Social Security for Faster Growth

What is the issue?

- Providing social security to the working class will be key to India becoming a global manufacturing hub.
- In this context, here is a look at the idea of social welfare and the reforms needed in India.

How did the idea of social welfare evolve?

- The working class movement gained in strength with industrialisation in Europe in the early twentieth century.
- With this, the provision of social safety was a major goal.
- In post war Europe, the evolution of the social welfare state was reaching completion.
- This would have shaped the thinking in the Constituent Assembly in India at the time.

- The essence of social security lies in relief for industrial workers for unemployment, health care and old age pension.
- Notably, these were first introduced in Germany by Chancellor Bismarck in the late 1880s.
- He did it not because he was a socialist but because he saw this as being essential for the rise of Germany as a leading industrial power.
- He saw workers whose basic needs were taken care of as being essential for rapid industrialisation.
- This insight of Bismarck is still relevant.

What does this imply?

- Social safety has to be recognised as an essential prerequisite for success in industrialisation.
- Workers have to become partners. They are as important an asset as plant and machinery.
- Abundant supply of motivated, efficient and productive workers is the key to faster growth.

What are the social safety measures in India?

- The Central as well as State governments have been attempting to provide welfare measures as envisaged in the DPSP of the constitution.
- E.g. the MGNREGA, the Food Security Act
    - Both were pillars in mitigating distress during Covid, with millions of migrant workers going back to village homes during the lockdown.
- The government-financed universal health insurance coverage for all under Ayushman Bharat is also transformative.

What are the shortcomings in the labour sector?

- Only about 10% of India's work force is in the organised sector.
- Only these get the benefits that the country's labour laws provide.
- The remaining 90% are not covered.
- Notably, the use of outsourced contract labour in industrial plants has grown. The ensuing contradictions sometimes become unmanageable.

How do the recent labour codes help?

- The four new labour codes seem to recognise the needs of contemporary reality.
    - Industrial Relations Code; Code on Social Security; Occupational Safety, Health and Working Conditions Code; Wage Code
- Some of the major positive features include -
    - Fixed term employment
    - giving States freedom to increase the number of workers below which a firm can have flexibility in hiring and downsizing
    - adopting the goal of covering all workers in the informal sector in the Social Security Code

What should be the priority now?

- In the present globalised world, products, firms and their supply chains can rise as well as decline very rapidly.
- Accordingly, the need for workers can also rise and fall very rapidly.
- So, a regulatory environment and a friendly eco system supportive of the needs of this new reality is needed.
- This is essential if India is to succeed in manufacturing and becoming a major hub of global supply chains.
- Full labour market flexibility with a robust social safety net for the entire working population would be the way forward.

What are the much needed reforms?

- The provision of social security to the 90% workers who are either in the informal sector or are self-employed needs to begin now.
- The first step would be the extension of MNREGA to urban areas.
    - 100 days of guaranteed work would provide a basic social safety net at the bottom of the pyramid in urban areas.
- If it had been in place, the distress of migrant labour at the time of the lockdown would have been substantially lower.
    - Municipal bodies can use unskilled labour for a range of useful work.
    - It may cost around Rs.15,000-20,000 crore per year, which is affordable.
- Unemployment insurance is a product which India needs to consider seriously.
- Designing it to cover those in the informal sector would be especially challenging.
- The government should also consider making a matching contribution for those whose incomes are below the level at which Income Tax becomes payable.
- Given the fiscal difficulties now, a social security cess on Corporate profits would be necessary.
- Even doing away with the 2% mandatory CSR to provide for the social security cess would be worthwhile.
- Skill development schemes: Semi-skilled and skilled workers do lose their jobs.
- With technological modernisation this happens more rapidly.
- This calls for a well-designed skill development programs for them.
- Their skills may be upgraded, or, they may be given new skills along with improvement in their work ethic.
- This may be done at no cost to them and should be fully funded by the central government.
- Schemes have to evolve on the basis of an ongoing assessment of anticipated demand for skills in the area.
- Getting retired skilled workers from countries such as Germany, Japan and Korea could help in getting training content and methodology right.
- In all, bringing workers, their skills and their social security, centre stage is essential to attract private investment for job creation.

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