

NATIONAL COMMISSION FOR ENTERPRISES IN THE UNORGANISED SECTOR

PRESS NOTE **ON** **REPORT AND DRAFT BILL ON SOCIAL SECURITY FOR UNORGANISED** **WORKERS** **MAY 16, 2006**

The Government of India has set up a National Commission for Enterprises in the Unorganised Sector (NCEUS) under the Chairmanship of Dr. Arjun Sengupta with Dr. K.P. Kannan and Dr. Ravi Srivastava as full-time members, Mr. V.K. Malhotra as Member Secretary, Mr. B.N. Yugandhar, Member, Planning Commission and Dr. T.S. Papola as part-time members. Its Terms of Reference require the Commission to review, *inter alia*, the “social security system available for labour in the informal sector and make recommendations for expanding their coverage”.

It may be noted that the Common Minimum Programme (CMP) of the present Government has recognized the need to “enhance the welfare and well-being of farmers, farm labour and workers, particularly those in the unorganized sector and assure a secure future for their families in every respect” as one of its six basic principles of governance. The CMP further states that

“The UPA government is firmly committed to ensure the welfare and well-being of all workers, particularly those in the unorganized sector who constitute 93% of our workforce. Social security, health insurance and other schemes for such workers like weavers, handloom workers, fishermen and fisherwomen, toddy tappers, leather workers, plantation labour, beedi workers, etc will be expanded.”

In accordance with this commitment, the Government also asked the Commission to examine Draft Social Security Bills prepared for the NAC, and those prepared by the Ministry of Labour and to give its recommendations on the issue of social security to informal workers.

The Commission has examined the issue of social security for informal workers in great depth. It has reviewed the experience within India as well as international experience and has held discussions with academics, non-governmental and public sector organizations.

Formal workers in India who constitute around 9 per cent of the total workforce have some recourse to social security measures. Informal workers in the Indian economy are estimated by the Commission to be more than 91 per cent of the workforce. They consist of informal workers in the informal sector (85 per cent of the total workforce) and informal workers in the formal sector (6 per cent of total workforce). These workers have limited or no formal social security cover which increases their vulnerability during times

of illness, old age, unemployment and untimely death. The absence of social security mechanisms is a critical factor in downturns in the condition of these households, many of whom are already very poor.

The Commission examined the social security cover of informal workers and found that not more than 5 to 6 per cent had any protection available to them. Among the States, informal workers in Kerala and Tamil Nadu had relatively better coverage due to the operation of social security measures and Welfare Funds. At the national level, only the National Social Assistance Programme of the government provided limited cover, its main component being the National Old Age Pension Scheme for destitute old persons.

The Commission has recommended a set of **national minimum** social security measures which are protective in nature. These measures are intended to complement the promotional measures which the government is undertaking or planning to undertake.

The Commission had prepared two Draft Bills, on which views have been sought from government and other stakeholders. These are the **(1) Draft Unorganised Sector Workers Social Security Bill, 2005**, and **(2) Draft Unorganised Sector Workers (Conditions of Work & Livelihood Promotion) Bill, 2005**.

The Commission has now prepared a **Report on Social Security for Unorganised Workers**, and based on responses received, has revised the Draft Social Security Bill. **The Report and the Bill have now been submitted to government for further action.**

Main Features of the Proposal

1. The Commission has proposed a **National Minimum Social Security Scheme** for all unorganized workers, which shall consist of the following:
 - (i) **Health Benefits to cover hospitalization, sickness allowance, and maternity benefit.**
 - (ii) **Life insurance to cover natural and accidental death.**
 - (iii) **Provident Fund cum Unemployment Benefit for APL workers and pension of Rs. 200 per month for old aged (60+) BPL workers.**
2. All informal workers, who can not pay for their social security, will be eligible for this scheme. These include marginal and small farmers and all non-agricultural informal workers whose monthly income is less than Rs.6500 per month. The number of such workers has been estimated to be close to 30 crores in 2005-06, when no income ceiling is applied, and lower, by about 10 per cent with such a ceiling. The Commission has worked with a goal of coverage of 30 crore informal workers over five years (20 per cent of the target in each year). These workers will be registered under the scheme and will be provided with ID cards for the worker/family bearing a unique ID number.

3. The scheme will be contributory in nature. Workers, employers and government will pay Rs.1 each towards the scheme (Rs. 3 per day in all). Since only 17 per cent informal workers (in non-agriculture) have identifiable employers, their contribution may be paid by government and recouped through tax/cess. BPL workers will be exempt from their contributions which shall be paid by Central government on their behalf. The remaining government contribution shall be shared by the Central and State governments in the ratio 75:25.
4. The proposed contributions will generate a fund of Rs. 1095 per registered worker per year. Of this, the Commission has suggested that Rs. 380 will go as premium for health insurance, Rs. 150 for life insurance and Rs. 565 towards old age security. This share between the different types of risks is considered as optimum by the Commission.
5. The Commission has proposed that in the case of BPL workers, instead of the provident fund scheme, a monthly pension of Rs. 200 per month be paid by the Central government to old aged (60+) workers. This will ensure that all old aged BPL workers will get a minimum protection. This can not be guaranteed in a Provident Fund scheme unless the worker has been registered for twenty years or more. The Commission has shown that the additional net burden on government on this account would be comparatively small. The pension scheme will cover an estimated 1.35 crore BPL old aged workers in the first year, compared to a coverage of about 72 lakh under the National Old Age Pension Scheme which is restricted to destitute old above the age of 65 years.
6. The division of the total contribution between the three types of social security is based on detailed discussions with insurance providers and fund managers. *The suggested premiums / contributions should be able to cover the risk to informal workers on the following minimum basis:*
 - (a) *Hospitalization benefit for the worker and his family to the tune of Rs 15,000 per year, maternity benefit to the extent of Rs 1000 to the worker/spouse, and sickness allowance for 15 days beyond three days of hospitalization. The Commission has recommended that the accident insurance cover available under health benefit be enhanced to cover permanent disability.*
 - (b) *Life insurance to the tune of Rs 15,000.*
 - (c) *Provident Fund with an assured return of 10 per cent, which the worker may either withdraw on maturity, or convert to an annuity, combined with unemployment insurance through withdrawal of part of the accumulated fund, after a block in period of 10 years. For BPL workers, extension of the National Old Age Pension Scheme to ensure a monthly pension of Rs. 200 to such workers.*

It would be open to the scheme to negotiate the best possible risk cover for workers with the available premiums.

7. The Commission has suggested a federal organizational structure for implementation of the scheme, with multi-stake holder participation at all levels, possibility of incorporation of existing structures and schemes at the State level as well as add-ons, and grassroots implementation through PRIs, NGOs or trade unions which have a recognized presence and credibility in certain areas.
8. The **National Social Security Board** (NSSB) will formulate and implement the scheme at the Central level, while **State Social Security Boards** (SSSBs) will do the same at the State and District level. **Worker Facilitation Centres** (WFCs) which may be NGOs, trade unions, or PRIs will facilitate the scheme including the registration of workers. The actual registration of the workers as well as issue of identity cards will be the responsibility of a **District Committee** which would liaise between the State Board and the WFCs.
9. The Commission has estimated the total financial burden on the government on account of implementation of the scheme. The total financial cost to the Centre and States, at 2006-07 prices, on complete implementation is estimated to be Rs. 7,637 crores in the first year, rising to Rs. 25,401 crores in the fifth year (when full coverage of all eligible workers is considered to have taken place). As a percentage of GDP, assuming a growth rate of national income of eight per cent from here on, the total financial cost to the Central and State governments is estimated to be 0.20 per cent in the first year, and 0.48 per cent in the fifth year. This cost can be met through reallocation of expenditures and/or through a social security tax.
10. A National Social Security Fund (NSSF), would be created and would be operated by NSSB. The contribution of the Central Government will be credited to the NSSF at the beginning of each year. This NSSF shall be part of the National Security Fund that the Common Minimum Programme suggests. The NSSF is concerned with social security or protection support to the unorganized workers. The other part, National Fund for Enterprises in the Unorganized Sector would look after the promotional issues concerning the enterprises in the unorganized sector.
11. It should be noted that the benefits from the comprehensive social security scheme for informal workers will not be restricted to the beneficiary workers alone but will be shared by the entire economy and society in terms of better productivity and improved well-being. **These benefits are quite substantial in relation to the relatively small cost of the scheme.**