

Social Security Act of 2020: A Significant Step towards Universalizing Social Protection for India's Working Class Social Protection as a Prerequisite for Sustainability Development

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Abstract

The World Population Review predicts that India now has more people than China. India needs a strong universal social security system. Future pandemics like COVID-19 and lockdowns require strong social security systems. Social security underpins India's progress. India's social security covers many social insurances. Organized sector workers have had social protection since 1947. Social security for the unorganized sector has been unofficial. Indian labor has traditionally been informal. Some of these workers are unprotected or partially protected by social security and other job benefits. Many of these workers are exploited. 90% of Indian workers are informal, contributing 50% of GDP. India's vulnerable unorganized sector has suffered the most and continues to suffer. COVID-19 is the worst humanitarian crisis since WW-II. Both organized and unorganized workers require social security. Post-pandemic recovery relies on daily wage employees, independent contractors, street vendors, and others. Unprotected workers need a statute to join Social Security. The Indian government immediately helped the aged, destitute, and needy. EPFO settled 161 lakh COVID-19 non-refundable advance claims and disbursed Rs. 36,233 crores. During this extraordinary pandemic, these policies should be implemented. Most informal workers lack social security. Formal social security coverage for more people is essential. Global social security is the only choice. Social security programs discourage specific worker groupings. One of the biggest barriers to informal sector social security is public distrust. India promises lifelong health and financial protection through the Social Security System. The 2020 Social Security Act replaces nine major employee benefits statutes. Unorganized workers comprise a significant component of the workforce. The Act mandates social security for these workers from the Central and State governments. Freelancers and gig workers will receive SSA benefits. The EPF Act defines earnings the same way, but "deemed wages" are new. The new SSA grants gratuities to other workers. Unorganized workers could profit from improvements to government social security schemes. 40 crore unorganized workers receive social security. The Social Security Act-2020 will affect informal employment as well. The Social Security Act allows any unsupported plan to be added. This concept requires EPFO service delivery system overhaul. Radical reforms and inclusive laws enforced strictly may help. Social Security Act-2020 aims to provide benefits to all workers. National Commission on Labour advises eliminating coverage wage ceilings. India's corporate environment and workers' rights must be balanced.

Keywords – Social Security, EPFO, COVID-19, workers, SSA, WW-II, Population

Introduction

India is now the world's most populous country, surpassing China, according to recent estimates by the World Population Review. China for the first time reported a fall of *850,000 since the 1960s and now stands at 1.41 billion people, whereas India's population was 1.42

billion as of January 18, 2022. In addition, the average life expectancy of Indians has increased due to improvements in health infrastructure, which will cause a significant increase in the country's elderly population in the near future. Old social institutions that cared for the elderly, like joint family systems, are disappearing daily due to modern lifestyles and the migration of people from rural to urban areas. Strong social security systems are also necessary to combat future pandemics like COVID-19 [1] and lockdown situations. The world was swept up in COVID-19. The virus and lockdown together had terrible effects on the economy and society. The majority of Indians fall into the low income bracket and cannot, without assistance from the government, afford private pensions and health insurance. Therefore, the state's role as a welfare and socialist state will be more crucial than ever in the future. India's citizens require a capable universal social security system. As it extends Social Security Protection to Unorganized Workers, including Gig Economy and Home Workers, the Social Security Act of 2020 has the potential to revolutionize this situation.

Social Security

According to the International Labor Organization (ILO), Social Security is an all-encompassing strategy created to keep a nation from going without resources. A basic minimum income for oneself and one's family is guaranteed by the Social Security System. The cornerstone of Indians' financial security is Social Security. Individuals are shielded from unprecedented situations by this system. [2]

There are two key components that make up the Social Security System

The right to a standard of living includes having a place to live that is suitable for a healthy citizen. A person's access to food, clothing, shelter, and healthcare determines their general well-being. A competent income can gain access to all these adequate. Social Security is a measure to guarantee that all of the nation's citizens can exercise their right to a standard of living.

Right to Income Security: People who are in need should be supplied with income security at periods of unemployment, illness, disability, widowhood, old age, or any lack of livelihood brought on by events beyond anyone's control.

The development of the Indian Social Security System depends heavily on these two rights. It is a system whereby society offers its people protection from economic and social misery through a number of public policies.

An overview of India's social security system

This assistance is provided to all Indian citizens by Directive Principles of State Policy, Part IV of the Indian Constitution. The Indian Constitution accords equal weight to both fundamental rights and guiding principles of state policy. "Raj Dharmas" are the guiding principles of state policy that the government must adhere to. And because it is a socialist and welfare state, India has accepted responsibility for providing its citizens with a range of Social Security benefits. The country's development process is fundamentally dependent on the social security system.

The foundation of India's current social security system may be found in Part IV, Article 41 of the Directive Principles of State Policy. Our Indian Constitution's Article 41 states that "The State shall, within the limits of its economic capacity and development, make effective provisions for securing the right to work, to education, and to public assistance in cases of unemployment, old age, sickness, and disability, and in other cases of undeserved want."

Since 1947, when India gained independence, workers in the organized sector have been primarily covered by social protection measures in India. Workers who are employed in the unorganized sector are primarily free from social security programs. These employees have primarily relied on an unofficial system of social security. [3]

In general, different social insurances are covered by India's social security programs. Pensions, health coverage, medical benefits, gratuities, and maternity benefits are a few of these. Despite the fact that a sizable portion of the Indian population works in the unorganized sector, most of these programs are not open to them. The organized sector's workers and employers do, however, have a right to coverage under these programs.

Social insurance contributions that are required by law may apply in different situations. While some social insurances require employer contributions from all businesses, others just from businesses with a minimum of 10 to 20 employees.

The majority of the Indian labor market has always been informal and still is. More than 90% of workers in India were employed in an informal capacity in 2018–19. Under the current social security plans and other employment benefits, a portion of these workers are either not covered at all or are only partially protected. Many of these laborers endure abusive and unsafe working conditions. In India, there aren't many good labor laws, but their strict adherence is essential for the sake of underprivileged workers.

The expansion of Social Security to other societal groups has advanced significantly over the past ten years. The social security system in India is made up of a number of plans and initiatives that are dispersed through a range of laws and rules. Although a sizable portion of the population is protected by the government-controlled social security system through a variety of programs run by various Ministries of the Central and State Governments, such as the Atal Pension Yojna (APY), Pradhanmantri Suraksha Bima Yojna (PMSBY), Pradhanmatri Jeevan Jyoti Bima Yojna (PMJJBY), Pradhan Mantri Shram Yogi Ma Because a sizable segment of the working class in India is still not part of the formal sector, the universalization of the Social Security program still seems like a far-off goal. [4]

The Unorganized Sector's Role in Social Security

90% of Indian employees are still employed informally, contributing about half of the country's GDP despite seeing strong economic growth over the past ten years. The unorganized sector in India has suffered the most and is still suffering the most due to its vulnerability, despite the fact that the effects of COVID-19 on the economy are widespread. Migrant workers were caught off guard, unprepared, and without the resources to buy rations when the lockdown was announced, while other people were frantically storing rations and supplies. Many of them began to migrate back to their communities in reverse when there was no safety or prevention. Their lives were made even more wretched by the lack of work and lack of direction in their life. The most upsetting sight was seeing these migrant workers walk back to their original location because the public transportation had been abruptly terminated. This vital component of the nation's workforce traveled thousands of miles on foot while carrying their families and

equipment. Over 5,000–6,000 people reportedly walked to their villages, according to unreliable media reports. These migrants were forced to take any action due to their fear of losing their source of income, job insecurity, and their inability to provide for their families during such difficult times. But when the majority of these laborers were sent back from the state borders, they experienced even more suffering. Due to concerns that the natives might carry the virus, many villages did not welcome them. These 130 million people, out of our country's 130 crore people, were the most severely affected by the COVID pandemic. [1]

Many lives had been impacted in various ways by the lockdown to stop the spread of COVID-19. More than 90% of people who worked in the unorganized sector are thought to have experienced a decrease in their quality of life. According to the ILO, the pandemic and its economic aftereffects are putting more than 25 million jobs at risk worldwide. The COVID-19 pandemic is the world's worst humanitarian crisis since World War II. Most of the poorest and most vulnerable individuals reside in these unorganized sectors and carry out their employment there without any official Social Security protection. The pandemic is pushing approximately 40 Crore informal workers in India into even greater levels of poverty, according to the ILO. [5]

Because there are connections between the formal and informal economies on both the backward and forward sides, these individuals in the unorganized sector once again played a crucial role in the nation's recovery following the pandemic. The needs of both the organized workforce and the unorganized workforce in terms of social security must be addressed. Unorganized sector, also referred to as an informal sector, can include an informal business environment and an informal employment structure. Even though it offers no job security, it manages to increase GDP (Gross Domestic Product) more than the organized sector. Daily wage workers, independent contractors, street vendors, etc. make up the unorganized sector of employment. They take a risk by doing this, but the saying "higher the risk, higher the reward" doesn't seem to apply in this case for the daily wage workers. Despite putting everything on the line, they still do not receive a properly structured salary or a system that would ensure their job security. Small shops, stalls, and eateries are examples of unorganized sector enterprises. Owners are the true game's boss; because the industry is unorganized, they unintentionally exploit the workers to get the most resources possible and increase their profit margins. The informal sector lacks decent working conditions. Without affecting the ease of doing business, it is urgent to regulate workers' rights in the unorganized sector. A balance needs to be struck between the ease of life for workers and the ease of doing business for employers. They are the ones who lack protection, and a law must be passed to bring these Unprotected Workers under the Social Security program's protections. [6]

At the recently concluded Tripartite National Dialogue on Global Call to Action for a human-centered recovery from COVID-19 crisis The Union Minister for Labour and Employment emphasized that "the Government is committed towards achieving universalization of social security and a very significant step taken in this direction is the launch of e-Shram portal to capture the data of unorganized sector workers for evidence-based policy making and for providing social security" during the 2021 International Labour Organization (ILO) conference in India. [7]

The Ministry of Labour and Employment, Government of India, has taken a positive first step in recognizing and registering unorganized workers through the e-Shram Portal. This will help in the development of policies and a legal framework to protect those who are currently not protected.

Government-sponsored social security initiatives during COVID-19

The Indian government responded quickly, and immediate action was taken to assist the elderly, the homeless, and the poor. To provide free rations to the underprivileged, the Pradhan Mantri Garib Kalyan Anna Yojana was established. Other provisions were made, such as paying migrant and construction workers compensation for the economic disruption, providing welfare pensions, and guaranteeing employment. The payment of loan installments was subject to a three-month moratorium. Workers in the organized sector now have access to a unique EPFO Covid Advance Scheme. Together, the federal and state governments implemented a variety of other solutions, including crop insurance, subsidies, agricultural credit, and other benefits, to help alleviate the situation. Additionally, the center ordered the direct transfer of 52,000 cr of the Buildings and Construction Workers Cess (BOCW) funds to the accounts of the employees. States also unveiled aid initiatives aimed at uplifting the weak.

Following the imposition of a national lockdown in March 2020, the government permitted more than six crore EPFO subscribers to withdraw funds from their EPF accounts equal to their three-month basic pay and dearness allowance. As a result, the EPFO was able to settle 161 lakh COVID-19 non-refundable advance claims and disburse approximately Rs. 36,233 crores, the majority of which were completed using the auto settlement mode that the EPFO had developed during the Covid Times to help the poor and needy. However, despite all of the timely government action, only 1.61 crore of the 1.61 crore covered workers could receive financial relief from EPFO, and there was a significant disparity between what these workers in the organized and unorganized sectors, particularly those in the unorganized sector, needed and what was provided. [8]

Social Security universalization is urgently needed

Numerous changes to our way of life came with the doomed year of 2020. It affected many people's financial situations in addition to our personal lives. The economy of our nation was directly impacted. Many workers earning minimum wage suffered because of the lockdown brought on by the COVID-19 pandemic. Because they were confined to their homes, many workers' daily incomes vanished.

Many upsetting pictures of workers moving to their villages were shown to us all. The universalization of social security is the only policy that can safeguard these workers in these circumstances. Numerous employees in the organized sector are protected by the Social Security Schemes of India. However, the majority-represented unorganized sector does not profit from these programs.

According to Article 41 of the Constitution, the state shall, to the extent of its financial resources, provide public assistance in the event of sickness, old age, unemployment, or other unmet needs. The ideal time to implement these policies is now, during this pandemic's historically unprecedented period. [9]

India require Universal Social Security

The organized sector employs about 10% of all workers. According to labor laws, this 10% of the workforce has access to social security. In the organized sector, both the employer and the employee chip in to pay for the social security benefits that are given to employees.

What's worrying is that job security is higher for the organized sector workers, who make up even less than 10% of all Indian workers, than it is for the other 90%.

90% of the workforce works in unorganized industries. This group makes up the most vulnerable part of society. Despite the fact that the Social Security Code put forth by the Parliament claims to cover all workers, the state faces a challenge in providing security to such a large workforce with limited resources. Building a global social security system is the only option. Expanding formal social security coverage to include wider segments of the population is urgently needed.

What impediments exist in the way of workers in the unorganized sector of the economy receiving social security?

Despite tremendous efforts to provide social protection to workers in the informal economy, the majority of workers still lack protection. For the protection of this vulnerable group of employees, it is crucial to develop new laws and reforms that take into account the underlying causes and coverage gaps.

Public safety and informality

We are all aware of how social strata and rural people are more vulnerable to risk and financial instability, but the majority of informal employees are not covered by social security. It has an immediate effect on the formal economy and plays a significant role in social exclusion and poverty. Through taxes and social insurance, the smallest group of formal workers are responsible for paying the social security system.

Removal from legal protection

The legal system discourages certain worker groups from participating in social security programs. For instance, the majority of social security plans incorporate contributions for social protection from both employers and employees. As a result, there must be a clear employment relationship between an employer and a dependent employee. However, it does not include the groups of workers who cannot be identified as having a working relationship with an employer. However, some groups of workers who are nominally protected by the law may not be able to adjust to the particular circumstances and demands of the business or workforce.

Insufficient knowledge or information

The lack of knowledge and trust among the populace is one of the most significant obstacles to the extension of social security in the informal sector. It is difficult for the workers to comprehend the legal requirements due to illiteracy and language barriers among rural populations. Additionally, a lot of employers in the unofficial sector forgo offering their staff social security benefits. The expansion of social security affected political democracy, growth, inequality, and poverty

In the last two decades, a large number of nations have acknowledged social protection as a crucial tool for reducing poverty and a matter of human rights. In accordance with the Social Security System, India has pledged to provide health care and financial security throughout the life cycle.

A nation's perspective is broadened and transformed by social protection. Inequality in all its forms can be effectively addressed by social security. Resource redistribution benefits the economy in numerous ways, including by fostering growth and lowering inequality. Thus, social protection reduces income disparities by redistributing income.

Furthermore, when people have access to healthcare and education, the inequality of employment opportunities is reduced. The government ensures that everyone in society has equal access to health and education, which encourages the growth of the unofficial sector. Additionally, by empowering important population groups, social security lessens inequality across them. Girls, women, senior citizens, and individuals with disabilities, for example, are shielded from the pitfalls of inequality.

Social protection, on the other hand, plays a key role in combining political, social, and economic development. By enhancing productive assets and human capital, it promotes inclusive growth. These programs encourage consensus and social unrest reduction, which lower social exclusion. Through appropriate management, it also supports the diversification of livelihoods.

Overall, an expansion of social security is a tool that not only aids marginalized and vulnerable groups, but also plays a significant role by promoting the sustainability of democracy. The larger objectives of social equity and shared prosperity are facilitated by social security.[10]

Social Security Act make for both employers and employees

Nine key laws governing the social benefits of employees are replaced by the Social Security Act of 2020. In Four L, it combined the Employees' Compensation Act of 1923, the Employees' State Insurance Act of 1948, the Employees' Provident Funds and Miscellaneous Provisions Act of 1952, the Employment Exchanges (Compulsory Notification of Vacancies) Act of 1959, the Maternity Benefit Act of 1961, the Payment of Gratuity Act of 1972, the Cine Workers Welfare Fund Act of 1981, the Building and Other Construction Workers Welfare Cess Act of 1996, and the Unorganized Workers' [11]

Act changed the social security program's coverage

For the first time, the Social Security Act of 2020 (SSA) has acknowledged the necessity of providing social security benefits like life insurance, disability insurance, health and maternity benefits, provident fund, and skill upgrading to workers in the informal sectors. A sizeable portion of the workforce in the country is made up of workers in the unorganized sector.[12]

But a sizable portion of the informal sector's workforce disregarded any social security or benefits. They were not protected by any of the current welfare programs. Many changes to the policy framework will take place now that the Act has required the Central Government and the State Government to create social security schemes for these workers. The unorganized sector has recently added the following items:

Home-based workers are those who conduct business outside of their employers' regular workplaces, such as from their residences or other locations. Workers classified as self-employed are those who do not report directly to an employer. These workers perform any job in the unorganized sector in exchange for a monthly wage or a contract.

The third group to be included in the social security bubble is wage workers, who are paid a daily wage. A sizable portion of the unorganized sector is made up by this labor force. These employees either work directly for an employer or for a contractor. It also contains migrant workers, home employees like domestic helpers, as well as temporary or casual labor.[13]

Gig Workers: The freelance culture and gig economy are very prevalent today. Today's youth prefer jobs that don't involve an employer-employee relationship. Freelancers and gig workers will also be eligible for benefits from the SSA.

Platform Workers: Platform workers are those who use online platforms to connect to other businesses or people and make money by offering particular services.

Therefore, significant changes to Social Security's regulations will be made in the future thanks to the Code of Social Security, 2020. For informal workers, the pandemic was a trying time. The government is eager to protect and secure this industry going forward. [14]

The new Social Security Act of 2020 affect employees' pay structures

The wage system has also undergone some changes as a result of the new Social Security Code. The EPF Act's definition of earnings is identical, but a new idea called "deemed wages" has been included. This indicates that for the purposes of making EPF contributions, the excess amount will be judged to be wages if an employee receives more than 50% of the total compensation in the form of allowances and other sums that are not included within the defined wages. The benefit to social security will increase as the contribution amount increases. [15]

The new code benefit those with fixed-term contracts for employment

Only those employees who had continuously worked for at least five years were eligible for gratuities, according to the existing Payment of Gratuity Act, 1972. The new SSA, however, also gives other employees the right to gratuities. Therefore, even if the contract time is less than 5 years, the employees would still get a pro-rata gratuity during the course of their employment contracts.

This action is in line with the evolving labor market in India. After trade unions voiced concerns, it came to light that some employers were laying off workers before they had served for five years in order to avoid paying gratuities. Additionally, job duration has decreased, and a sizable portion of employees are hired on a contract basis. [16]

Social Security Provision to the Informal Sector: Future Challenges

Even though the government offers a variety of social security programs, unorganized workers could benefit greatly from some changes during this crisis. More than 40 crore workers in the unorganized sector are receiving social security benefits thanks to the government's intensive efforts. More than six crore formal sector employees have received social security benefits up to this point from the Employees' Provident Fund Organization (EPFO). Both the ESIC and the EPFO will need to reframe their programs and services in light of the Social

Security Act-2020's changes to the social security system, which will also cover the informal sectors of employment. [17]

It was imperative to find a quick solution to the pandemic-related chaos and deadly living conditions of the poor. These gig and daily wage workers are intended to benefit from the new social security reforms. The unorganized sector of the economy employs about 40 crore people. These consist of platform and gig workers. Since the majority of these workers were not members of any organizations, they did not receive any social security benefits like gratuity and provident funds.

The EPFO, one of the largest social security administration organizations in the world, is preparing to broaden the scope of its network and schemes to provide social security to these unorganized workers. A clause in Section 13 of the Social Security Act allows for the inclusion of any scheme that is not currently covered by the framework. Through this Act, it may be possible to rationalize a number of recent initiatives for workers in the informal sector. However, The application of this Act still raises a lot of questions. People are unsure of who, in the case of informal workers, would contribute the employer's share to the social security programs managed by EPFO. There are two possible outcomes in this situation: either the government will pay the employer portion, or workers in the informal sector will be permitted to enroll in social security plans where they will only be making individual contributions. Based on this model, the EPFO will need to redesign its service delivery system. The EPFO currently serves approximately six crore subscribers, but in order to accommodate the additional 40 crore informal workers, it will need to be strengthened. The removal of the wage ceiling and the minimum employee requirement for ESIC and EPF Act applicability on establishments is one of the most crucial steps that both EPFO and ESIC must take in the direction of universalizing social security. [18,]

Recommendation

As a result, the pandemic has had a big effect on the unorganized sector. Although the government responded quickly, the damage was extensive. Radical reforms and inclusive legislation subject to strict enforcement might be able to help. The key to this situation may lie in a vibrant and strong Universal Social Security, and the passage of the Social Security Act-2020 by Parliament has set the wheels in motion. The Social Security Act-2020's goal is to make social security benefits available to all employees and workers, regardless of whether they work in the formal economy or the informal economy, including the gig economy. This Code is not merely a compilation of earlier Acts and Schemes. It has improved coverage, expanded benefits to include all workers in the formal and informal sectors, introduced ideas for providing the greatest benefits with the least amount of oversight, and reflects uniformity in approach between the four labor codes. To avoid depriving workers of their basic needs, the Social Security Act must be amended to provide universal and comprehensive social security coverage. The National Commission on Labour recommends that the existing wage ceilings for coverage be eliminated, the social security system be extended to all establishments, and the administration of existing programs be integrated functionally. Furthermore, there is a cap on the total amount that each employer and employee may contribute toward the provision of all benefits. A balance between a worker's right to life and the ease of doing business in India must be struck in order to find the gaps in the application of current laws and to provide employment and decent working conditions to workers in both the organized and unorganized sectors.

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