Draft social security code 2019

What is the issue?

- The third draft on the Social Security code of 2019 aimed to amalgamate, simplify and rationalise the relevant provisions of existing central labour laws.
- The code has fallen short of this stated aim.

What are the flaws?

- It merely clubs together existing schemes in the organised sector.
- It has avoided the ambiguities over the basic criteria for availing social security benefits such as the minimum number of employees in an organisation and length of service.
- The basic structural and conceptual flaws in the code are,
    1. No uniform definition of “social security”.
    2. No central fund. The corpus is proposed to be split into numerous small funds creating a multiplicity of authorities and confusion.
    3. It is unclear how the proposed dismantling of the existing and functional structures, such as the Employees’ Provident Fund Organisation (EPFO) — is a better alternative.
    4. No clear definition for the crucial categories such as workers, wages, principal-agent in a contractual situation; and “organised-unorganised” sectors.
    5. This will continue to impede the extension of key social security benefits such as PF, gratuity, maternity benefits, and healthcare to all sections of workers.
    6. There is no commitment from the government to contribute to the listed social security measures, even as the Code is clear about employee and employer contributions.

What is unclear?

- It is heartening to welcome aboard large sections of the workforce such as those working in taxi aggregate companies.
- But how exactly the government proposes to facilitate their **access to PF or medical care** is not clear.
- In these cases, the **nature of the relationship** between the company and

the working staff, and hence the obligations, is not defined.
- If employers in the unorganised sectors are expected to foot the bill for EPFO contributions, it will substantially hike the cost of doing business.

What is a failed examples?

- Existing benefits for unorganised workers have failed to materialise for similar reasons.
- For instance, the 22 years-old Building and Construction Workers' Cess Fund's failed to register the construction workers.
- So, they haven't been able to avail of the fund effectively.
- The Fund has less than 3 crore workers registered, with all the State welfare boards put together.
- Official estimates - Over 5 crore construction workers.
- Unions' estimate - Over 10 crore construction workers.
- It is a similar situation for almost all other welfare schemes run for the unorganised workers by the Central or State governments.
- **Problem** - The draft Code merely clubs the relevant sections of the existing statute without specifying how these issues are to be addressed.
- **Solution** - The government should address the long-pending structural issues and should actually simplify the existing labour laws.

Source: Business Line

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