed to 63% in China and 38% in Vietnam.

Coverage by Type of Benefits in Asia

We examine by benefit type the proportion of people covered by social protection systems including floors (see Table 1 and Annex Table 1). The most complete protection in all seven countries exists for old age pension, even though varying shares of their population are under coverage. Meanwhile, only two 2 of the seven Asian countries under consideration have children that are covered. Both China and Thailand have low levels of coverage of children in their country. The ratio of recipients of unemployment cash benefits to the number of unemployed persons is 19% in China, 20% in Japan, but 40% in South Korea, 43% in Thailand and 45% in in Vietnam. India and Indonesia have no program for cash benefits for the unemployed.

Disabilities. Persons with severe disabilities are inadequately covered (Table 1) in both India at 5.4 % and South Korea at 5.8 % of the eligible population, and only just under 10% are covered in Vietnam. In Thailand the coverage is nearly 36% and in Japan about 56%. For China and Indonesia no data is available.

Maternity benefits for newborns. Table 2 presents maternity benefit for mothers with newborns (SDG indicator 1.3.1). *It shows that the extent of coverage is quite limited in most countries, regardless of whether they are HICs, UMICs or LMICs*.

In India since 1948 the Employee State Insurance Corporation provides this through a social insurance program for which the source of financing consists of the employer, the employee and the government. The period of maternity leave permitted under the program is 26 weeks and the percentage of wages paid during the covered period is 100%. Very importantly for the purposes of this paper only formal sector employees are covered by this and it does not cover the self employed and informal workers.

Table 2: Maternity Benefits in Asia: Key features of main social security programmes and social protection effective coverage (SDG Indicator 1.3.1 for mothers with newborns)

Country	Date of the law (or Labour Act*)	Provider of maternity benefits, type of programme and financing sources			Coverage of self-employed	Length of maternity leave		Percentage of wages paid during covered period (%)	Mothers with newborns receiving cash benefit, 2015 (%)
		Provider of maternity benefit	Type of programme	Sources of financing		Period (no. and unit)	No. of weeks		

India	1948	Employee's State Insurance Corporation – social security	Social insurance	Employer, employee and government	No	26a weeks	26a	100	41
China	1951	Social security (individual state-run enterprises)	Social insurance	Employer, self-employed and government (subsidizes administrative costs)	Yes (in most provinces), voluntary basis	98 days	14	100	15.1
Indonesia	1957*	Employer (no statutory social security benefits)	Employer liability	Employer	No	\3 months	13	100	...
Thailand	1990	Employer (67%); Social Security Office –social security (33%)	Social insurance and employer liability	Employer, employee, self-employed and government	Yes, voluntary basis	90 days	13	100	..
Vietnam	1993	Vietnam Social Security– social security	Social insurance	Employer	No	6months	26	100	44.5
Japan	1922	Employment Insurance Fund –social security	Social insurance	Employer, employee and government	Yes, with exceptions	98 days	14	67	...
South Korea	1993	Ministry of Employment and Labor – social security	Social insurance	Employer, employee, self-employed and government(subsidies)	Yes, voluntary coverage under certain conditions	90 days	13	100	...

Source:
ILO(International Labour Office),2017. World Social Protection Report 2017–19: Universal social protection to achieve the Sustainable Development Goals. Available at: https://www.ilo.org/global/publications/books/WCMS_604882/lang--en/index.htm [29 November 2017].

In China maternity benefit for mothers with newborns is in operation since 1951 for individual state-run enterprises and the source of financing is employers, self-employed and government. The role of the government is to subsidize the administrative costs. The period for which workers are covered is 98 days or 14 weeks and 100 percent of wages are paid during the covered period. However one should note only 15% of mothers with newborn babies received cash benefits under this program as of 2015. An important dimension is that there is *coverage in China of the self employed* in most provinces. However for the self employed the program is voluntary while for state employment it is a mandatory program.

In Indonesia the program has run since 1957. It is an employer financed program involving employer liability and at the same time it is not statutory in nature. The benefits, confined to the formal sector of the economy, extends to 13 weeks and the percentage of wages paid is 100 percent like in most Asian countries. Notably there is no coverage of the self employed.

In Thailand maternity for mothers with newborns is a program that has run since 1990 with financing from employers, employees, the self-employed and government. The responsibility rests with the social security office and the contributions are shared in the following ratio: employees contributing 67% and the government social security office the remaining 33%.

This is a program which combines social insurance and employer liability. The benefits extend for 90 days and the percentage of wages paid during covered period is 100%; of course the program is mainly for the *formal sector*. What is also notable is that the self employed who are more than likely to be *informal workers are covered on a voluntary basis*.

In Vietnam the program for maternity benefits has run since 1993 and the provider of the benefit is Vietnam Social Security, under a social insurance program which is financed by the employer. The maternity leave is 6 months (26 weeks) and the percentage of wages paid during covered period is 100 percent. As much as 44.5 % of mothers with newborns receive such cash benefits. Notable that the *self employed workers are not covered* in Vietnam.

Turning now to the higher income countries, Japan has had maternity benefits in cash for mothers with newborns since 1922. The provider of the maternity benefit is the employment insurance fund through a social insurance program, which is financed by employers, employees and the government. Length of maternity leave provided is 98 days or 14 weeks and the percentage of wages paid is 67 percent. In South Korea this same program has run since 1993 by the Ministry of Employment and Labour. It is a social insurance program in which the sources of financing come from employers, employees, the self employed, with the government providing subsidies. The period of coverage is 90 days (or 13 weeks) and 100 percent of wages are paid during the covered period. What is notable is that while in Japan the self employed are covered with some exceptions, in South Korea the self employed are also covered but under voluntary coverage with certain conditions.

Unemployment benefits. The SDG indicator 1.3.1 also includes unemployment benefits (Table 3). Again, the table shows that unemployment benefits are provided to a very small of the total workforce, regardless of what the level of income of the country in Asia. Actually, this phenomenon is consistent with the fact that, even in the now advanced countries of Europe or North America, history of social protection shows that unemployment benefits were the last benefit to be made universally available. It was only in the 1930s that this was achieved (Mehrotra, 2016), sometime after the disruption to labour markets caused by the Great Depression.

In India only 3% of the workforce is covered in a contributory scheme which naturally applies only to formal sector workers as part of a social insurance program. It is another matter that social assistance is available in the form of a public employment guarantee scheme since 2005 which is the Mahatma Gandhi National Rural Employment Guarantee Act. In China a contributory scheme enables nearly 19% of the workforce to be covered by unemployment benefit. It is a program run by local government as part of a social insurance program.

Table 3:Unemployment Benefits in Key Asian Countries: Scheme types and Unemployed who actually receive benefits, latest available year (SDG indicator 1.3.1 for unemployed)							
							Unemployment benefit programme
	Contributory schemes	Non-contributory schemes	Contributory and noncontributory schemes	Male	Female	Latest Year	Existence of unemployment programme anchored in legislation and type of programme
India	3	0	3			2008	Social insurance, social assistance (public employment guarantee scheme), and withdraw from provident fund
China	18.8	0	18.8			2015	Local government-administered social insurance programmes
Indonesia	. n.a.	. n.a.	. n.a.	. n.a.	. n.a.	. n.a.	Severance payment
Thailand	43.2	0.0	43.2	…	…	2015	Social insurance
Vietnam	45	0	45	35.3	56.7	2015	Social insurance
Japan	20.0	0.0	20.0	…	…	2015	Social insurance
South Korea	40.0	0.0	40.0	…	…	2014	Social insurance

Source:
ILO(International Labour Office),2017. World Social Protection Report 2017–19: Universal social protection to achieve the Sustainable Development Goals. Available at: https://www.ilo.org/global/publications/books/WCMS_604882/lang--en/index.htm [29 November 2017].

In Thailand and Vietnam approximately 43% and 45% of the workforce is covered by acontributory scheme for unemployment benefits as part of a social insurance program.

Even in such high income countries as Japan and South Korea the coverage of unemployment benefits is quite limited. Contributory schemes cover 20% of the workforce in Japan and 40% in Korea as part of social insurance schemes. This is consistent with the fact that in the history of security the industrialized countries of Europe and North America introduced unemployment benefits almost at the end of the evolution of social security in those countries. It was the last benefit that was made available and begins only from around the time of the great depression after 1929 (Mehrotra, 2016) .

*Employment injury (*table 4) is a key feature of social security programs across the globe for formal sector workers. What the table shows is that the majority of the seven Asian countries here have a substantial coverage. However, UMICs (Vietnam, Thailand) have much lower coverage, while Indian workers are least well off.

In India it is provided under social insurance program with contribution amounting to 1% of wages by employees and a similar one percent of wage contribution by employers under the sickness benefit program. In addition there is financing from the government amounting to 12% of the cost of medical benefits. The coverage is mandatory for formal sector workers and covers nearly 80% of the formal workforce which itself is a minuscule share of the total workforce. There is no voluntary coverage for anyone including the self employed, who are not covered at all.

Table 4: Employment injury in Key Asian Countries: Key features of main social security programmes

	Type of programme	Contribution rate (%)b: Employee	Employer	Self-employed	Financing from government	Estimate of legal employment injury coverage as % of the labour force: Mandatory coverage	Voluntary coverage	Latest available year
India	Social insurance	Global contribution und sickness (1% of wages)	Global contribution und sickness (1% of wages)	Not covered	Global contribution under sickness (12% of the cost of medical benefits)	7.9	0	2013
China	Social insurance; employer liability	No contribution	0.2% to1.9% of total payroll according to industry's risk classification	Voluntary basis	Subsidies as needed	83.7	13.3	2014
Indonesia	Social insurance	No contribution	0.24% to 1.74% of monthly wage (contributions vary according to assessed work environment risk level)	31% of monthly declared earnings	No contribution	93.8	0	2015
Thailand	Employer liability (involving insurance with a public carrier)	No contribution	0.2% to 1% of annual payroll according to assessed risk	Not covered	No contribution	41	0	2014
Vietnam	Social insurance; employer liability (temporary disability benefits	No contribution	0.5% of monthly payroll; whole cost (temporary disability benefits	Not covered	No contribution	38.5	0	2015
Japan	Social insurance	No contribution	0.25% to 8.8% of payroll, according to the type of business	0.3% to 5.2% of average earnings, depending on the type of business	Subsidies as needed	85.5	0	2015
South Korea	Social insurance	No contribution	0.7% to 34% of annual payroll, according to assessed risk	0.7% to 34% of declared earnings or payroll. Voluntary basis	No contribution	70.6	0	2014

Source:
ILO(International Labour Office),2017. World Social Protection Report 2017–19: Universal social protection to achieve the Sustainable Development Goals. Available at: https://www.ilo.org/global/publications/books/WCMS_604882/lang--en/index.htm [29 November 2017].

In China employment injury is covered in social insurance programs through an employee reliability mechanism. There is no contribution by the employee but their employer contributes 0.2 % to 1.9 % of total according to the industries risk classification. In addition there is provided by the government subsidies as needed. Coverage is very high with mandatory coverage provided to nearly 84% of the workforce, while in addition voluntary coverage is available to 13%. Self employed can also be covered under employment injury though on a voluntary basis.

In middle income Indonesia employment injury is provided through a social insurance program with no contribution by employees. However employers contribute 0.24 % to 1.74 % of monthly wage with contributions varying according to assessed work environment risk levels. There is no financing support from the government. However the coverage is very high with nearly 94% captured. What is notable for Indonesia is that self employed are also covered, with 31% of monthly declared earnings being contributed by the self employed. There is no financing from government for the self employed as there is none for formal sector workers.

In Thailand employment injury is covered under an employer liability program which involves insurance with a public carrier. Employer contribute 0.2 % to 1% of annual payroll according to assessed risk. There is no contribution of the employee. As a result of this mandatory coverage 41% of the labour force is covered. There is no contribution to financing the scheme by the government.

In Vietnam employment injury is provided through a social insurance program which involves employer liability only, with no employee contribution. The employer contribution amounts to 0.5% of monthly payroll and the whole cost is borne by the employer. There is no employee contribution as in all the other remaining Asian countries covered in our study. We know that only 38.5% of the labour force is captured through this mechanism. The self employed are not covered. There is no contribution by the government.

In the high income countries of Japan and South Korea it is social insurance programs that provide coverage for employment injury with the main burden borne by the employer. There is no contribution by the employee in Japan. The employer contributes 0.25% to 8.8 percent of payroll according to the type of business. The result is that as much as 85 % of the labour force is captured under the program. What is notable is that the self employed are covered and the contribution expected from them is 0.3 % to 5.2 % of average earnings, depending on the type of business. Subsidies as needed are provided by the government in Japan.

In South Korea a social insurance program is the means to ensure employment injury with no contribution by employees. Employers contribute 0.7 % to 34% of annual payroll according to assessed risk. In fact nearly 70% of the workforce is covered which is not surprising given how high is the share of the formal workforce. It is also notable that the self employed are covered and they contribute similar shares of declared earnings for payroll but on a voluntary basis. In both cases the formal as well as the self employed there is no contribution by the government.

Disability benefits are presented for the 7 Asian countries in table 5. All 7 countries have contributory social insurance programs in place to cover disability. What is notable is that except in Japan where the effective coverage is 56% nearly, in all other countries the coverage is very low.

With the exception of Thailand where nearly 36% of the eligible persons are covered, in the remaining countries the coverage is much lower India at 5.4 %, South Korea 5.8% and Vietnam at 9.7 % of the workforce.

Table 5: Disability benefits in Key Asian Countries: Key features of main social security programmes and social protection effective coverage (SDG indicator 1.3.1 for persons with severe disabilities)(year 2015)

Country	Contributory				Non-contributory		No programme anchored in legislation	Effective coverage (%)
	Social insurance	Provident fund	Mandatory occupational pension	Mandatory individual account	Universal (not means-tested)	Social assistance (means-tested)		
India	●	●				●		**5.4**
China	●							-
Indonesia ˜	●	●						--
Thailand	●							35.7
Viet Nam	●					●		9.7
Japan ˜	●							**55.7**
South Korea	●							5.8

Note:

Legislation not yet entered into force.

Source:

ILO(International Labour Office),2017. World Social Protection Report 2017–19: Universal social protection to achieve the Sustainable Development Goals. Available at: https://www.ilo.org/global/publications/books/WCMS_604882/lang--en/index.htm [29 November 2017].

Old age pensions. In table 6 we examine old age pension in the 7 Asian countries. This is the benefit that should be most widely available, but it shows that it is not quite the case. What is notable is that Table 6 (last column) and Table 7 show that while contributory coverage is low, non-contributory schemes in most countries provide much better coverage of the population.

In India since 1952 a provident fund scheme has been in operation for formal workers. The insured person pay 12% of wages while the employer also contributes, with the government not contributing anything. This scheme is available only to private sector formal workers in registered enterprises. We know that formal workers in India in both Government and the private sector account for only 9% of the total workforce in 2017-2018. The remaining 91% of the workforce is pretty much without social insurance. In addition since 1995 noncontributory means tested pension is provided to over 60 year old persons. This is in the form of social assistance with the central government paying 300 rupees per elderly person with the state government contributing a similar amount at least. Some state governments give a higher amount to elderly persons.

Table 6: Old-age pensions in Key Asian Countries: Key features of main social security programmes

Country	Date of first law/ year introduced	Type of programme	Pensionable age		Contribution rates: Old-age, disability, survivors				Estimate of legal coverage for old age as a percentage of the working-age population		
			Men	Women	Insured person	Employer	Self-employed	Financing from Government	Contributory Mandatory	Contributory Voluntary	Non-Contributory
India[1]	1952	Provident Fund	58	58	12	3.67 (+ 0.85 for admin costs)	n.a.	No contribution	10.4	…	87.5
	1952	Pension scheme (SI)	58	58	No contribution	8.3	n.a.	..16% of the insured's basic wages			
	1995	Means-tested noncontributory pension (social assistance)	60	60	n.a.	n.a.	n.a.	Total cost			
China	1951	Social insurance(SI) and individual accounts(IA) for urban workers (Basic Old-age Insurance Scheme for Urban Workers)	60	60(professional); 55(nonprofessional salaried); 50 (other workers	No contribution (SI) or 8 (IA)	Up to 20% of payroll (SI) or no contribution (IA)	12 (SI) or 8 (IA)	Central and local governments provide subsidies as needed	49.8	50.2	0
	2011	Non-contributory pension(NCP) and individual account(IA) schemes for rural and non-salaried urban residents	60	60	No contribution (NCP) or voluntary basis (IA)	n.a.	No contribution (NCP) or voluntary basis (IA)	At least 70.0 yuan (tax funded) or 50% of the cost, depending on region (NCP); 30 yuan (IA)			
Indonesia	1977	Provident fund (Jaminan Hari Tua)	56	56	2	3.7	n.a.	No contribution	65.9	3.8	0.0
	2004	DB pension scheme(private sector workers, Jaminan pensiun)	56	56	1	2	n.a.	No contribution			
	2006	Means- tested NCP (,Asistensi Sosial Usia Lanjut)	70[2]	70 [2]	n.a.	n.a.	n.a.	Total cost			
Thailand	1990	Social insurance: formal-sector pension	55	55	3	3	annual flat rate of THB 5,184	1% of the insured's monthly earnings	36.3	38.9	100
	2011	Social insurance and national savings fund: Informal sector pension	60	60	n.a.	n.a.	THB100/month Voluntary basis	50%–100% of the insured's contributions [3]			
	1993	Pension-tested NCP (social assistance)	60	60	No contribution	No contribution	No contribution	Total cost			
Vietnam	1961	Social insurance	60	55	8	14	22 Voluntary basis	Subsidies as needed	33.1	66.9	66.9
	2004	Means-tested NCP /Pension-tested above 80	60, 80	60, 80	No contribution	No contribution	No contribution	Total cost			
Japan	1941	Social insurance(national pension programme)	65	65	16,260 yen a month	No contribution	16,260 yen a month	50.0% of the cost of benefits and total cost of administration	97.5	…	0.0
	1954	Social insurance (employees' pension insurance)	60 (59 for seamen, miners)		8.9	8.9	n.a (generally)	Total cost of administration			
South Korea	1973	Social insurance	61	61	4.5	4.5	9	Part of admin costs of social insurance and contributions for certain groups, including the insured with military service	70.9	0.0	29.1

2007	Means-tested noncontributory pension(social assistance)	65	65	n.a.	n.a	. n.a	. Total cost			

Note :
1-Gratuity schemes for industrial workers (lump sum benefit – employer liability) – 4% contribution rate by employers
2-60 if chronically ill
3-depending on the insured's age
Source:
ILO (International Labour Office), 2017. World Social Protection Report 2017–19: Universal social protection to achieve the Sustainable Development Goals. Available at: https://www.ilo.org/global/publications/books/WCMS_604882/lang--en/index.htm [29 November 2017].

In China since 1951 a social insurance based system with individual accounts for urban workers was in place for men and women over the age of 60 (though there were differences between for women in terms of lower retirement age). The scheme provides for financing from the central and local governments which extends subsidies as needed. What was noticeable is that self employed persons were also covered.

In 2011 China underwent social security reform with non contributory pension and individual account schemes being initiated for both rural and non-salaried urban residents for over 60 year olds. The insured person made no contribution. The result of the reform after 2011 was that the share of the population covered under pension was 49.8 percent through contributory/ mandatory pension schemes and 50.2 percent of the elderly being covered under contributory/voluntary scheme.

In Indonesia there is a provident fund for government employees, while for private workers since 2004 there is a pension scheme . In both cases the pension begins at the retirement age of 56. For private sector there is no contribution in terms of financing by the government. In mandatory schemes 66% of the labour force is covered. In addition there is a non contributory pension in the form of social assistance which is means tested that begins at the age of 70. The total cost of the program is met by the government of Indonesia.

In Thailand since 1990 formal sector pension has been in place for those above age of 55. The contribution of the government for that scheme used to be 1% of the insured's monthly earning. However since 2011 when a reform was carried out much more inclusive pension in based on a National Savings Fund was started which also covers the informal sector. The self-employed can contribute on a voluntary basis 100 Thai baht a month towards their pension. In addition 50-100 % of the insured's contribution depending on the insured's age is contributed by the government. As a result coverage of the workforce is now 36% under contributory/mandatory and an additional 39% under contributory/voluntary schemes. However for the non contributory scheme the rest of the population is also covered. The total cost of the scheme in the form of social assistance is met by the government.

In Thailand, the non-contributory old-age allowance provides some protection to people without access to regular pension payments. The monthly benefit is tiered and varies between THB 600–1,000, equivalent to US$18–30, which is less than half the poverty line. The universal old-age allowance serves as the only form of pension for many people working in the informal economy.

To encourage participation in the contributory system, the Government provides a matching contribution.

Vietnam has had a social insurance scheme since 1961 which covers over 60 year old men and over 55 year old women. It is a voluntary scheme and is subsidized by the government as needed. In addition there is a means tested non-contributory pension for which the total cost is met by the government of Vietnam. On account of the two types of tensions approximately 33% of the labour force is covered under old age pension.

In Japan the life expectancy is higher than in most middle income countries and the starting age for pension is 65. The scheme under social insurance also called the National Pension program has been running since 1941. The insured person makes a contribution of 16260 yen a month while the employer makes no contribution. The government meets 50% of the cost of benefits and total cost of administration. In addition since 1954 there is a employees' pension insurance applicable for over 60 year olds. The insured person contribution is 8.9%, just as the employer makes same contribution. Government meets the total cost of administration. While the program is open to self employed persons, who make a contribution of 16260 yen a month, but the program (available since 1954) is generally not applicable to self employed persons. Together these pensions cover 97.5% of the labour force in Japan.

In South Korea 71% of the labour force is covered by old age pensions. Social insurance program since 1973 covers everyone over the age of 61. The contributions are made by both employers and employees at the rate of 4.5 % of wages with government meeting part of administrative costs of social insurance. It also contributes for certain groups including those in military service. Self employed are expected to cover both the employers and employees contribution and therefore contribute 9% of their earnings. In addition since 2007 there is a means tested non contributory pension program in the form of social assistance for over 65 year olds. In this case the total cost is met by the government and this program does not involve any contributions from workers or employers.

Table 7 presents information on noncontributory pensions in the seven Asian countries available to the elderly population. As we noted above, this table should be read together with Table 6, since together they suggest that old age pension is coverage is actually better than might appear if only contributory pensions were considered.

In India there has been in existence since 1995 the national old age pension scheme in which the eligibility is age 60. Level of monthly benefit is rupees 200 per month from the central government, with a similar amount contributed by the State Government. In purchasing power parity terms, this is the equivalent of 11.4 dollars in the year 2014; the amount is just over 6% of the minimum wage in 2014. In China there is a pension scheme for rural and non salaried urban residence for over 60 year olds (70 Yuan monthly), which is a basic tax funded benefit. This amount was the equivalent of nearly 20 US dollars in purchasing power parity terms in 2015. The population share above the age of 60 that is eligible is 70.7 % compared to 17.7 percent of the eligible in India.

While the scheme in China covers 148 million person in India the coverage is 20.6 million beneficiaries.

Table 7: Non-contributory pension schemes in Key Asian Countries : Main features and indicators

Country	Year introduced	Name of scheme	Legal requirements and characteristics of the schemes						Level of benefit (monthly				Effective coverage (number, %)						Cost	
			Age of eligibility	Citizenship	Residency	Income test	Asset test	Pension-tested	National currency	USD	PPP	Year	% of minimum wag	Number of recipients	Population 60 and over	Population 65 and over	Population above eligible	Year	Cost (% of GDP	Year
India	1995	Indira Gandhi National Old-Age Pension Scheme	60	--	--	●	--	- -	200	3	11.4	2014	6.1	2059527 4	17.7	28	17.7	2015	0	2015
China	2011	Pension Schemes for Rural and Non-salaried Urban Residents	60	--	○	--	--	●	70.0 (basic tax-funded benefit)	10.2	19.8	2015	3.5–7.0	1480030 00	70.7	112. 6	70.7	2015	0. 1	2012
Indonesi a	2006	Asistensi Sosial Usia Lanjut(ASLUT) (Social Assistance for Older Persons) previously called Jaminan Sosial Lanjut Usia (JSLU) (Social cash transfer for the elderly)	70 (60 if chronicall y ill)	…	…	●	…	…	200 000	14.9	52.8	2015	11.2	26 500.0	0.1	0.2	0.1	2013	0	2013
Thailand	1993	Old Age Allowance	60	●	…	○	…	●	600.0–1000.0	16.9-28.3	49.2-82.1	2016	7.7–12.8	8 048 298.0	71.8	108. 4	71.8	2016	0. 5	2016
Vietnam	2004	Social assistance benefit (category 1: 80 years old and over)	80	●	…	○	…	●	540000	24.6	71.3	2016	15.4-22.5	1 350 226.0	14.7	22.1	70.2	2014	0. 1	2016
	2004	Social assistance benefit(category 2: 60–79 years old)	60	…	…	●	…	…	405 000	18.5	53.5	2016	11.6-16.9	207 421.0	2.3	3.4	2.3	2014	0	2016
Japan	…	Public Assistance	65	…	…	●	…	…	80	8181012.9	777.6	2011	63.3							
South Korea	2014	Basic Old-Age Pension	65	●	…	●	○	…	204 010	175.8	227.8	2016	16.2	4 640 000.0	49.8	70.3	70.3	2015	0	2015

Note:

● **Yes**

○ **No**

Source:

ILO (International Labour Office), 2017. World Social Protection Report 2017–19: Universal social protection to achieve the Sustainable Development Goals. Available at: https://www.ilo.org/global/publications/books/WCMS_604882/lang--en/index.htm [29 November 2017].

In Indonesia since 2006 social assistance for older persons is available for over 70 year olds. This is a means tested scheme just as the one in India is income tested. The level of benefit is 200 thousand Rupiah which is 52.8 US dollars in purchasing power parity terms in 2015 or just over 11 % of the minimum wage. The share of the population that is covered in 2013 was only 0.1 % of the population 60 and over.

In Thailand there is an old age allowance since 1993 for over 60 year old of Thai baht 600 to 1000 per month. This is the equivalent of 49.2to 82 US dollars in PPP in 2016. This amount will also be equivalent of 7.72-12.8% of the minimum wage. The share of the population above 60 that is eligible is almost 72%. Not surprising that the cost as a proportion of GDP in Thailand is the highest compared to any of the other countries including the high income ones at 0.5 %.

In Vietnam there's been social assistance benefit for over 80 year old of 540,000 Vietnamese dong while the benefit for the age group 62-79 years old is 405000 Vietnamese dong. This is the equivalent of US dollars 71 in PPP and 53.5 USD respectively for the two age groups.

In Japan there is provision for public assistance for over 65 year olds on an income tested basis. The amount is 777 USD in PPP in the year 2011, which is the equivalent of 63 % of the minimum wage. In South Korea since 2014 a basic old age pension for over 65 year olds is available on the basis of citizenship and residency. The amount is 204010 or the equivalent of 228 USD in PPP terms for the year 2016. This amounts to 16 % of the minimum wage. It covers a very high share of those who are 60 amounting to 50% and even higher share of those who are 65 and above for 70% of that age cohort in 2015. In other words the most generous non-contributory pensions that are available in the seven Asian countries are in South Korea and Japan as one would expect, but at the same time it is notable that Thailand manages to cover 72% of its population over 60 and China cover 71%.

Tables 8 presents the total public social protection expenditure from 1995 to the latest year for which data is available. We notice that except for Indonesia where expenditure has not exceeded 1.1 % of GDP on social protection expenditure by the government, India is the lowest spender. At the other extreme is Japan with 23% expenditure of GDP in Japan and 10% in South Korea. As expected the middle income countries are spending less. What is interesting is that the two countries which are at quite different levels of per capita income, China and Vietnam, are both spending 6.3 percent to GDP.

Table 8: Key Asian Countries: Public social protection expenditure, 1995 to latest available year (percentage of GDP)

Country	Total public social protection expenditure (% of GDP)									
	1995	2000	2005	2010	2011	2012	2013	Latest available	Year	Source
India	1.5	1.6	1.5	…	2.6	2.4	…	2.7	2014	GSW
China	3.2	4.7	2.7	6.7	7.3	8	8.4	6.3	2015	ILO. Before 2015: IMF
Indonesia	1.6	1.8	2.0	0.9	0.9	1.0	1.1	1.1	2015	IMF. Before 2010: ILO/WHO
Thailand	1.8	2.6	3.7	2.7	4.3	4.4	4.3	3.7	2015	ADB.Before 2011:IMF
Vietnam	5.0	4.1	4.2	4.6	4.5	5.0	5.1	6.3	2015	ADB. Before 2010:ADB/WHO
Japan	14.1	16.3	18.2	22.1	23.1	22.9	23.1	23.1	2013	OECD
South Korea	3.1	4.5	6.1	8.3	8.2	8.8	9.3	10.1	2015	OECD

Source:
ILO (International Labour Office), 2017. World Social Protection Report 2017–19: Universal social protection to achieve the Sustainable Development Goals .Available at: https://www.ilo.org/global/publications/books/WCMS_604882/lang--en/index.htm [29 November 2017].

Summarizing the evidence on social insurance in seven Asian nation

In the Asian economies we have examined above, we noted that a fairly comprehensive Social Protection system exists in many of them, especially in the high income ones. In most middle income ones it is not comprehensive by any means, but yet has made significant progress in most of them (though less so in Indonesia). In India (an LMIC), the social protection is very rudimentary.

A few other observations can be made on the basis of the preceding discussion of SS in the seven Asian countries. The three benefits that most governments have attempted to implement, at least for the formal workers, are: old age pensions, death/injury insurance in case there is an accident at the workplace, and maternity benefits for women. That this is the case is consistent with the ILO definition of social insurance at the workplace. So at least in all countries for formal sector workers the attempt to guarantee these three types of benefits.

However, the second observation that can be made is: given the large size of the informal sector in most countries examined, some attempt has been made in them to get the self-employed to also register in the same schemes that are in place for the formal sector workers, but on a voluntary and contributory basis. There is variation between countries on whether the government subsizes the contribution of self-employed workers or not: in some it does, in others it does not.

A third observation is that unemployment benefits are available to a very small proportion of the workforce, and certainly not to informal workers anywhere. This is consistent with the historical experience of industrialized countries of Europe and North America, where unemployment insurance came last (sometime in the 1930s), while the other benefits (especially the core ones of old age pension, death/disability insurance, maternity benefit) came in the latter half of the 19th century (Mehrotra, 2016). This suggests that the higher the share of formal workers who contribute to a fund that can finance unemployment benefits, the more likely that such benefits exist.

Finally, all countries (including India) make an effort to supplement social insurance with social assistance, which is obviously non-contributory. The nature of social assistance also varies enormously by country (that was not the subject of this paper for reasons of space). From an Indian perspective what is important is that social assistance in India has taken the form of in-kind transfers, rather than cash transfers. PM KISAN is one major exception. That is why we make the case in section 4 and in Appendix 2 for a minimum income guarantee in India, especially at a time of a pandemic driven sharp drop in incomes, in both the formal and informal sectors.

Much progress still remains to be made in the coverage of social insurance in Asian nations; this facts jump out at the reader when we examine Table 9, which presents the share of informal workforce (i.e. those without social insurance, the key defining feature of informality) in the total workforce in the same seven Asian economies. Thus, the share of informal workforce is still 31.5% in a high-income country like South Korea. In middle income countries it is much higher. In other words, in all Asian countries there is a way to go before universal social protection is established across Asia.

Table 9: Share and composition of informal employment, total (%)

Country	Year	Formal employment	Informal employment			
			Total	In informal sector	In formal sector	In households
India	2019	11.9	88.1	77.7	8.0	2.3
China	2014	45.6	54.4	48.3	6.1	0.0
Indonesia	2016	14.4	85.6	67.5	5.8	12.2
Thailand	2019	45.7	54.3	n.a.	n.a.	n.a.
Vietnam	2015	23.8	76.2	61.0	11.5	3.7
Japan	2010	81.3	18.7	14.3	4.3	0.0
South Korea	2014	68.5	31.5	26.1	5.5	0.0

Source:
ILO, 2020, Informality | Country factsheet, Overview of the informal economy in India (Periodic Labour Force Survey, 2019)
ILO, 2020, Informality | Country factsheet, Overview of the informal economy in China (China Household Income Project, 2014)
ILO, 2018. Women and men in the informal economy: a statistical picture (third edition) ;Also available at:
https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms_626831.pdf

Table 9 shows that informal employment in China is 54.5% (53.4% if we exclude agriculture). As expected 88.8% of the informal employment in China is in the informal sector; 11.2% in the formal sector, with none in the household sector. What is notable is that of all enterprises in China, three fourths are informal sector units (74.7%). As regards the composition of informal employment, of the 54.5% employment that is informal, 48.3% is in informal sector, while the remaining 6.1% is in formal sector. This pattern tends to hold in other Asian countries as well.

Therefore, we now turn to a discussion of informality, and why social insurance is so limited in a majority of developing countries – even though India is a complete outlier even among other developing countries (though not in South Asia).

1.2 The barriers to social insurance for informal workers

More than 60 per cent of the global workforce is in informal employment (ILO 2018f) and most of them face serious decent work gaps, including a lack of social security. Informal economy workers are among the 55 per cent of the global population who do not enjoy access to social protection at all, while many others are only partially protected (ILO, Extending SS to Workers in the Informal economy, 2018a).

Given the fact that all middle income and even high income countries face issues in covering all workers with social insurance, we take a different approach to examining the international evidence in this sub-section. Here we examine a. the barriers to SI for informal workers; b. the specific worker/unit types with specific issues that need to be addressed. In the next two sub sections we go on to examining the financing arrangements that have been successfully used to expand coverage of SI to informal workers; and finally, the administrative challenges that need to be addressed in expanding coverage of SI to informal workers.

The barriers to social protection schemes for informal workers

The legal framework may exclude or constrain the participation of certain categories of workers in social protection schemes and they may as a result remain in the informal economy. In India, like in many countries, legislation links social security coverage to an identifiable employment relationship between an employer and a dependent worker. Unfortunately, the Social Security Code 2020 has done nothing to change this situation. In many developing countries, legislation may include rules based on place of work, type of contract, size of the enterprise, number of working hours or income thresholds or minimum length of contract, which can effectively exclude some categories of workers.

A second barrier for the informal workers to participate in social insurance is that workers and employers may be reluctant to contribute if they are not convinced that the benefits provided will meet their priority needs.

A third barrier is the costs of SI and in addition, inadequate financing arrangements. A high level of contributions is often considered as an economic barrier to participating in a contributory social protection scheme. Contributions may not be adapted to the level of earned income and may be perceived as too high by both employers and workers, particularly if they do not value the benefits of social insurance coverage. *For the self-employed, contributing to a social protection scheme can be particularly burdensome*, since they cannot bear the employers' share of contributions.

That is why the state has to enter the picture in many countries, and hence we argue later it should do in India too.

Related to cost is the reality of fluctuating or instable income. Informal workers have volatile incomes that may require adaptations involving contributory forms of protection. For example, although the incomes of agricultural workers often follow seasonal patterns, which makes it difficult for them to pay contributions on a monthly basis, they may be able to pay contributions after selling their crops or animals. Similarly, fluctuations in the incomes of the self-employed, particularly own-account workers, may make it difficult for them to pay regular contributions.

The fourth barrier is the presence of MSMEs. The majority of informal workers are in MSMEs, which are themselves not registered anywhere. They don't formalize, across developing countries (including India), often because of operational costs associated with operating in the formal economy, such as taxes, license fees and social contributions, as well as the costs of complying with labour regulations, the time required to obtain property registration and apply for formal loans and costs related to inefficient contract enforcement mechanisms.

A fifth barrier to SI being available to informal workers is complex and burdensome administrative procedures and services. They may discourage employers and workers from registering for social protection schemes and thus qualify for benefits. In particular, MSMEs with limited administrative capacities often struggle to comply with the requirements. Particularly in rural areas, people may face difficulties in accessing social protection schemes owing to the low density of administrative structures and services. Long distances to the next office and poor means of transport can inhibit access to the administrative structures to register or pay contributions or access to benefits or services, while opportunity costs in terms of the costs of transport and time spent may be prohibitively high.

A sixth barrier to SI for informal workers is labour mobility. This is especially true in India, and has already been shown to be a problem with the implementation of the Building and Construction Workers Fund. Labour mobility puts a high burden on the administration of the scheme. Some workers, such as seasonal workers and other temporary workers, frequently change jobs and may move between wage employment and self-employment.

Given this list of formidable barriers prevailing in all developing countries, one can be sure benefits to employers will need to be emphasized by government if SI is to grow in MSMEs. There is evidence to suggest that employers benefit from workers' obtaining SI. For example, a recent study found that firms in Indonesia that increased social security coverage by 10 per cent between 2010 and 2014 observed an increase in revenues per worker of up to 2 per cent (Torm, 2019). Similarly, in Viet Nam, firms that increased social security coverage by 10 per cent between 2006 and 2011 experienced a revenue gain per worker of 1.1 to 2.6 per cent and a profit gain of about 1.3 to 3.0 per cent (Lee and Torm 2017).

We focus here on what has been done hitherto in developing countries, and we try to extract from this evidence how it can be done in India as well. The approaches have varied significantly, which is exactly what one expects – considering that the degree of informality by region is very different.

Approaches to expanding SI coverage varied, but two approaches emerge

In many cases, the extension strategy includes not only a change in legislation but also the adoption of measures to remove administrative obstacles to contributions into formal sector schemes for informal workers by facilitating administrative processes and adapting contribution rates and benefit packages. These are discussed below (with relevance pointed out for India).

In other countries, the extension of social security to larger groups of the population has been pursued through a large-scale extension of non-contributory social protection mechanisms to previously uncovered groups, independently of their employment status and largely financed through government revenue derived from taxation, mineral resource revenue or external grants.

There is no-one-size-fits-all solution: instead, countries have combined the two approaches to extend social protection to previously uncovered workers, while progressively providing higher levels of protection to as many people as possible and promoting transitions from the informal to the formal economy.

A number of middle- and low-income countries have facilitated the transition to the formal economy by combining elements of the two-track approach, i.e. extending social security to workers in the informal economy insurance, which was subsidized for vulnerable groups (e.g. Vietnam is one very successful example). Other examples are to be found in Argentina (combination of contributory and non-contributory social protection programmes for child and maternity benefits), Brazil (Bolsa Família; rural pension scheme) and Cabo Verde and South Africa (social insurance and large grants programmes), among others. In fact, both approaches, to extending social protection, as well as their combination in an integrated two-track approach, are reflected in both the ILO Social Protection Floors Recommendation, 2012 (No. 202) and the ILO Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204).

Many countries that have combined contributory and noncontributory schemes have managed to achieve a significant extension of coverage and guarantee at least a basic level of social protection for all, while also progressively providing higher levels of protection to those who have some contributory capacities. Given the high labour mobility of workers in the informal it is essential to ensure effective coordination between contributory and non-contributory benefits for the continued coverage of workers (ILO, 2018).

This combined approach is *especially important in India, where workers transition from being formal workers (with access to EPFO and ESIC) and then into informality, and then back again*. This situation is going to intensify because COVID is resulting in millions of regular workers losing work, will move into informal work. There will be a revival of the economy, eventually, and hence of regular work, and there will be a revival of formal EPFO/ESIC membership (which fell since April 2020, but rose later in 2020).

Taking into account the diversity of situations and needs of workers in the informal economy a single approach cannot sufficiently address the challenges that workers in the informal economy encounter, because the informal economy consists of various groups with different characteristics. This section focuses on four specific groups with a high risk of informality but very different characteristics: (a) self-employed workers, including own-account workers; (b) workers in micro and small enterprises; (c) agricultural workers; and (d) domestic workers. We consider the *international experience for each group of workers, through country cases.*

Self-employed workers, including own-account workers

Self-employed workers, including own-account workers, may be excluded from coverage where social security legislation focuses on employees only. However, where legal coverage exists, it often does not translate into actual coverage, because the lack of an employer (who plays the role of co-financer and intermediary for employees) implies a greater administrative and financial burden for the self-employed person, with resulting exclusion of informal workers. We saw the evidence of this in Table 9 for various Asian countries discussed so far, even though many of them have included self-employed among beneficiaries of schemes, as we have also noted in Tables 2-9.

The exclusion of self-employed workers from legal coverage has often been explained by the following factors (ISSA, 2012): the diversity of circumstances, needs and contributory capacities among self-employed workers. The situation of liberal professions or business owners is very different from the situation of small farmers, contractors, members of cooperatives or contributing family workers. The latter face the "double contribution challenge" – the requirement that self-employed workers assume the full contribution (employer and employee contribution) unless specific measures are in place to reduce the contribution rate.

Case 1. A mismatch between the benefits provided and the priority needs of workers is one of the factors behind the low take-up of the voluntary scheme by selfemployed workers in Viet Nam. While self-employed workers have to pay the full contribution rate (consisting of employer's and worker's share), they only have access to an inferior benefit package (consisting of an oldage, disability and survivor's pension) compared to the employees covered under the general regime (Nguyen and Cunha forthcoming).

Case 2. The self-employed workers have been included in existing social security schemes as shown by several countries, including Argentina, Brazil, Cabo Verde, Jordan, Kenya, Mexico, the Philippines and Uruguay. They have included the self-employed in their general social protection schemes. Such an approach has the advantage that it allows workers to remain in the same scheme, regardless of their employment status, and provides adequate coverage in cases when workers change their employment status or combine (part-time) paid employment and self-employment. In section 4 of this *paper, <u>for India we also propose that the self-employed (other than the own-account workers) should be part of one scheme, which is contributory; however, the own account workers should be included in a non-contributory scheme.</u>*

Case 3. To include self-employed workers in the social security legislation, the Government of Brazil created a new legal category of self-employed microentrepreneur, the Microemprendedor Individual (MEI); and facilitated the extension process through the Plan Simples. We discuss the Brazil Microemprendador case in the following sub-section on MSEs.

Case 4. Some countries start covering self-employed workers through voluntary coverage. For example, Namibia, Ghana and Viet Nam offer the option for self-employed workers to join the pension insurance scheme on a voluntary basis. However, it appears that voluntary coverage rarely leads to a significant extension of effective coverage. In Viet Nam, for example, the voluntary regime counts only 200,000 members, equivalent to 1.3 per cent of the total workforce (ILO et al 2017)(ILO et al 2017). There are several reasons. Voluntary schemes tend to suffer from adverse selection issues – that is, they attract mostly those with higher risks who expect to benefit most. For example, those with pre-existing health conditions are more likely to enrol in voluntary health insurance schemes as they benefit most from coverage in the short term. As the risk pool of voluntary schemes is usually small they are usually not able to provide effective protection in case of a shock to the system.

We have argued against voluntary schemes elsewhere (Mehrotra, 2016), and yet they are the type that have proliferated in India, especially since 2014 (see later section 3 for discussion). The combination of mandatory and voluntary affiliation may create perverse incentives for enterprises to declare workers under arrangements that provide less protection for workers in order to make short-term gains by reducing labour costs (ILO 2019b; OECD 2019). *Although India Social Security Code 2020 does not make informal worker SS mandatory, this international evidence should make Indian policy makers to think when they do try to expand SS coverage to informal workers to make them mandatory, not voluntary.*

Case 5.Considering the limitations of voluntary schemes, many countries have moved from voluntary to mandatory coverage through adapted mechanisms that take into account contributory capacity and other characteristics of certain categories of self-employed workers. For example, Costa Rica and Cabo Verde reformed their laws to mandate the participation of self-employed workers in pension and/or health insurance schemes. To facilitate their coverage, contribution levels were reduced and benefits were adapted to better correspond to those of salaried workers. Those measures have been shown to be successful. But reducing rates was not enough in Costa Rica. Efforts were made to enhance awareness-raising and information and ensure that inspection mechanisms take the particular needs of the self-employed into account. For example, Costa Rica's social insurance institution employs a group of specialized inspectors to oversee the registration of the self-employed. They work in several economic sectors and according to different schedules in order to enable both daytime and night-time supervision. In addition, more administrative staff and inspectors were hired to enhance the administrative capacity to follow up cases of evasion (Durán-Valverde et al., 2013). *India would be well advised to follow the Costa Rican example.*

Case 6. Some countries have created specific schemes for selfemployed workers. Addressing the limited contributory capacity of self-employed workers, some countries such as Thailand and China have partially subsidized the contribution of self-employed workers to voluntary pension schemes. In Thailand, for example, workers can contribute B50–13,200 (about US$1.6– 420) to the National Savings Fund per year, which is partially or fully matched by the Government, depending on the age group of the worker. However, the scheme has not been successful in improving coverage among selfemployed workers. China has been able to extend health and pension insurance coverage to the majority of nonsalaried workers by creating separate schemes thanks to a very high level of subsidization and strong incentives (Nguyen and Cunha forthcoming).

In Uruguay, the coverage of ride-hailing drivers using digital platforms (such as Uber) was facilitated through a phone application that allows for the direct deduction of social security contribution from the price of the ride through the monotax mechanism, thereby ensuring the drivers' social security coverage and creating a more level playing field between the traditional and the digital economies (BPS Uruguay 2017; Behrendt, Nguyen, and Rani 2019).

Workers in micro and small enterprises[3]

Globally, workers in micro and small enterprises face a high risk of informality. While that is almost certainly the case for workers in informal economic units, many workers in registered MSEs are also left without social security coverage. The international experience suggests (ILO, 2018;) the lack of coverage may be due to an exclusion from the legal framework (e.g. some social security laws are not applicable to enterprises with less than a certain number of workers) or to non-compliance with the legal framework, since many MSEs struggle with the administrative and financial requirements of social security coverage. In addition, many MSEs are trapped in a vicious cycle of low productivity and poverty, which limits their capacity to contribute to social protection schemes on their workers' behalf.

Despite these concerns, many countries have gradually lowered or removed minimum thresholds with regard to enterprise size in their social security legislation.

Case 1. In **Thailand**, coverage of social security legislation was gradually extended within 12 years – from enterprises with 20 or more employees in 1990 to enterprises with 10 or more workers in 1993 and to those with 1 or more employee in 2002 (Thailand Development Research Institute,

[3] When one compares the share, in each region, of self-employed units and different firm size classes, we find that in South Asia alone the self-employed are overwhelmingly large at 67%; that share is much higher than even in SubSaharan Africa (SSA) where it is 50%. The share in South Asia of firms 2-9 is only 20%, but in SSA it is 35% (ILO, 2018a).

n.d.). In 2017, the National Social Security Fund in **Cambodia** extended coverage by reducing the minimum threshold from firms with 8 or more employees to those with 1 or more employees (Both et al. 2018).

Case 2. In the **Republic of Korea**, health and pension coverage was also gradually expanded to workers in smaller companies. The compulsory health insurance scheme was initially implemented in 1977 for those working in companies of more than 500 employees but was expanded in 1979 to firms with more than 300 employees, in 1981 to those with more than 100 employees, in 1983 to those with more than 16 employees and in 1988 to firms with more than 5 employees. Mandatory pension coverage started in 1988 for companies with more than 10 employees and was expanded to those with more than 5 employees in 1992 (Kwon 2009).

Case 3. In **Viet Nam**, the Labour Code (Law of 23 June 1994, art. 138) states that the State shall establish policies with the aim to gradually expand social security and protect workers and their families in the event of sickness, maternity, termination of working age, death, occupational accidents and diseases, loss of work, mishaps and other difficulties for each category of beneficiaries of enterprises (section 140 (1)). While mandatory coverage was originally restricted to enterprises with 10 or more employees (section 141), it was expanded in 2005 to all enterprises for employees with a labour contract of three months or longer (Castel 2009; Daza 2005). Pursuant to the 2014 revision of the Law on Social Insurance, coverage was further expanded to all employees with a labour contract of one month or longer in 2018. Thus, in theory all employees with contracts of at least one month should be covered by social security. While social insurance coverage has increased over the past ten years, in 2015 less than 60 per cent of all salaried workers were covered by the Viet Nam Social Security Fund (OECD 2018). The low compliance rate is partly attributed to limited regulatory knowledge and weak enforcement mechanisms, which hinder the Government from ensuring that the relevant laws are implemented (Lee and Torm 2017).

In Latin America, the level of social insurance coverage in microenterprises is about half the level of coverage in large enterprises (ILO 2014d). In addition to their exclusion from labour and social security legislation, incomplete enforcement may further hamper the social security coverage of workers in micro and small enterprises (Pena, Durán Valverde, and Castillo Rivas 2012). A further complication arises from the fact that in some cases, the employment relationship may not be easily identifiable or may be ambiguous or hidden, which is often the case in micro and small enterprises (ILO 2013d). Almost certainly, this phenomenon of ‘hiding’ workers is a problem that besets India’s MSMEs, as well as large enterprises.

Case 4. To include self-employed workers in the social security legislation, the Government of Brazil created a new legal category of self-employed microentrepreneur, the Microemprendedor Individual (MEI); and facilitated the extension process through the Plan Simples. Brazil created the legal category of self-employed micro-entrepreneurs in 2008 through the Complementary Law No. 128, defining them as self-employed persons with a maximum gross annual income of R$

81,000 (about US$ 20,800) who do not participate in another company as a partner or shareholder and have no more than one employee. The law simplified registration and contribution payments by combining tax and social security contributions in one payment. While the law is part of the Simples Nacional which addresses micro and small enterprises, it foresees lower contribution rates for micro-entrepreneurs than under the regular scheme. The MEI programme has contributed to increased coverage: the social insurance coverage rate among self-employed workers increased from 33 per cent in 2009 to 41.7 per cent in 2015. (ILO, 2019).

Micro and small businesses with a gross annual income of less than R$ 4.8 million are eligible. Micro-entrepreneurs with a maximum of one employee can use the Microemprendedor Individual mechanism, which allows for one flat payment integrating seven different taxes and social security contributions. However, in order to avoid abuse, some sectors are excluded from eligibility, such as entrepreneurs that engage in intellectual activities (accountants, doctors, lawyers, etc.). Between 2009 and 2018, the number of registered MSEs increased from about 3 million to 5 million. The monotax regime also facilitated the formalization of workers; the entities registered under this regime reported that they employed 10.6 million workers in 2017, equivalent to one quarter of all employees in Brazil. The main motivation for participating in this regime is to gain access to social security. (ILO, 2019).

Agricultural workers

The exclusion of agricultural workers tends to be the result of the application of eligibility criteria based on working duration or hours, as well as a lack of legislation or enforcement of existing legislation, in particular with regard to temporary/seasonal workers, such as day labourers and part-time workers.

That is especially the case for self-employed peasants, sharecroppers and squatters. Estimates for Latin America show that the level of social security coverage for rural populations is between one third and one sixth of the level of coverage for urban populations (Mesa-Lago, 2008b), as in India. There are 205 mn agricultural workers in India (2017-18), or 44% of India's workforce. Except for a minority of better off farmers who might have privately purchased death/disability insurance, almost none of them are covered by any social insurance.

In order to ensure the effective *coverage* of agricultural workers, schemes should be designed to be as specific to their needs and financial capacities as possible. That usually requires conducting a detailed assessment of different groups of agricultural workers to better understand their contributory capacity and available infrastructure (Chaabane 2002).

Case 1. Assessments for inclusion into social insurance of agricultural workers should be conducted, if possible, with the participation of social partners and other stakeholders. For example, in Argentina, the Convenios de Corresponsabilidad Gremial scheme resulted from the participation of trade union entities.

*Case 2.*In Ecuador, as part of the general social security law, the Peasants´ Social Insurance (*Seguridad Social Campesino* (SSC)) covers own-account workers in agriculture; SSC includes health and maternity coverage for the whole family and coverage in case of old age, invalidity and death of the insured person. The SSC is managed by the Social Security Institute , which also manages the general social security scheme. Agricultural workers can register individually or through a peasants' organization, which is responsible for collecting contributions and for transferring them to the central fund. Access to the scheme is facilitated through a good and reliable service infrastructure in all provinces. <u>*The scheme is financed through a combination of contributions by the insured, cross-subsidization by employers and employees registered in the general insurance scheme, contributions by public and private insurance entities and a state subsidy. The Indian trade unions, by contrast, specifically rejected this model of cross subsidization in 2018.*</u>

SSC has enabled the Ecuadorian rural population to benefit from social insurance based on the principle of solidarity. It is the main social security mechanism for rural workers, of whom 73 per cent are covered under the SSC (23 per cent under the IESS general insurance scheme).

Case 3. Colombia covered agri workers by adapting legislation to the specific situation of agricultural workers. In Colombia, laws No. 100 of 1993 and No. 797 of 2004 determine the framework guidelines for the social security system and its subsystems. Many of those guidelines were not practicable for certain groups of workers, a number of subsequent decrees have led to a series of regulatory changes to facilitate access for agricultural workers, including:

- allowing insured persons to declare their income throughout the year (instead of only at the beginning of the year, as was previously the case) in order to take into account the productive cycles in agriculture and variations of economic activity over each year;
- introducing the option to inform the social insurance system of changes in their circumstances, which allows the insured self-employed, employees or their employers to adjust their contribution;
- allowing own-account workers to temporarily opt out of pension insurance if they do not have the contributory capacity to contribute to both health and pension insurance.

With such adjustments in the regulations, Colombia facilitated the extension of social protection for agricultural workers.

In Section 4 <u>*we propose that in India, there should be two types of schemes for agricultural workers: one for landless wage labourers and small/marginal farmers which would be non-contributory, and another for medium to large farmers that would be contributory. For the latter*</u>

group, the Colombian example of adjustments to annual contribution payments is particularly relevant. The same lesson holds from the Brazil case below.

Case 4. Brazil´s rural pension scheme has increased coverage. Rural workers are classified into three categories for which different contribution rules are established: employees, individual contributors and the "specially insured" (segurados especiais). Employees are classified in three income categories, to which different contribution rates (8- 11 per cent of reference income) apply. Individual contributors include self-employed farmers with land more than 4 módulos fiscais in area (1 módulo fiscai refers to between 5 and 110 hectares, depending on the municipality) who employ fixed-term workers. Individual contributors can choose the contribution rate. They can contribute the minimum rate of 20 per cent of the minimum monthly salary or a minimum contribution fee set at 11 per cent of their earnings. The system provides the flexibility to increase or decrease contribution percentage at any time. The category of the "specially insured" refers to rural subsistence farmers without employees other than family members and with land of less than 4 módulos fiscais in area. They contribute 2.1 per cent of the total sales value of their products (+0.2 per cent for the National Rural Learning Service (Serviço Nacional de Aprendizagem Rural (SENAR)). (Ministério da Previdência Social, n.d.).

Members of all three categories have access to the same benefits as those under the General Social Welfare Scheme. Their pension is calculated on the basis of the minimum wage. Along with other efforts on the part of the national social security institution (Instituto Nacional de Seguro Social), this type of differentiated contributory mechanism has enabled one in four ownaccount workers in Brazil to be protected by the social insurance system. Eligibility for benefits is determined by the number of years worked in the rural activity but not by the number of contribution years (Barbosa, 2010; Durán Valverde et al., 2013).

Given the fact that India has a vast agricultural labour force (205 million in 2018), and the extremely differentiated income levels of this workforce, what we take away from the above discussion is the need for differentiating types of workers by contributory capacity in India.

Domestic workers

Globally, there are 67.1 million domestic workers employed in 176 countries around the world — or 4 per cent of the total workforce (ILO 2016c). Domestic work occupies 1 in 25 women workers globally. Closing the gaps in social protection coverage is one of the areas that the ILO Domestic Workers Convention, 2011 (No. 189) addresses. It requires that countries "… take appropriate measures, in accordance with national laws and regulations and with due regard for the specific characteristics of domestic work, to ensure that domestic workers enjoy conditions that are not less favourable than those applicable to workers generally in respect of social security protection, including with respect to maternity".

However, many domestic workers are excluded from social security coverage, owing to a combination of factors. In some countries, domestic workers are not covered at all by labour and social security legislation; in others, they are covered in principle but do not meet the eligibility criteria (such as minimum thresholds for working time, earnings or duration of employment).

Nevertheless, many countries have reformed their labour and social security laws to include domestic workers, including in Argentina, Bolivia (Plurinational State of), Brazil, Chile, France, South Africa, Spain, Switzerland and Uruguay. The extension of labour protection to these workers is a first step towards extending social security.

Case 1. In 2003, domestic workers in South Africa were legally granted some social protection benefits for the first time. The Unemployment Insurance Amendment Act included domestic workers in the Unemployment Insurance Fund, which provides (a) relief in case of partial or full unemployment due to dismissal, retrenchment, illness or death of the employer; and (b) maternity benefits for pregnant domestic workers before or after their children are born, depending on their contributions. Recognizing the specific situation of domestic workers, the right to unemployment benefits is recognized even for workers who are still partially employed e. g. when they have lost employment with one employer but still work for another. It also entitles workers to unemployment benefits in the case of the death of the employer. Employers and domestic workers each contribute one per cent of the monthly salary into the Fund. The implementation of the law was accompanied by the provision of financial and human resources to train and employ additional labour inspectors to strengthen control mechanisms.
By 2008, the number had reached 633,000 registered domestic workers – of whom 324,000 had received benefits – employed by 556,000 employers. By April 2009, an additional 23,000 employers (total 579,000) had registered their workers.

Case 2. Domestic workers may be explicitly excluded from legislation as a category or implicitly excluded because they are less likely to comply with the eligibility criteria set out in the legislation, such as with minimum working hours or salary thresholds. For example, in Belgium, domestic workers are excluded from social security if they work less than 24 hours a week. In Panama, domestic workers working less than three days per week for the same employer are excluded from medical coverage and the retirement pension. In Brazil, domestic workers who work two days or less for a household are not covered under the social insurance scheme (IPEA 2015).

Case 4. Simplified registration and fiscal incentives to favour social insurance coverage for domestic workers has enabled coverage in France and Belgium. In France, social insurance coverage of domestic workers is facilitated through a service voucher system that has significantly contributed to the formalization of the sector since 2006. Through the Chèque emploi service universel (CESU) mechanism, employers of domestic workers can easily register their workers and pay contributions. If a domestic worker works for more than one employer, each employer registers the employee through the system and the employee receives a consolidated account of contributions paid on their behalf.

Finally, it needs to be stressed that domestic work is very diverse, including live-in and live-out workers; full-time and part-time work; and vulnerable categories of workers such as child labourers, migrant workers and internal migrants from rural areas. As a result, there cannot be one solution for all countries and probably not even for all domestic workers within one country. Policy responses need to take those differences into account and combine the extension of legal coverage with complementary measures. *<u>The takeaway from the above for India is that domestic workers should belong to the contributory category of scheme, with some subsidization by the state towards the contribution</u> (see section 4).*

2.3 Financing arrangements

There have been **two approaches globally** to financing SI for informal workers: contributory and non-contributory schemes. In many cases, social insurance schemes contain some non-contributory elements, such as transfers from the government budget, to facilitate the coverage of workers with low incomes (partially contributory schemes). The level of protection offered in contributory schemes is usually higher than for many tax-financed schemes, aiming at maintaining a certain standard of living in the event of a risk or contingency and smoothing consumption across the life course (ILO, 2018).

In most countries, statutory social insurance schemes cover workers through contributory scheme in (formal) waged or salaried employment and in many cases they also cover some categories of the self-employed. Historically, social insurance schemes are designed largely around the concept of (formal) wage employment, assuming a defined employment relationship based on a (written) contract, relatively stable over time, remunerated through regular salaries or wages and with contributions shared between workers and employers.

There are many types of non-contributory schemes, such as universal schemes for all residents (e.g. a national health service), categorical schemes covering certain broad groups of the population (e.g. a social pension or universal child benefit schemes) or means-tested social assistance schemes that provide benefits for groups living in poverty.

For example, the expansion of non-contributory forms of social protection has contributed to significantly expanding social protection coverage (ILO 2017f; World Bank 2017). Most countries have seen a marked increase in the pension coverage of older persons between 2000 and 2010, which in many cases can be explained by the introduction or expansion of non-contributory pension schemes, as was the case, for example, in Bolivia (Plurinational State of), Lesotho, Nepal, Thailand and Timor Leste. Those non-contributory pensions play a key role in ensuring at least a basic level of protection for older persons, especially those not receiving a pension from a contributory scheme. *We propose a <u>non-contributory scheme for the poorest among the informal</u>*

workers, whose capacity for contribution to SI will remain limited for many years to come (except for a token contribution annually).

In addition, there is a **third model**. Many countries, including Brazil, Cabo Verde, Colombia, Ghana and Thailand, have managed to extend social protection coverage through a combination of contributory and non-contributory schemes, often combining social insurance with universal or categorical schemes and social assistance (ILO 2017f). The combination of those approaches allows ensuring a basic level of protection for all, while at the same time providing higher levels of protection to those who have some contributory capacities. *This is precisely the model we propose later for India in section 4.*

Case 1. We mentioned above a dual track approach. Vietnam is a very successful example of this approach. In 2009, the Government of Viet Nam merged the mandatory and voluntary health insurance schemes into a single pool-funded scheme, which covers the entire workforce. Mandatory coverage was incrementally expanded to reach different groups of the population, such as the poor, ethnic minorities, all salaried workers, children, the near-poor and the rural non-poor population, by 2012. The introduction of government subsidies facilitated the extension to difficult-to-reach groups. For members of poor and near-poor households, ethnic minorities in difficult areas and people living on islands, the Government subsidizes 100 per cent of health insurance contributions.

Contributions of near-poor households that are not eligible for full government subsidization are subsidized at 30 per cent by the central Government, complemented by local subsidies of 10 to 20 per cent. Full-time students and families in agriculture, fishery, forestry at a medium living standard are entitled to 30 per cent subsidization (law on health insurance No. 25/2008/QH12; law No. 46/2014/QH13). In addition, family-based membership, with reduced contribution amounts for family members, replaced the individual membership system. Health coverage has expanded from 4 per cent to 72 per cent since the launch of the implementation of the social health insurance system (Ministry of Health of Vietnam, 2016).

Incentivising self employed workers and MSMEs to register

Case 2. In voluntary schemes, it is common to establish one or several contribution levels. For example, under Article 40 of the Social Security Act in Thailand, the self-employed can decide between three contribution categories with different levels of contributions and different benefit packages for sickness, child benefits, disability benefits, invalidity and death benefits and a lump-sum old-age benefit (ESCAP 2011; ISSA 2012)

The income of the insured person is obviously relevant when deciding on the contribution level and rate (and possible subsidies for low-income group). In Costa Rica, different contribution rates are applied for the different income categories, while in Cabo Verde the same rates are applied for all income groups.

In Brazil´s rural pension scheme, contribution categories for self-employed farmers are established according to the size of the land and the number of employees, while contribution categories of employed workers are based on their salary.

Case 3. In Tunisia there are contribution categories for the self-employed. The self-employed are grouped into ten income brackets regarding the occupational group (physician, shopkeeper, architect, artisan, etc.) and the size of the firm or farm. The scale is based on the average incomes for each occupation and income brackets vary from 1 to 18 times the intertrade minimum wage or the minimum agricultural wage. Insured persons must contribute according to the income bracket on this scale. They are free to contribute on the basis of a higher income bracket and can request to be grouped into a lower bracket, if they can prove that the real income is lower than the income set for their category. Benefits provided are the same as for employed workers and include old-age, disability, survivorship, illness and maternity benefits. While in 2009 nearly all Tunisians who work in the public and private non-agricultural sectors were covered by social security schemes, in the informal sector — in particular among agricultural and/or self-employed workers — coverage was still less than 50 per cent. Those workers still excluded were mainly casual and seasonal agricultural workers (working less than 45 days per quarter for the same employer), domestic workers and fishers in rural areas (Ben Cheikh, 2013; Olivier, 2009).

Case 4. Simplified contribution and tax payment mechanisms (monotax mechanisms) are another incentive. Monotax (monotributo) mechanisms offer the possibility for some categories of micro and small enterprises and own-account workers to pay one (monthly) flat payment instead of various tax and social security contributions. The level of contributions usually differs according to income categories. While participation in monotax mechanisms is usually voluntary, simpler procedures and in some cases lower contribution rates as well render this mechanism attractive for eligible categories of self-employed workers and microenterprises. The subsidization of monotax schemes aims to provide incentives for the formalization of enterprises, under the assumption that, as these enterprises grow, they will be able to pay the regular level of tax and social security contributions at a later stage.

In Brazil, the Simples National mechanism has contributed to an increase in registration and more effective tax collection . Between its introduction in 2007 and 2012, the number of micro and small enterprises registered nearly doubled from 2.5 million to 4.4 million. Studies also confirm that 32 per cent of entrepreneurs report that Simples National reduced their total tax burden. Tax revenues significantly improved, from R$ 8.3 billion to R$ 46.5 billion in the same period as more small firms joined the formal sector (ILO 2014e). The most prominent examples of monotax mechanisms were implemented in Argentina, Uruguay and Brazil in 1998, 2001 and 2006, respectively.

Administrative capacity is necessary to implement monotax mechanisms. Monotax mechanisms require coordination among different social security institutions and tax authorities and often also different levels of government (municipal, state, federal). One entity is usually responsible for collecting the payment and then passes on the agreed part to the different institutions and authorities. In Uruguay, for example, contributions are collected by the BPS, which then transfers the share corresponding to tax payments to the fiscal authority.

Combining social security contributions and taxes requires coordination among social security institutions and tax authorities and different levels of government (municipal, regional, state). For example, the introduction of the Simples Nacional in Brazil required closer cooperation between states and municipalities, including the adaptation of state-level legislation and signed agreements with the Federal Revenue Secretariat. At the municipal level, the same procedure was required regarding taxes on services. Such improved coordination between tax authorities and social security institutions play an important role in establishing simplified and unified collection schemes for small contributors and extending coverage to self-employed workers and workers in micro and small enterprises. It thus can incentivize formalization and improve social security coverage.

The key takeaways from these cases for India

In India, a combined financing mechanism is not possible, as the earlier version of India's SS Code of 2018 which provided for one Fund (for both formal and informal workers) was actually rejected by many trade unions, because of the clause that creating one fund for unorganized and organized workers risks cross-subsidization by organized sector contributory fund of the unorganized sector non-contributory schemes.

The second takeaway is the following. Given the high differentiation among different groups of informal workers in India, there is a case for a three-fold distinction: one, noncontributory 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 supplementing their contribution, while employers make the full contribution; and finally, for the formal workers, full employer and employee contribution under EPFO system. Since the first and second categories are unregistered, or registered under totally unconnected Acts of parliament, it will not only require massive back-end collation of data, and then coordination between the registering bodies and the tax authorities at state and central level.

We considered a cross cutting financing issue, addressing which can advance SI for informal workers. One is *facilitating the payment of contributions.* Many employers and workers in the informal economy face practical difficulties in paying social insurance contributions, for different reasons, as follows. Own-account workers, as well as some other categories of the self-employed, may not have the necessary IT skills, knowledge and/or the time to provide, prepare, process and send the information requested and effect payments (ISSA, 2012). Employers, particularly in micro and small enterprises, may also not have the administrative capacity and/or knowledge to prepare declarations and effect payments. For those living in remote areas – who are often agricultural workers – payment procedures may require additional time and costs for traveling since they often do not have access to locations where payments can be effected. *Similar issues will arise in India. Therefore, the poorest and illiterate workers will need assistance, for which purpose NGOs could be supported to provide continuous support on behalf of government to enable ease of engaging with the SI regime.*

Facilitating payments through the banking system in the Philippines has helped. With the objective of facilitating contribution payments to workers and employers and thus reducing their transaction costs, the Philippines Social Security System (SSS) has entered into agreements with local banks. Contributors settle their payments through the banks´ service platform. Thus, reduced administrative costs for the SSS. The SSS also developed an auto-debit arrangement (ADA) system. *Premium payments through banks has already been in place in India for the last six years, so some experience has already developed in this regard.*

2.4 Administrative Arrangements

The issues discussed in this sub-section here are: a. voluntary versus mandatory schemes; b. the uses of online platforms in the face of fragmented systems under different laws; c. one-stop shops for informal workers registration.

One administrative issue from the international experience that repeatedly comes up is *the choice between making SI voluntary as opposed to mandatory*. The international evidence is that voluntary schemes normally have very low coverage. Moving from voluntary to mandatory coverage is a possibility that has worked for countries. Experiences in Ghana, the Philippines, Rwanda and Thailand show that (ILO, 2019).

Voluntary coverage of workers in the informal economy can improve the situation of some groups of the population, particularly those that have a certain contributory capacity. However, country experience shows that in many cases, such programmes reach only a small proportion of those in the informal economy (see Section 2 of this paper for a discussion). In some cases, faced with low coverage rates of voluntary schemes, governments have made the effort to establish large-scale schemes with mandatory coverage (ILO, 2018).

Case 1. In the Philippines, three years after its implementation in 1999, the Individual Paying Programme, which was targeted at self-employed workers, covered only 8.4 per cent of the target population and was in debt, while its enrolment was unstable. The Government subsequently established the PhilHealth scheme, which led to a significant extension of coverage.

Case 2. The Voluntary Health Card Scheme was implemented in Thailand between 1983 and 2002 and aimed to provide access to health care for workers in the informal economy. The programme, which was targeted at non- poor households not eligible for the Medical Welfare Scheme, recorded a coverage of 19 per cent of the target population in 1999. The scheme was subsequently scaled up by creating a mandatory and subsidized scheme to achieve universal health coverage.

Case 3. Ghana's National Health Insurance Scheme (NHIS) was implemented as a mandatory scheme based on a differentiated financing strategy. Those in formal employment contribute a certain percentage of their salary to the scheme; workers in the informal economy pay a reduced flat-rate contribution; and several other categories of the population (children, older persons, pregnant women, indigent population) are partially or fully exempted from contribution. As of 2012, 34.4 per cent of the population was covered.

Another administrative issue is the *use of online platforms and other electronic services* to expand coverage of SI to informal workers.

Online platforms or other electronic services represent an interactive approach that, depending on the particular set-up and functions, provides services without the need to physically visit the office. Depending on the set-up and staffing, services can also be provided in the early mornings, late evenings and on weekends. Services provided include: • general information on existing schemes and benefits, including eligibility conditions, benefit levels, contribution requirements (if any) and administrative procedures • calculation of specific individual contribution requirements • registration • payment of contributions • estimation of benefit entitlements (e.g. pension levels) (ISSA, 2012).

In addition to facilitating access for workers and employers, ICT can also reduce errors and costs for social security administrations as data is directly saved in an online databank. Thus, it is a very powerful tool that generally leads to increased efficiency, effectiveness and quality of information, provided that access to ICT infrastructure is available and that alternative methods are found for those who do not have access to online services (ISSA 2012). For example, in Brazil´s MEI scheme, registration for microentrepreneurs is free of charge and can be done through an online portal. There is no need to present any documents and entrepreneurs can count on the support of an accounting firm free of charge for a first consultation. In India, there is already provision for online registration of migrant workers for schemes under the Social Security Code of 2020.

In Mexico, as part of a pilot, an electronic registration system was developed to facilitate the formalization of domestic workers. The system allows employers to register and pay social insurance contributions quickly and easily for their domestic employees. In addition, the payment of contributions was facilitated by changing from the requirement of annual contributions to monthly contributions. The success of this measure is evidenced by the number of registrations of domestic workers: within two months, the number of registered domestic workers increased fourfold.

An *administrative mechanism that facilitates informal workers is a one-stop shop* for them. In Cambodia, the Social Service Delivery Mechanism (SSDM) was designed as the main tool to operationalize the National Social Protection Strategy for the Poor and Vulnerable, launched in December 2011. The main advantages of an integrated SSDM are the possibility for families or individuals to register in a single office at the subnational level. The mechanism was piloted at the central level and in two provinces of Siem Reap and Banteay Meanchey from June 2014 to June 2016. The main objectives of the SSDM were (a) to extend social protection effective coverage and reduce vulnerabilities, (b) to increase efficiencies and traceability, (c) to trigger cross-ministerial coordination and (d) to empower communities and local administrations in the provision of social services. It provided support through an assigned "case manager" in order to assess their situation; develop a personalized plan for them covering skills development, enterprise creation or job placement; channel information on all social services they are entitled to; provide support for registration to the schemes; deliver social protection ID cards; facilitate access to benefits in cash or in kind; and collect contributions (if any).(ILO, 2015f, 2014f)

How to register informal workers is another tricky problem in expanding coverage to informal workers. Collective registration agreements can constitute a practicable way to overcome some of the barriers to extending coverage and facilitate administrative procedures through using an organization of workers (such as a trade union, cooperative or rural producers' association) as an intermediary between workers and the social security institution. Such agreements allow own-account workers to enter collective or group insurance agreements with a social insurance scheme, provided that they belong to an organization which has the capacity to be an effective partner in such an agreement.

Summarizing the lessons for India from the international evidence on SS for informal workers

1. Legal barriers and the legal framework may exclude or constrain the participation of certain categories of workers in social protection schemes. In India, these legal barriers are still there after the enactment of the Social Security Code 2020 (henceforth SS Code 2020), with thresholds in terms of number of workers being entrenched in the law. A second type of barrier was that micro and small units don't formalize, across developing countries (including India), often because of operational costs associated with operating in the formal economy, such as taxes, license fees and social contributions, as well as the costs of complying with labour regulations. Third, rural areas, people may face difficulties in accessing social protection schemes owing to the low density of administrative structures and services. Clearly all these issues will need to be addressed in India.
2. On thresholds, there is a clear lesson from South Korea, where the compulsory health insurance scheme was initially implemented in 1977 for those working in companies of

more than 500 employees. But was expanded in 1979 to firms with more than 300 employees, in 1981 to those with more than 100 employees, in 1983 to those with more than 16 employees and in 1988 to firms with more than 5 employees. Similar reductions will still need to be made by introducing them through rules at the State level in India to the SS Code 2020 provision.

3. For the self-employed, contributing to a social protection scheme can be particularly burdensome, since they cannot bear the employers' share of contributions. That is why the state has to enter the picture in many countries, and hence we argue later it should do in India too. The self-employed workers have been included in existing social security schemes as shown by several countries (in this section). But for India we also propose that the self-employed (other than the own-account workers) should be part of one scheme, which is contributory; however, the own account workers should be included in a non-contributory scheme.
4. The combination of mandatory and voluntary affiliation may create perverse incentives for enterprises to declare workers under arrangements that provide less protection for workers in order to make short-term gains by reducing labour costs. Voluntary schemes have left millions outside the social insurance net even in countries with much higher level per capita income than India.
5. Agricultural workers will deserve better attention. Different groups of agri workers have varying paying capacity. In Ecuador, for instance, the farmers' scheme is financed through a combination of contributions by the insured, cross-subsidization by employers and employees registered in the general insurance scheme, contributions by public and private insurance entities and a state subsidy. Similarly in India, we section 4 we propose that in India, there should be two types of schemes for agricultural workers: one for landless wage labourers and small/marginal farmers which would be non-contributory, and another for medium to large farmers that would be contributory. For the latter group, the Colombian example of adjustments to annual contribution payments is particularly relevant. The same lesson holds from the Brazil case.
6. Domestic work is very diverse, including live-in and live-out workers; full-time and part-time work; and vulnerable categories of workers such as child labourers, migrant workers and internal migrants from rural areas. As a result, there cannot be one solution for all countries and probably not even for all domestic workers within one country. These situations will need to be kept in India too.
7. Financing arrangements. Contributory and non-contributory both have been utilized across the world to extend coverage. However, it is essential to ensure effective coordination between contributory and non-contributory benefits for the continued coverage of workers. This combined approach is especially important in India, where workers transition from being formal workers (with access to EPFO and ESIC) and then into informality, and then back again.

8. Administrative capacity is necessary to implement monotax mechanisms (as emerges from the Latin American experience, especially in Brazil). The introduction of the Goods and Services has increased significantly the number of erstwhile unregistered firms to register with the GST. However, that has not necessarily translated into registration of the same firms with the social insurance organization, EPFO. The Latin American experience shows monotax mechanisms require coordination among different social security institutions and tax authorities and often also different levels of government (municipal, state, federal). One entity is usually responsible for collecting the payment and then passes on the agreed part to the different institutions and authorities.
9. For self-employed, domestic workers or own-account workers, as much as for farm workers, facilitating the payment of contributions is critical (as the experience of many countries has shown). Many employers and workers in the informal economy face practical difficulties in paying social insurance contributions, for different reasons. Own-account workers, as well as some other categories of the self-employed, may not have the necessary IT skills, knowledge and/or the time to provide, prepare, process and send the information requested and effect payments.
10. A high level of contributions is often considered as an economic barrier to participating in a contributory social insurance scheme. That is why the state has to enter the picture in many countries, and hence we argue later it should do in India too; incomes of agricultural workers often follow seasonal patterns, which makes it difficult for them to pay contributions on a monthly basis.
11. Administrative Arrangements are also important. There are uses of online platforms in the face of fragmented systems under different laws as well as one-stop shops for informal workers registration.

3. The Challenges facing the Social Security Code 2020 and the Principles for Universalizing Social Security by 2030

While drawing upon lessons from international experience India has to start from the ground realities of the dominance of informality of both enterprises and workers as the overwhelming reality. In this section, we begin by spelling out the challenges facing India's policy makers, and addressing, in the light of those challenges, the principles that will needed to be agreed upon, given the administrative and fiscal constraints in the near term, if India wishes to universalize social insurance for all its workers by 2030.

The complexity of informality in India

- Outside of Sub-saharan Africa, India has the highest share of its workforce that is informal: 88.6% if we include agriculture, and 80.3% if we exclude agriculture. This situation prevails because 94% of all enterprises are informal – the highest for any country in the G20 and the BRICS.

- The global average for the share of informal workers is 61% of all workers, and for units is 80%. Of all India's informal workers, 79% are in the informal sector, 7.3% are in the formal sector and 2.2% in households (see Table 9).

- When we examine informal employment based on employment status, we find that, as expected, 100% of the contributing family members are informal, just as 96.5% of own-account workers are informal. What is more of concern is that 89.4% of employers are also informal – a reflection of the high informality of enterprises that we noted above. Notably, of all the employees in the economy, 62% of them are also informal.

- There is a relationship between age of the workers and informality, by type of employment status (employer, employee and own account workers). Given the extremely high level of informality of the total workforce, it is not surprising that over 85% of members of the workforce – whether they are employer or own-account worker – start out as informal workers and remain so, with the incidence of informality climbing to 96.7% after age 65. What emerges, however, is that employees show a somewhat different trajectory over their working life span, from the age of 15+ to 65+. In the youngest age cohort (15-24 years), 80% of the workforce is informal. Informality incidence systematically declines with successive age-cohorts (25-29 years, 30-34 years). In the age cohort of 35-44 years 60% of the workforce is informal, which falls further secularly, until the age cohort of 55-64 in which group the incidence of informality is lowest at about 43%. But it shoots up again after age 65 to the high 90%. This downward trend of informality with growing age suggests that there is scope for the young workers that enter as informal, that they could potentially go on to become formal workers.
- There is an interesting contrast in India in the rural-urban dimension of informality. Thus, in the formal workforce, two-fifths are located in rural areas, while the remaining three-fifths are urban – if we exclude agriculture (in other words, if we are observing only the non-farm sector employment). In the informal sector excluding agriculture, about 55% of it is rural while the remaining 45% is urban. If we include agriculture, and look at the entire workforce (as the denominator), the situation changes dramatically for the informal workforce. In contrast to the formal workforce (where there is very little difference between the share of rural and of the urban formal workforce, regardless of whether the denominator includes or excludes agriculture), in India's informal workforce, 75% is rural, and only the remaining quarter is urban; this, of course, is due to the fact the vast majority of those in agricultural are informal workers.
- Remaining with the rural-urban dimension of informality, if we exclude the workforce in agriculture (which currently stands at 42% in 2019), 84.5% of the rural workforce is informal, while 75.7% of the urban workforce is informal.
- All sectors have informal workers, but they predominate in some. If we take the entire workforce as the denominator (i.e. the WF is estimated as 470 mn in 2019), agriculture accounts for 48.7% of the informal workforce in India. The construction sector is next biggest contributor to informality (12%), followed by wholesale/retail trade 11%), and manufacturing (10.7). The remaining sectors (which together account for 13.5% of

informal economy) are (in descending order of significance): transport, education, other services, accommodation and food, domestic workers and administrative support. These 10 sectors account for all but a 3-4% of the total informal workforce.

- The sectors in India that are most exposed to informality (i.e. have the highest incidence of informality among their workers), while 99.6% of agriculture is informal, the remaining top sectors most exposed to informality also have very high levels of informality. Starting with domestic workers (98%), in descending order of significance they are: Other services; wholesale/retail trade, accommodation and food, real estate, construction, art/recreation, transport. In these seven sectors the share of the informal workforce of the total WF in each sector, is 97% to 87.5%. The tenth sector where informality is high is manufacturing (78.4.%).

- In India the share of self-employed is so high (46% of the total workforce), even though falling (as the share of regular workers increases to 22%), that together with the casual workers (32 %), they form the overwhelming share of all workers. They are almost all entirely informal workers without social insurance (henceforth SI) The additional problem in India is that less than half of all regular workers have access to SI.

Given these challenges, we spell out some principles that India's policy makers need to adopt if India is to rapidly universalize social insurance by 2030, which is the SDG Goal 6.3.1. Regardless of the international goal, India will become an aging society by 2036, and it is essential that the majority of its workers should have social security well before the demographic transition turns India into an aging society.

The *Principles Underlying the Proposed Architecture of Social Insurance for Informal Workers*

We identify seven principles below.

7. *Universality of coverage of the entire workforce*

The first principle that any country needs to recognize is that there should be a vision to universalize social insurance within a defined time frame. The SS Code 2020 passed by India's parliament does not. We have seen in Section 1 that 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.[4] The universal principle (as stated in these ILO Conventions), is that all workers, regardless of which sector they work in (agriculture, manufacturing, non-manufacturing industry or services); or how old they are; or whether they are organized or unorganized sector workers – they will be eventually covered and social security provided to them.

8. *Incremental coverage*

If a large share of the population is without social insurance, a second principle is that they will be covered incrementally. If, as in India, 91% of workers are without social security, universal coverage cannot be achieved overnight. Incremental coverage will be achieved in two ways. First, expanding the coverage of employees into the EPFO and 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 GST should also be included under the EPFO and ESIC. Second, stablishing coverage of unorganized sector workers incrementally but rapidly to ensure that all such workers will be captured within a 10-year time frame, at most – with SDG 2030 6.3.1 providing the target and indicator.

9. *Poor treated differently from non-poor*

The poor (as defined by a national poverty line) should be (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.[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 1000) per annum towards the accumulated fund. 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

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[4] SDG Indicator 1.3.1: Proportion of population covered by social protection systems and floors, by sex, distinguishing children, unemployed persons, older persons, persons with disabilities, pregnant women with newborns, work-injury victims and the poor and the vulnerable. The indicators could be the following: Population covered by at least one social protection benefit (effective coverage): Proportion of the total population receiving at least one contributory or non-contributory cash benefit, or actively contributing to at least one social security scheme. Children: Ratio of children/households receiving child/family cash benefits to the total number of children/households with children. Mothers with newborns: Ratio of women receiving maternity cash benefits to women giving birth in the same year. Persons with severe disabilities: Ratio of persons receiving disability cash benefits to the number of persons with severe disabilities. Unemployed: Ratio of recipients of unemployment cash benefits to the number of unemployed persons. Older persons: Ratio of persons above statutory retirement age receiving an old-age pension to the number of persons above statutory retirement age (including contributory and non-contributory). Vulnerable persons covered by social assistance: Ratio of social assistance recipients to the total number of vulnerable persons (defined as all children plus adults not covered by contributory benefits and persons above retirement age not receiving contributory benefits (pensions)).

[5] Even after using the national poverty line as a marker, the identification of groups and households will still remain. This issue is discussed in Section 4.

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 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.

10. Unorganized workers defined

Unorganized 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 Code 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: 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, but without a written contract and also without social security. 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 adopted.

11. Register establishments and workers

All establishments should be registered on a mandatory basis, and workers working for them should also registered by the same enterprise. The SS Code 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, if this statement does not address the question: what if establishments claim the Code does not apply? There are 64.6 mn 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 we note later, 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 idea is not that the organized sector social security finances will be converged with the social security system for the unorganized sector. The idea is not that there will be cross subsidization of the unorganized workers by organized workers (a goal that was opposed by established trade unions when the earlier 2018 draft was discussed by government with the trade unions).[6] However, the SS Code 2020 does not deal with the extreme fragmentation of the unorganized sector social security system, limited as it is in the first place in coverage, with 91% of the workforce remaining without any serious social security. There is neither any recognition of state governments' own welfare funds. 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 taxbased funds for six types of mines (mica, iron, manganese, chrome, limestone and dolomite), *beedi* workers, 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 are not mentioned in the current draft of the Code. These funds were created by acts of Parliament, and then separate legislation was passed to impose the tax. *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.* Merging of the welfare funds should take into account the fact that some funds are operating better than others. So existing acheivements should not be rolled back with centralisation but rather it should build on the best operated funds. Only that will reduce the fragmentation. Similarly, several states in India have created funds that are contributory. Kerala has 20 such funds (for agricultural workers, autorickshaw drivers, cashew workers, coir workers, construction workers, transport workers and others). Similarly, Assam has one for plantation workers, as do states of Gujarat, Maharasthra, Karnataka and Punjab. None of the state funds are mentioned in the SS Code 2020. To reduce this fragmentation, state governments may over time also have to merge their funds into the National Fund for Unorganized Workers, which could be mentioned as a long term goal, in the second phase. In other words, the Vision has to be clearly articulated in the current Code. The idea is to end fragmentation, and ensure a pooling of funds.

7. *Mandatory Social security. Social Security for all 466 million workers in India's workforce will become mandatory over time, and not voluntary*

[6] That had led to the collapse of talks, and the draft had to be abandoned in late 2018.

In other words, the enactment of the social security Code into an Act should make social security mandatory for the currently included, but within a period of 10 years, all unorganized workers of all varieties in whatever sector (agriculture, manufacturing, non-manufacturing industry, services and all types of workers whether casual or regular wage workers or self-employed) will be covered by social security. The implication is that regardless of sector – agriculture, manufacturing, non-manufacturing industry (except construction), and services – all unorganized workers will be contributing into one fund, which is the Unorganized Sector Social Security Fund.

8. *Health insurance is not to be considered as part of Social Security or Social Insurance.*

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. 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. T Ayushman Bharat, an extension of the Rashtriya Swastha Bima Yojana (started in 2008), has 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 were meant to provide universal basic public and personal health services, of both preventive and curative nature.

Issues Needing Resolution with Social Security Code 2020

The SS Code 2020 has amalgamated eight existing social security legislations. Merging a number of Acts does not amount to an advance upon the eight pre-existing Acts. The objective of a single Code cannot be to merely consolidate Acts that in 7 out of 8 cases belong to the 20th century. India's labour market is changing rapidly, and those looking for work face growing unemployment. 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. Informal workers are working fewer hours, as demand has collapsed. Given that the economy contracted in FY2021, and is unlikely to recover its erstwhile growth trajectory for several years, informality will be entrenched, and is likely to be further increased.

There are a number of problems with the Code on Social Security for India's workforce. The first seven of its 15 chapters are all about the organized sector workers[7], before one chapter is devoted to construction workers and another to unorganized/gig/platform workers, who are unorganized. Then the remaining six chapters are again focused on various dimensions of organized workers. In other words, for 91% of the India's workforce, the SS Code devotes precisely 4 pages in a 104 page Code. Clearly, informal workers are 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).[8] In addition, there are 8 clauses (100-108) about construction workers; they have received more space because there was an existing law about them, and provisions of that law had to be incorporated. However, the 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 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.*[9]

Second, a Social Security system cannot be dependent upon the size of enterprise, defined by number of workers.[10] *However, the Code relies upon a system of thresholds defined by number of*

[7] These chapters are: Definitions of terms, Social Social Organizations, EPFO, ESIC, gratuity for organized workers, maternity benefits for organized workers, employee compensation for organized workers.

[8] **109.** (*1*) The Central Government shall frame and notify, from time to time, suitable welfare schemes for unorganised workers on matters relating to—(*i*) life and disability cover; (*ii*) health and maternity benefits; (*iii*) old age protection; (*iv*) education; and (*v*) any other benefit as may be determined by the Central Government.
(*2*) The State Government shall frame and notify, from time to time, suitable welfare schemes for unorganised workers, including schemes relating to— (*i*) provident fund; (*ii*) employment injury benefit; (*iii*) housing; (*iv*) educational schemes for children; (*v*) skill upgradation of workers; (*vi*) funeral assistance; and (*vii*) old age homes.

[9] The portability of his registration as well as that of his benefits has been resolved in this Code itself."Article 47.The registration, renewal, and delivery of welfare scheme for the building workers shall be done electronically through the specified portal. (4) Portability of the benefits of the building and other construction workers, process for their registration, de –registration, and manner of obtaining the benefits in the state where they are working as building and other construction workers, shall be undertaken in the manner and process as specified by the Central Government

(12) Where a Building worker migrates from one state to another, he shall be entitled to get benefits from the board in whose jurisdiction he is currently working and such board shall be responsible for providing such benefits to such workers.(13) Every registered Building Worker shall be issued a digital identity card or otherwise bearing his photograph and other details as specified by appropriate government."

*workers employed in an establishment (e.*g. 10 workers for ESIC, 20 for EPFO). This system of thresholds that exists in 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. 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-agri 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 is an organized or unorganized worker. However, there is no mention of lowering thresholds, quite unlike what we had learnt from the international experience in Section 1.

The current Code merely wants "Every establishment to which Code applies" to be registered.[11] There seems 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. We estimate this from three sources taken together: a. Annual Survey of Industries (for organized); b. Unincorporated Non-Agricultural Enterprises 2015-16; and c. Economic Census, 2014. 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 of the millions of establishments that are not registered anywhere. 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 with one body, which should be responsible for social security in India, for all types of workers. We have 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, 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

[11] "**3.** (*1*) Every establishment to which this Code applies shall be electronically or otherwise, registered within such time and in such manner as may be prescribed by the Central Government:
Provided that the establishment which is already registered under any other Central labour law for the time being in force shall not be required to obtain registration again under this Code and such registration shall be deemed to be registration for the purposes of this Code."

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 Code on Social Security 2020.

However, there is absolutely no recognition of the issue that the majority of enterprises in India are simply unregistered anywhere, and how they will be captured in the net of SS for unorganized workers, if ever, is as unclear as it was prior to the enactment of SS Code 2020.

*Social Security Organizations.*The Code on SS 2020 provides for a Central Board for EPFO and a separate body for the ESI Corporation (ESIC). In addition,

"6. (*1*) The Central Government shall, by notification, constitute a National Social Security Board for unorganised workers to exercise the powers conferred on, and to perform the functions assigned to, it under this Code, in such manner as may be prescribed by the Central Government.

(*9*) Every State Government shall, by notification, constitute a State Board to be known as (name of the State) Unorganised Workers' Social Security Board to exercise the powers conferred on, and to perform the functions assigned to, it under this Code, in such manner as may be prescribed by the State Government."

In addition, there is 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.

There is no need for multiple organizations across India for social security; no requirement for, in addition to the already existing EPFO and ESIC, a National Social Security Board for Unorganized Workers(NSSB), 29 State Social Security Boards (SSBs) for Unorganized Workers, as well as a similar national board for Gig and Platform Workers. Moreover, there will be 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.

There is 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. While the funds of "organized" segment of workers will remain separate from the fund for the "unorganized" segment of workers, for purposes of administration of social security in India they will be one body, with several 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 is extended to organized sector workers. 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 workers. There is maternity benefit for the poor mothers who are given Rs 5000 (plus Rs 1000 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?

Maternity benefit was first put in place as an extension of the current Janani Suraksha Yojana.[12] Launched in 2005 the JSY provides a one-time cash incentive for institutionalised births through skilled assistance. However, JSY does not address the issues of a poor woman's economic compulsions to work right up to the last stage of pregnancy and resuming work soon after childbirth. Hence, there was need for a modest maternity benefit to partly compensate for her wage loss. Note that this 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 ₹ 6,000 to women over 19 for the first two live births. It was paid in two installments 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 would 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, it is still confined to the poorIn other words, the vast majority of poor women who work in agriculture or as domestic workers or are self-employed, who might not

[12] In the 11th Plan document, we in the Planning Commission had advocated strongly for, and provided for an extended Maternity Benefit to all BPL mothers over 18 for their first two children.

qualify, are still without maternity benefit. Moreover, the benefit is now meant only 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 (identified in accordance with the Socio-economic and Caste Census, 2011-13).

Final Remarks about the Social Security Code 2020

Most unorganised workers fall within the State's purview rather than the Centre's. In fact, it would be difficult to even define an appropriate government for the unorganised workers, since they are mostly employed through layers of intermediaries. The SS Code provides for unorganised sector social security boards at the Central and State levels, but 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. As and when the Code becomes operational, unorganized workers need to register themselves on the Central portal. They are presently registered as beneficiary with the respective State Governments. But it is not only about registration. The administration of social security for unorganized sector has a different landscape in the new Code. There are no directions in the Rules how existing SS schemes align with proposed new landscape

For example, West Bengal has already registered about 1.3 crore unorganized workers as beneficiaries under different existing social security schemes. Such a database is maintained with the State Government and the State also formulates and implements various social security schemes for different segments of unorganized workers. Now, it is not clear what will happen to these millions of beneficiaries when the Code becomes operational. Will they migrate to Central sphere or they register themselves afresh in Central portal, is a question which remains unanswered.

In the new Code, the social security framework for unorganized workers has become unnecessarily complex and cluttered. There are dual authorities and overlapping zones. Provisions in the draft Rules further accentuate these anomalies. There is an urgent need for simplifying things and avoidance of multiple authorities before the Code goes into effect. Also, the Rules should clearly specify the roadmap for seamless integration of existing social security schemes run by the State Governments with the new ecosystem of the Code. Existing social security schemes for unorganized workers are pre-dominantly managed by the respective State Governments. This should not be tampered upon. If the goal of the Central Government is not to universalize social security for unorganized workers in the foreseeable future (as it should have been), it should consider confining its role to advising State Governments for effective implementation of existing schemes.

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 (May 2021) 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.

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.

Of the projected increase in population of 310 million in India during 2011-36, 170 mn are likely to occur in the five States of Bihar, Uttar Pradesh Maharashtra, West Bengal and Madhya Pradesh. In these five the population will grow at 1% pa, but in the 5 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 is expected to have an increase of the proportion of old age population from 7 percent in 2011 to 12 percent 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. The median age of population in Kerala is expected to go up from 31.9 years in 2011 to 39.6 years in 2036. In contrast, the median age in Uttar Pradesh is expected to go up from 21.5 years to 31.7 years (Ministry of Health and Family Welfare, 2019).

Already by 2031, the share of over 60 year olds in India's population would have crossed the 10% mark – the threshold for an aging society – and be standing at 12.5%, while that share would have jumped by 2036 to 14.5% of the population. The total population of >60 year olds would have jumped from 101.4 million in 2011 to 228 million by 2036. All of them will be in need of social insurance. Currently, the number of those in formal jobs, and hence with SI, is approximately 42 mn – or a nearly five-fold increase. 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 what is the scale of the challenge to be met (an over 2500% increase in achievement 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 we wait for India to wait 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 requirements, though these requirements are themselves open to question, as we noted in section 3). The extension of EPFO and ESIC can then take on these workers on a contributory basis, as the employer-employee relationship will be clear. A second proposition offered is that the Pradhan Mantri Rozgar Protsahan Yojana[13] could be extended to firms, as an incentive for them to enter the EPFO. The implication of this model is that the gradual formalization of firms or workers will be 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.

The second model is that, as and when the government of the day 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 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).

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.[14] 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

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[13] The target of the **PMRPY** are new workers hired since April 1 2016, earning wages less than INR 15000 per month. Hence, the new employees who earn more than INR 15000 monthly, do not qualify for this **scheme**. A new employee would be one who has not been working regularly in an EPFO registered organization prior to April 1, 2016

[14] We have to recognize that there are already several funds in existence for unorganized workers. These are at the central level: the Beedi Workers Welfare Fund; the Building and Construction Workers Welfare Fund; the Mines' Workers Welfare Funds; the Cinema Workers Welfare Fund. There are also scheme related funds at central level started after 2015 (discussed in section 2).In addition, there are the multiple State Welfare Funds and Board by trade or occupation, which we discussed in Section 2. These will have to remain separate for the moment. However, ultimately these ideally be merged into one National Social Security Fund for Unorganized Workers. This will ensure a pooling of a. resources; and b. risks across varying kinds of workers and age group , which is in consonance with the foundational principles of social insurance. Meanwhile, given that millions of informal workers are currently without any form of SI, it is advisable to start afresh for them, in accordance with the principle of risk pooling, fund pooling, and mandatory SI.

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.

The fourth model is that India moves towards formality in accordance with international the Social Security Convention of 1951 and of 2002 (as implied those Conventions, as we discussed in section 1). That would mean adopting an architecture that: a. involves a multi-pronged approach aimed at expanding SI at the fastest pace possible, given i. fiscal and ii. Administrative capacity constraints; b. incrementally grows 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 1952 and 2012), of universalization of SI will be realized.*

The vast majority of informal workers in India are in agriculture (the self-employed farmers and the casual landless wage labourers), and in unorganized manufacturing, construction and services (the self-employed own account workers, the self-employed employers, the latter's unpaid family workers, and wage workers). Outside of agriculture the latter category are found in MSMEs, which are unregistered.

Many of these groups of workers fall below India's national poverty line; they constituted 22% of the country's population in 2012-12, the last year for which poverty estimates are available. This group of poor should be the first entitled to be covered by social insurance.

Given the high differentiation among different groups of informal workers in India, there is a case for three categories of beneficiaries: one, noncontributory 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 discussed in section 2), 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 proposal 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).

What could be the rationale for the subsidization of the contributions of workers with insufficient contributory capacity? The rationale for such subsidization 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 be able to 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 when we profiled India's informal workers at the beginning of Section 3, the young were 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 this Section 4 when suggesting a differentiated model of financing specific to Indian labour market conditions.

Furthermore, while subsidization of contributions is important to support workers with limited contributory capacities, informality status should not be the criterion for eligibility since that may create undesired incentives to remain in informality status or even to move from the formal to the informal economy. For example, in Mexico, the introduction of a virtually free health insurance for informal workers (Seguro Popular) weakened incentives for workers to join the formal sector, and even led to decline in the number of employers and employees formally registered in small and medium firms (Levy 2010); in response to these concerns, the two parallel schemes for formal and informal workers are now being combined under a unified structure. For this reason, in order to strengthen incentives to transition from the informal to the formal economy, government subsidization should not be linked to informality status, but to other criteria to measure limited contributory capacity, such as income status or proxy measures for poverty and vulnerability. While at least a basic level of protection should be universally guaranteed, the payment of contributions should be associated with higher levels of benefits in order to ensure incentives for workers to join the formal economy and acquire full benefits (ILO 2016).[15]

4.1 Administrative arrangements

What we propose is 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

[15] Health protection is probably one of the areas where government subsidies to a contributory scheme have been most significant. The examples of Colombia and Thailand demonstrate how the establishment of an integrated health-care financing system that combines contributions and taxes can lead to the fast extension of coverage and the granting of universal access to health protection for the population (ILO, 2019).

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, pay for enterprises that register new workers (earning <Rs 15 000 per month, which is a very restrictive requirement) with EPFO, will actually be compensated by the government the full amount of EPFO contributions for workers. We had suggested elsewhere (Mehrotra, 2019) that on account of these two reasons the share of those with SI increased to 9% of the workforce in 207-18 (compared to 7% in 2012). 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.

We must note here that a bottom up approach is a moral imperative, since the poorest are the most vulnerable workers, who live from earnings on a day-to-day basis. Covering them as soon as possible 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 fall in demand. The pandemic's impact, through the lockdowns, began with disrupting supply chains, so the supply shock was significant. However, because millions of jobs were lost, and wages fell alongside, aggregate demand collapsed. This must be revived not only through addressing structural problems, and monetary policy actions, but a much larger fiscal stimulus than has been put in place so far (till the time of writing, in late December 2020). The fiscal stimulus has been 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. The latter's stimulus was so effective that within 2 quarters the GDP growth rate had revived to 6%, and the average GDP growth rate was 8% pa over 2004-2014, despite the adverse effects of the global crisis (Mehrotra, 2020).

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 10, which shows the total universe of India's non-agricultural enterprises. In Indian parlance, enterprises that employ less than 10 workers are considered as unorganized sector units. And those employing more than 10 workers are regarded as organized. What jumps out at the reader 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; all it does is record that they are 'somewhere' registered.

A finding from Table 10 is that 96.1 & 96.7 percent of enterprises are in the unorganized sector in 2010-11 and 2015-16, respectively. The share of unorganized enterprises in 2015-16 shows a slight increase in number, which may not a very promising picture. If these 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 was desirous 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.

Table.10: 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	1,68,26,639	1,95,92,554	28.86	30.30
	Not registered under any act/ authority	4,08,46,606	4,37,99,421	70.05	67.73
	Construction (EC)	634466	1276862	1.09	1.97
	Total	5,83,07,711	6,46,68,837	100	100
Organized	Manufacturing: Registered under Factories act, companies act or other (ASI)*/ Formal	159957	1,65,632	6.84	7.41
	Services (EC)	2173193	2061310	92.87	92.18
	Construction (EC)	7010	9244	0.30	0.41
	Total	23,40,160	22,36,186	100	100
Total Unorganised				96.1	96.7
Total Organised				3.86	3.34
Total Unorganised & Organised		6,06,47,871	6,69,05,023	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

All Indian enterprises with <10 workers are informal, and are not be covered by SI. A similar situation prevailed in Vietnam until 15 years ago. How did Vietnam increase coverage of SI for informal units. In Viet Nam, 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 (passed by Parliament in October) 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: a. the enterprises are registered; b. given low incomes in these MSMEs of workers, especially if they micro units (employing 2-9 workers), the SI they will need to be provided will be either non-contributory, or heavily subsidized by the government. 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 for example 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 for example 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.

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 10 that in 2015-16 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 and digitizing, while verifying this data.*

There is another set of workers (requiring registration) that we had flagged in the first section: the self-employed. Here there is a distinction between those SE that are a. 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-wala, street vendor, tailor) or manufacturing (but 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 will 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 usually are linked to Market-Based Associations in each small town and city. The information about them would be 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.

Table 11: 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

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 11 that about 10 per cent 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 11 last column). At all India level, 12.1 per cent small firms are into this subcontracting job.[16]

[16] West Bengal, Telangana, Tamil Nadu and Jharkhand are the top four states which are home to a significant number of micro subcontracting firms (31.6 per cent, 20.2 per cent, 11.6 per cent and 10.1 per cent respectively).

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 phone. Given the ubiquity of mobile phone (1 billion subscribers in India in 2020), the OAEs should find possible. Given that the entire population now has a Aadhar number, a form of biometric identification, the OAE can be verified using the Aadhar.[17] However, these are the most vulnerable of informal workers, and hence will need facilitation (on which see the international evidence in sub-section 1.3 and 1.4 above).

Piggy-backing on databases that exist or are currently being created. There are two databases for the purposes of registering workers that should be utilized. First, there is the employment guarantee database for rural India of NREGA. 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 NREGA data. In addition, there is a One Nation, One Ration Card database, covering two-thirds of the country's least well-off. The Ministry of Labour and

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Gujarat and Chhattisgarh (52.5 per cent and 17.1 per cent respectively) are the top two states with a maximum number of small category firms which are into subcontracting job.

[17] "(a) Every eligible unorganised worker, or any category or sub-category of unorganised worker under section 113 shall be required to be registered with Aadhaar, on self-declaration basis in the form on the portal, as specified by the Central Government. …(e) The Central Government may provide a facility such as mobile app, web portal or any other application, facilitating the unorganised workers to register themselves on the specified portal.

(h) The unorganised worker, or any category or sub-category of unorganised worker shall be required to update their particulars such as current address, current occupation, mobile number, skill, or any other particular(s) from time to time, as may be specified by the appropriate Government. In the absence of such updation, any unorganised worker, or any category or sub-category of unorganised workermay not remain eligible to avail such benefit (s) of the social security scheme(s) notified under the Code."

The same procedure applies for gig workers: "(b) For identification and smooth registration of eligible gig workers and platform workers, each aggregator shall share monthly or such other periodicity in such form as specified, details of the information of their gig workers or platform workers electronically to generate Unique Registration Number or temporary registration number on the Portal, as specified by the Central Government."

Employment is already starting work on a database using these sources, to gain information on migrant workers (an issue that arrived on the policy-makers' plate suddenly after the pandemic triggered lockdown). 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. There are around 80-100 million workers registered under NREGA. 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. So, the de-duplication will be 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 by 2017. (For international evidence in this regard see section 1.3 in this paper)>

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 also be stated that the Indian state will gradually, incrementally 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 be as follows:

e. in agriculture, the landless labourers and small and marginal farmer (that will capture nearly 90% of the 205 million engaged in agriculture). 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 PM KISAN (a subject we come back to later). The registration of landless labour and 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.

f. 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).

In other words, the principle that should be stated in the Code is that the poor among the 91% of the workforce will be covered first.

Most poor unorganized workers (listed in item 1 above) 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 will 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.

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:

1. We have stated above that 22% of the population in India lived below the poverty line (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 12 and 13 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 subsection.
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 who 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, in Annex 1 we provide for a Minimum Income Guarantee for them, that could serve as a subsidy towards their contribution to their own SS funds (**Annex 1).**

Table 12 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 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 13 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, 6 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 1000 given to encourage institutional delivery.

Fro**m the total costs presented in Table 13, the current expenditures already undertaken by the state and central governments must be deducted. We have not been successful in estimating what the central and state governments are currently spending annually from the consolidated fund of India (because despite several efforts, undertaken at official level through the Ministry of Labour and Employment on our behalf, this information did not become available). 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 1,37,737 crores (or 1.37 trillion rupees to cover all the poor elderly, the pregnant and the costs of death/disability) in 2019-20. This amount is 0.69% of GDP in 2019-20 (ie 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. 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).

Table 12: 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**
No of Poor (BPL) Elderly Population (Age 60 years & more)	28.1 million	1.7 million
No of Pregnant Women	---	1.2 million
No of Disabled Population	0.5 million	26 thousand
No of Widowed Women	5.6 million	0.5 million
No of Deaths among BPL(Poor) Population	---	1.3 million

SOURCE: Author's estimates, based on government data

Table 13: Cost of Social Insurance Scheme of the Government (Rs in Crores)

Type of social Insurance	**Total Cost (Year 0)** (Rs in Crores)	**Total Cost (with annual increments) for the next four years would be as follows (Rs. Crore)**			
		Year 1	**Year 2**	**Year 3**	**Year 4**
Social Insurance to Elderly Poor (Age 60 years & more) @ Rs 3000 per month	101160	101524.2	101888.4	102252.5	102616.7
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	1087.2	1268.4	1449.6
Social Insurance to Widow Women @ Rs 1000 per month	9120	11400	13680	15960	18240
Death Insurance @ Rs 2 lakh per death	26000	26000	26000	26000	26000
Total Cost Per annum	**137737**	**140562**	**143388**	**146213**	**149038**
Expenses % of GDP	**0.69%**	**0.67%**	**0.65%**	**0.63%**	**0.61%**

(if GDP continued to grow @ 5 % per annum)					

Source: Author's estimates, based on Table 12

Explanation:

1. Last two rows (Total Cost per annum in rs crore 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 pregnancies for women in reproductive age; c. those turning over 60 to estimate old age pensioners annually. All these baseline data are from government sources.
2. 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. Despite many efforts, we have been unable to obtain from either the Union government or any of the State governments the financial expenditure of the governments on existing schemes. 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.**

Concluding Remarks

In this paper we have proposed a comprehensive plan to cover the entire 91% of workers who are informal in a net of Social Insurance, which includes old age pension, death/disability insurance and maternity benefit.

The paper proposes it is possible to put in place, even in post-Covid fiscally constrained conditions, a SI system, which is part non-contributory (for the extremely poor), and part contributory.

Summarising the roadmap and Conditions for loan disbursement

One condition of loan should be that GOI announces, when loan agreement is signed, there will be universal social security for all 91% workers, within a reasonable time frame, say within 8 years maximum, i.e. ending FY 2028-29. The first round of payments to eligible beneficiaries who are registered should be made before the end of FY 2022-23

i. Another condition on signing of loan should be that poorest 20% of population should be covered within the next three financial years, i.e. FY 2024-25; the Roadmap for covering those 20% should be laid out in the initial loan document, which includes method of Registration of workers incrementally.

ii. Another three conditions on signing should be that a. the existing Central schemes will be eliminated, and be administratively and financially merged with the one Scheme for all Unorganized workers; b. that the Central scheme will be mandatory, not voluntary; and c.

not conditional upon opening of Jan Dhan accounts in banks. It should also be mentioned that the State level Welfare Funds will also be financially and administratively merged with the Central scheme for Unorganized Workers, which will be administered jointly by the National Social Security Board and the State Social Security Boards, that are provided for in SS Code 2020 of the GOI.

iii. There is no need for Registration of Enterprises as a condition at all; it should not be linked to registration of workers. Nor should release of tranches of loan be tied to registration of enterprises, as that will unnecessarily delay the SS process. However, registration of enterprises should begin as a separate process as well, since ultimately that will become essential to comprehensively covering all workers, present and in the future.

iv. For purposes of identifying the 25% of total workers beneficiaries (i.e. the poor), a updated Socio-Economic and Caste Census will be conducted by the GoI, in collaboration with State governments, starting FY 2021-22. This is also necessary in any case for filling any gaps in data in the existing SECC of 2011-13. This will also enable the governments of Centre and States to separate out those beneficiaries who are above the BPL category, and for whom a cascading system of subsidies to ensure informal worker contributions. For instance, those above the BPL, who are in the first quartile above the poverty line, could be given a 50% subsidy by the governments. Those who receive 25% subsidy towards premiums from the government, could consist of next higher quartile (another 25% of the worker population) that is unorganized. Finally, the highest category of social security recipients that are currently informal will be approximately 15% of the worker population; they should receive a 10% subsidy towards the annual premium payable. These conditions can be built into the loan agreement, but to become effective as a further tranches of the loan agreement comes into effect over the 8 years of the roll out.

However, since the ADB loan of $500 million will be offered jointly with a $1 billion by the World Bank at the same time over the next three year period, these conditions will have to be rolled out before the three years are over. Since there is an expectation the full $1.5 billion loan will be extended in two tranches within the 3 years, the conditions will need to be in accordance with achievement of conditions.

Annex1 Major benefits within Social Protection in Major Asian Countries

Annex Table 1 presents an overview for the seven major Asian countries of the Social Protection system available. More details are discussed in the main text in Section 2. Similarly Annex Table 2 presents information of child and maternity benefits for the same countries, which provides more information than is available in the main text in Section 2.

In Annex Table 3 we examine the deficits in universal health protection although our intention in this paper is not to include health as part of social insurance. The true nature of exclusion that characterizes social protection becomes very clear from the data. In the high income countries of Japan and South Korea legal health coverage is available to every single person. It is equally remarkable that even in China and Thailand the legal health coverage deficit is practically non-existent; in other words, they have nearly universal coverage. At the other extreme is India where nearly 88% of the total population is without legal coverage. It is not just that there is a legal health coverage deficit in many countries but that translates into a financial deficit measured as a percentage of population not covered due to financial resource deficits, where the threshold is US dollars 239. At one end of the spectrum are Japan and South Korea where no part of the population gets excluded from health services on account of financial deficit. However financial deficit can affect even 27% of the Thai population even though they have legal access to health, and the same applies to China where a quarter of the population suffers from a financial resource deficit. More of concern are the three countries where the deficit applies to more than 8 out of 10 in Vietnam and Indonesia and nine out of 10 in respect of India in regard to financial exclusion from health services. Equally notable is the staff access deficit, due to which the percentage of population not covered is quite high in three middle income country except China. Given that the above analysis of Asian countries' social security systems has not focused on the informal sector and its workers, the rest of this section is now devoted to SI for informal workers. We begin by discussing one major middle-income country, China, which has been trying to extend SI to informal workers.

Annex Table 4 presents public social protection expenditure by type of guarantee. What is noticeable is the difference between social protection expenditure including health and that for older persons as a proportion of GDP without health. The difference between the first and to second column suggests that health expenditure by the government accounts for most of the social protection expenditure.

Annex Tables:

Annex Table 1: Key Asian Countries: Overview of national social security systems

Country	Number of policy areas covered by at least one programme		Existence of a statutory programme							
	Number of policy areas covered by at least one programme	Number of social security policy areas covered by a statutory programme	Child and Family	Maternity (cash)	Sickness (cash)	Unemployment	Employment injury	Disability / Invalidity	Survivors	Old age
India	7	Nearly comprehensive scope of legal coverage | 7	None	●	●	●	●	●	●	●
China	8	Comprehensive scope of legal coverage | 8	●	●	●	●	●	●	●	●
Indonesia	5	Intermediate scope of legal coverage | 5 to 6	●	❖	❖	❖	●	●	●	●
Thailand	8	Comprehensive scope of legal coverage | 8	●	●	●	●	●	●	●	●
Vietnam	8	Comprehensive scope of legal coverage | 8	●	●	●	●	●	●	●	●
Japan	8	Comprehensive scope of legal coverage | 8	●	●	●	●	●	●	●	●
South Korea	6	Intermediate scope of legal coverage | 5 to 6	none	●	➢	●	●	●	●	●

Note:

● At least one programme anchored in national legislation, including employer-liability programmes based on mandatory risk pooling

❖ **Limited provision (e.g. labour code only).**

➢ **Only benefit in kind (e.g. medical benefit)**

Definitions:
The scope of coverage is measured by the number of social security policy areas provided for by law. This indicator can take the value 0 to 8 according to the total number of social security policy areas (or branches) with a programme anchored in national legislation.
The following eight branches are taken into consideration: sickness, maternity, old age, survivors, invalidity, child/family, employment injury and unemployment.
The number of branches covered by at least one programme provides an overview of the scope of legal social security provision

Source:
ILO(International Labour Office),2017. World Social Protection Report 2017–19: Universal social protection to achieve the Sustainable Development Goals. Available at: https://www.ilo.org/global/publications/books/WCMS_604882/lang--en/index.htm [29 November 2017].

Annex Table 2: Child and family benefits in Key Asian Countries: Types of schemes and social protection effective coverage (SDG indicator 1.3.1 for children and families with children)						
Country	Contributory schemes	Non-contributory schemes		No programme anchored in legislation or no information	Effective coverage (%)	Latest year available
	Employment related	Universal (not means-tested)	Social assistance (means-tested)			
India				●	--	--
China			●		2.2	2015
Indonesia			●		--	--
Thailand	●				18.9	2015
Vietnam			●		--	--
Japan	●		●		--	--
South Korea				●	--	--

Note:
- **Legislation not yet entered into force.**

Source:

ILO(International Labour Office),2017. World Social Protection Report 2017–19: Universal social protection to achieve the Sustainable Development Goals. Available at: https://www.ilo.org/global/publications/books/WCMS_604882/lang--en/index.htm [29 November 2017].

Annex Table 3: Key Asian Countries: Deficits in universal health protection by rural/urban areas (global, regional and country estimates)

Country	Legal health coverage deficit, % of population without legal coverage			Out-of-pocket expenditure, % of total health expenditure			Financial deficit, % of population not covered due to financial resource deficit (threshold: US$239)			Staff access deficit, % of population not covered due to health professional staff deficit (threshold: 41.1			Maternal mortality ratio, deaths per 10,000 live births		
	Total	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural
India	87.5[3]	74.9	93.1	61.8[2]	49.8	67.2	90[4]	89	94.4	62.5[4]	50.5	68	20[4]	18.1	35.5
China	3.1[3]	1	5.1	35.3	55.3	15.9	24.1[2]	23.9	24.2	29[2]	28.9	29.1	3.7[2]	3.7	3.7
Indonesia	41.0[3]	18.4	63.5	47.2[3]	61.2	33.3	80.1[5]	78.0	82.1	61.7[5]	57.7	65.7	22.0[5]	19.9	24.5
Thailand	2.0[7]	1.0	3.0	14.2[2]	15.3	13.6	27.1[6]	25.5	27.7	57.9[6]	57.0	58.3	4.8[6]	4.7	4.8
Vietnam	39.0[3]	1.0	56.0	44.8[1]	35.0	49.2	82.4[3]	81.3	82.9	47.7[3]	44.5	49.1	5.9[3]	5.6	6.1
Japan	0.0[3]	0.0	0.0	14.4[3]	14.4	14.4	0.0[3]	0.0	0.0	0.0[3]	0.0	0.0	0.5[3]	0.5	0.5
South Korea	0.0[3]	0.0	0.0	34.2	34.2	34.2	0.0[3]	0.0	0.0	0.0[3]	0.0	0.0	1.6[3]	1.6	1.6

1: 2008; 2: 2009; 3: 2010; 4:2011; 5:2012; 6:2005; 7:2007

Source:

ILO (International Labour Office), 2017. World Social Protection Report 2017–19: Universal social protection to achieve the Sustainable Development Goals. Available at: https://www.ilo.org/global/publications/books/WCMS_604882/lang--en/index.htm [29 November 2017].

Annex Table 4: Key Asian Countries: Public social protection expenditure by guarantee (percentage of GDP)

Country	Total social protection expenditure including health (% of GDP)	Public social protection expenditure for older persons (% of GDP, without health)	Public social protection expenditure for persons of active age (% of GDP, without health)					Public social protection expenditure for children (% of GDP, without health)
			Social benefits for persons of active age (excluding general social assistance	Unemployment	Labour market programme	Sickness, maternity, employment injury, disability	General social assistance	
India	2.7[5]	4.3[3]	n.a.	…	0.4 [4]	0.1[2]	0.4 [4]	0.1[2]
China	6.3[6]	3.7[6]	n.a.	0.1[6]	0.1[6]	1.6[1]	0.3[4]	0.2[1]
Indonesia	1.1[6]	1.0[6]	n.a	n.a[2]	0.0[4]	0.0[2]	0.8[4]	0.7[2]
Thailand	3.7[6]	2.2[6]	n.a.	0.1[3]	0[2]	1.2[6]	0.1[6]	0.5[3]
Vietnam	6.3[6]	5.5[6]	n.a.	0.0[2]	0.1[6]	0.3[2]	0.3[6]	0.0[2]
Japan	23.1[4]	12.1[4]	1.4[4]	0.2[4]	0.2[4]	1.0[4]	0.4[4]	1.3[4]
South Korea	10.1[6]	2.7[5]	1.3[5]	0.3[5]	0.5[5]	0.6[5]	0.6[5]	1.1[5]

Note: 1: 2009 ; 2: 2010; 3: 2011;4: 2013; 5: 2014; 6: 2015 ; 7: 2016;

Source:

ILO (International Labour Office), 2017. World Social Protection Report 2017–19: Universal social protection to achieve the Sustainable Development Goals. Available at: https://www.ilo.org/global/publications/books/WCMS_604882/lang--en/index.htm [29 November 2017].

BOX 1. China Case Study: Issues in the extension of social insurance for informal workers

Employment in the informal economy is not officially defined in China. One important distinction to make is between the concept of flexible work used in China' Social Insurance Law 2011, and the notion of work in the informal economy. Flexible work involves the use of non-standard forms of employment 1 (ILO 2016). These new forms of employment tend to be more affected by informality than standard forms of employment, but they are not all informal jobs (ILO 2016).

While urban employee social insurance has widened significantly in recent years, workers in the informal economy lack pension and medical coverage to the extent and at the levels of adequacy enjoyed by urban formal employees. China's fragmented and decentralized social protection delivery and fiscal systems limit the country's capacity to implement national policy guidelines promoting social insurance coverage. The decentralisation of social insurance administration creates opportunities for service innovation, responsiveness, and adaptation to local social and economic circumstances. However, the mismatch between national policy objectives and local capacities and incentives for their implementation crowd out efforts to secure the adequate protection of workers in the informal economy.

Before the 1980s, Chinese urban citizens enjoyed full employment and met their needs for public services through the socialist work-unit welfare system. Since the mid-1980s, the Chinese government initiated various types of social insurance schemes to protect millions of laid-off urban workers and facilitate the reform of state-owned enterprises. Here, the focus is on pension and health insurance (including both employment-based and residence-based schemes), the backbone of China's social insurance institutions which are supposed to cover all Chinese citizens according to the Social Insurance Law. This box does not consider unemployment insurance nor employment injury because unlike pensions and medical benefits, these schemes are not yet available for flexible workers (notably self-employed and business owners), the majority of informal economy workers in China.

Since 2003, the Chinese government raised social policy as a national policy priority (Mok and Qian 2019). In 2007, universal social insurance coverage had been singled out as one of the national policy goals of building a "moderately prosperous society" by 2020. The 12th Five-Year Plan (FYP) (2011–2015) issued in 2011 had set coverage expansion of social insurance, such as pension and health insurance, as an "obligatory target". The 13th Five-Year Plan on Human Resources and Social Security Development set national goals. The results for social security were significant of this policy emphasis.

Before 2009, only two institutional mechanisms for income security in old age existed: one for urban workers based on social insurance principles, and one for civil servants and others of similar status based on the employer liability approach. Together they covered in 2008 under 250 million people (including pensioners), or about 23 per cent of the population aged 15 and above. Following a series of reforms in 2009, 2011, 2014 and 2015, an old-age pension scheme was established for the rural and urban populations not participating in the social insurance scheme, while the civil servants' scheme was merged with the social insurance scheme for urban workers. In 2015, 850 million people were covered under the pension system; by 2017, universal coverage had been achieved.

However, the persisting differences in rural–urban residence regulations still limiting access to social insurance schemes for certain categories of workers, and the diversity of social insurance regulations applicable to different forms of employment, have resulted in the fragmentation of the social insurance system in China (Ngok 2016).The first fracture line is the household registration status and locality. The household registration system (hukou) divides the population into two categories, namely, rural and urban residents based on their residential location. In the past few years, China launched household registration reforms to support the coverage expansion of social insurance. For example, China consolidated two separate programmes for rural and urban residents into one that applies to both urban and rural residents (pension in 2014 and health insurance in 2016, respectively).

In sum, social protection in the form of social insurance in China varies across locations and forms of employment. In addition to this, China's fiscal and administrative decentralisation, has *made interregional benefits transfer relatively difficult. Since the implementation of the Social Insurance Law in the early 2010s, several official documents specified the mechanism to improve the portability. For example, recent documents allow enrolees' pension contribution to be calculated by phases in different schemes, but the benefit can be paid in a unified way. However, the portability is still not a reality in practice across the country as there are important variations in local insurance policy design and local implementation of national policy guidelines and the regulations are restricted to workers in full time permanent positions. In practice, some provinces, especially those recipients of many migrant workers, resist exporting portions of contributions paid by local employers or by the local governments, to other provinces.*

Hence, there are institutional reasons for the undercoverage of informal economy workers in social insurance. In particular, there are no fiscal transfers from central to local government earmarked for the administration of social security. Local governments prioritise the operational costs for social security from their general budgets. Therefore, the general fiscal condition of local governments is crucial for handling caseloads and enforcing social insurance regulation (Qian 2017).

To counter the disparities in fiscal capacity, China has sought to streamline the collection of contributions across the country. International experience has showed that some countries improved their levels of compliance and efficiency in the collection of social security contributions by merging the services in charge of social security collection with tax administration . Similarly, China's national and local taxation collection and management reform, initiated in January 2019, aimed to centralize the collection of contributions and merge them with the tax authorities. This would significantly reduce the imbalances in administrative capacity between provinces. It would streamline operations with tax collection (contributions being based on monthly reporting of income for individual income tax filings), triggering more automatic auditing practices.

SOURCE: ILO (2018), ILO (2019)

Annex 2 How can the worker' own contribution for the contributory SI be financed by the non-poor ? The case for a Minimum Income Guarantee

The COVID19 pandemic and lockdown adversely impacted millions of households that are vulnerable and deprived. Many such households would slip into poverty as a result of loss of income and livelihoods. As employment is highly skewed towards the informal and unorganized sector, without the protection of social security, an adverse economic shock can bring households to their knees. Unemployment, already at a 45 year high in 2018, reached 27 percent in April 2020, and which fell after some economic recovery, will certainly remain high in post-COVID19 times along with a collapse in output and incomes. Worse still, the labour force participation rate has been consistently falling in India, even though unemployment rates may have fallen in latter half of 2020; hence, employment rates, or workforce participation rates have fallen. For these reasons, and given the limited nature of the post-Covid fiscal stimulus, employment growth will take longer to recover. Is a Minimum Income Guarantee (MIG) one solution the government needs to finally consider, to protect marginalized and deprived households, with a view to raising consumption demand?

Universal Basic Income (UBI) in India came into common parlance with the Economic Survey in 2016-17. It proposed a Quasi UBI along with the JAM trinity, linking Jan Dhan Accounts, Aadhar and Mobile. There were many proposers of UBI in India, both for the universal and targeted versions. For instance, there were suggestions for a minimum weekly income of Rs 13,000 per year to all adults in lieu of subsidies and welfare programs (Banerjee, 2016), or an annual transfer of Rs. 13,432 to every adult so that everyone's income is at least above the poverty line (Ghatak, 2016). Similarly, a universal inflation-indexed transfer of Rs 10,000 per annum, which is 75% of the poverty line (2014–15) to every individual was also proposed (Bardhan, 2016). More recently, the proposals suggest transfer of Rs. 18000 per household per annum that is one-third of current consumption of poorest 40% households (Subramanian, 2019). Other similar views suggest an Inclusive Growth Dividend (IGD) which is to be pegged at 1% of GDP per capita, as an universal basic income transfer to all individuals (Ghatak and Muralidharan, 2019). But are such transfers feasible and implementation friendly?

The *three* pre-requisites for an unconditional MIG to the poor were not in place ten years ago: *appropriate identification of poor; bank accounts with every poor household; beneficiaries who could be biometrically identifiable/cross-checked.* Today, they are in place and it is administratively feasible now. Why is MIG-type cash transfer for the poor needed, especially now, post-Covid?

The latest NSS All India Debt and Investment Survey (2013) shows over 70% rural population has one or more standing loans and nearly 74% of farmer households were in debt. These debts heavily constrain their expenditure on non-essentials, especially manufactures, reducing effective demand for manufactures, leading in turn to low investment in manufacturing. Thus, the poor's never-ending debts impact not only human well-being but have macro-economic consequences. The strong case for MIG derives from the fact that the poor rarely accumulate assets and if they do, they are lost to droughts, floods, displacement by projects, catastrophic health expenses, etc. They need cash debts to meet consumption as well as contingency needs; they rarely borrow for productive purposes. Non-routine consumption can push them further into debt and poverty. A minimum income guarantee will empower households, giving them some fungible funds, especially if given to women.

From the perspective of this paper, it can partially address the following problem: how do the millions of non-poor – the three deciles of India's population above the poverty, but still needing to contribute towards a SI for old age, death/disability and maternity benefit – contribute towards insuring themselves against these events? A MIG of Rs 500 per month to 60% of households in India can finance their contribution. In fact, there could potentially be a *requirement that the cash transfer into bank accounts will involve an automatic deduction towards defraying the costs of their contribution towards the SI Fund for Unorganized Workers.*

Enabling this will have collateral benefits. There is a risk that the Construction Workers Welfare Fund, which currently looks well-funded, is likely to run out of funds as the number of construction workers increase, and pay-outs also increase. Adding a contributory element of funding will ensure that in the future the BOCW Fund (which has a separate chapter in SS Code 2020) will remain well funded.

We propose not a universal but a target minimum income. By contrast, a UBI also requires a substantial financial commitment and cannot be financed without cutting other social welfare schemes and non-merit subsidies. Thus it is better to have a targeted MIG scheme instead of a universal one. Also, a MIG per household has to be kept low, due to fiscal constraints of governments. And finally we propose a graded MIG, where income guaranteed should be proportional to deprivation suffered.

One major problem with targeting is how to target without a beneficiary being misidentified, resulting in exclusion-inclusion errors. Our approach is to identify households that are directly verifiable, and face observable deprivations or vulnerabilities. It is assumed that every reasonably well-off household will be excluded (there are already criteria used in the Socio-Economic and Caste Census to exclude the better off), and we then progress to include households based on their relative level of deprivation. Any attempt to ***identify beneficiaries*** of MIG based on incomes is a risky exercise in any economy with extremely high share of informal incomes and employment.[18]

India's reasonably robust Socio-economic and Caste Census (SECC,2011-13) is useful for identifying households with one or more of seven deprivations; each deprivation is based on observable, directly verifiable household characteristics, providing a much better indicator than 'income'.

The SECC provides data for *all* households in the country. First households that fall under the automatically excluded category (based on certain observable criteria) should be excluded. After this exclusion, the government could proceed to include households as beneficiaries; for this purpose it is suggested that four categories in rural areas are included. The first category of rural households that will receive a MIG are *automatically included households (which are defined already by means of SECC criteria) since they suffer extreme vulnerability*. The second category includes rural households with *more than one of seven deprivations.* The third category of rural households includes those that *face just one deprivation*. The fourth category includes rest of non-excluded households that *do not report deprivation in any of 7 parameters* (given that deprivation parameters are not comprehensive), yet do not belong to the automatically excluded households.

[18] The NYAY design (suggested in early 2019) for this (and other reasons) was inappropriate.

The government could then proceed to identify urban beneficiaries of a minimum income guarantee (who are slum-dwellers, and some vulnerable non-slum dwelling households).

MIG could offer cash transfers in no case higher than Rs.8000 per annum on a medium term basis. In normal times, the automatically included rural households with highest vulnerability should be provided, we propose, Rs.8000 annually; rural households with multiple deprivations are to receive Rs.6000 annually; rural household facing just one type of deprivation to receive Rs.4000 annually; while the rest of rural non-excluded households that were considered for deprivation to be offered Rs.3000 annually. Also, in the case of urban areas, slum households are considered for MIG and Rs.3000 per household has been proposed.

In addition to slum dwellers in urban areas, we propose an additional category of urban households for better targeting based on the decennial Census data. We consider homeless urban households and propose a transfer of Rs.8000 per annum. While Rs.6000 per single-elderly household is proposed, it is enhanced to Rs. 8000 for rest of the households that have only elderly members. For households with more than one differently-abled person Rs 8000 per household and for remaining differently-abled person household Rs.6000 has been proposed. Female-headed households belonging to the category of widowed, divorced and separated along with non-married female headed household aged above 50, should receive Rs. 6000 annually.

The coverage of the scheme as per SECC would be 62.4 percent of all households of India. It is expected to cover 70 percent of rural households and around 40 percent of urban households.

The fiscal cost of the MIG for rural households for graded transfer will be Rs. 56,900 cr (0.28 percent of GDP). For urban beneficiaries MIG for graded transfer will be Rs. 12, 502 cr (0.06 percent of GDP). Overall the expenditure on MIG as per the graded payment will be less than Rs. 70,000 crore, or just 0.34 percent of the GDP (at 2019-20 prices).

The proposed MIG of Rs 500 per month (or Rs 6000 pa per household) can cover 62.4% of India's households. By comparison, PM KISAN, the cash transfer made provision for Rs 6000 annually (since February 2019), is only expected to cover around two third of landowning farmer families. Also, it is exclusionary in nature since, among rural households, it leaves out landless labourers, tenant farmers and agricultural workers that are deprived and underprivileged, despite being in greater need of income support. It also excludes urban poor. Our coverage is much more inclusive than that of PM-KISAN, and if our proposed MIG (70 percent rural and 40 percent urban coverage) at a cost of Rs 69402 crore, was to replace PM KISAN (budget Rs. 60000 cr in FY 2020-21), the incremental expenditure would be just Rs. 9,402 cr. Our MIG proposal would cover almost all the PM KISAN beneficiaries. If MIG focuses only on priority households (60 percent rural and 20 percent urban coverage) at a cost of 56,900 cr, there would be no additional expense to be undertaken. Ideally, our MIG should replace PM KISAN to save fiscal cost, in which the fiscal cost of the MIG will be next to nothing.

We propose a gradual but graded MIG, whereby a minimum of Rs.6000 is provided to beneficiary household per annum, linked to the Consumer Price Index. This amount is equivalent to 20% of household annual expenditure of the bottom decile of rural households (14% in urban areas). Such an amount would not cause a leftward-shift of the labour-supply curve, but nonetheless reduce household vulnerability.

With such low fiscal cost, MIG should not constrain expenditure on public health, education, or infrastructure, increases in which are critical to India's structural transformation. It is expected that there would be steady increase in the tax to GDP ratio, once the economy recovers post-Covid19, hence the expenditure proposed can be financed from the growth in tax collection.

Acknowledgements

I would like to thank Sunhwa Lee, Kanupriya Gupta, Yamini Aiyar, Radhicka Kapoor, and Sarthy Acharya for valuable discussions and comments. I also wish to thank statistical assistance by Dr Jajati Parida and Aditi Agarwal. The usual disclaimers apply.

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