IMPACT OF SOCIAL SECURITY ON ECONOMIC GROWTH IN INDIA

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ABSTRACT

Economic growth and development of a society is deeply influenced by its social security. The harmonious co-existence and tranquillity in governance is one of the most important prerequisites for the growth and development of a nation, which can be attained by way of social security. It is unfortunate to observe that the social security of farmers in India, whose economic status is undeniably bound to affect economic growth of the country, has been grossly undermined hitherto. A similar condition prevails in other unorganised sectors of work too. The present budgetary provisions and the positive approach of the government, though, have given some hope and respite ensuring their social security and thereby securing the economic growth of the country. An economically vulnerable individual can never be an asset for himself or for his nation. Access to basic amenities via social security makes it promising for an individual to contribute towards the economy of the nation. Factors such as poverty, recession, crop failure, unemployment, poor medical facilities and post-retirement insecurity are some of the most challenging issues required to be properly redressed today. A support system can be built up efficiently by introducing social security in various realms of life. The framers of the Indian Constitution too envisaged economic development of the nation and social security as intertwined and made constitutional provisions in the form of Directive Principles of State Policy, such as those under Articles 41 and 42. The preamble itself speaks for economic justice and equality of status and opportunity. It is for this reason that social security is a subject-matter under the Concurrent List so that both Central and State Governments can make laws for its proper implementation. Various legislations have also been enacted in this regard. A social security administration along with a change in mind-set at all levels will ensure that the benefits actually reach the person entitled for the same. This research study is an attempt to analyse the impact of social security measures on the economic growth of the nation. It analyses the challenges that are faced due to the present system of social security in India and a possible solution to overcome these challenges.

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INTRODUCTION

Social security is a protection and a preventive barrier against distressful situations, which a society as a whole provides to each of its members. The society acts as a guardian and a caretaker of its member based upon the needs of the individuals and the resources available within the society. Social security is an assurance pertaining to basic amenities such as pension, gratuity, disability benefits, maternity benefits, health insurance, etc. It emphasises on the relationship between the society and its members as an integral part of the society. This evolution of the society is possible only through collective efforts and this is the result of the effort of the society to give equal opportunities and basic amenities to all its members. It is based on the principle that all the members in a society are interdependent on each other and their harmonious existence is possible only if they respect the needs of each other. Social security can be evaluated on various parameters, but there are certain basic characteristics of this system. The presence of these bare essential components within the society promotes a sense of belongingness and confidence among the members of a society or nation.

The idea of social security is not alien to the modern world; it has been there ever since the inception of human civilisation in one form or the other. It was very prominent in ancient India too. It existed in ancient India in the form of joint family system, Panchayats, religious and charitable institutions which used to provide assistance measures to the needy for different misfortunes and calamities.¹ The concept of Hindu joint family itself was a great protection against financial distress as the family was considered to be the basic unit of social organisation. The British Raj in India eroded the social security system at large. The native industries were destroyed and thousands of people lost their livelihood. Due to lack of amenities in villages, people moved to cities and gave up their home, lands and the traditional social security. The quality of life for Indian masses deteriorated as they were left jobless. Much of the Indian raw materials were being exported to set up industries in Europe.² The resources within the nation at that time were scanty as compared to the population and the British officials focused more on profit-making rather than on community service. However,

¹ Srikanta Mishra, Modern Labour Laws and Industrial Relations (Deep a and Deep Publications, New Delhi, 1992) 131
² J.V. Vilanilam, Mass Communication in India: A Sociological Perspective (Sage Publications, New Delhi, 2005) 65
their profit-oriented approach did bring certain changes in the society such as the introduction of infrastructural facilities and the use of railways for business and day-to-day activities. Post-independence, it led to India being the most well-connected nation by railways. They also made an attempt to commercialise the most viable occupation in India, i.e., agriculture, owing to the presence of fertile plains and the perennial rivers. They commercialised agriculture by offering farmers higher pay for their crops for sale in markets rather than for self-use. But they failed miserably to generate any profit through agriculture. This led to a shortage of resources which subsequently led to the occurrence of terrible famines in the economic history of India.\footnote{Debi S. Saini, Social Security Law In India, (Kluwer Law International, The Netherlands, 2011) 30} Social security in independent India went through a massive transformation as compared to those in the ancient and the British era. The focus was shifted from benefit of few to the benefit of the nation at large. This was clearly reflected in the Indian Constitution as well as various action plans that were undertaken to restore the socioeconomic position of the nation after the British left this place. Thereafter, India has come a long way as far as the implementation of social security measures is concerned. A great achievement in this regard has been solving the scarcity of food with the advent of the green revolution and major reforms in the organised sector by incorporating various schemes.

**SOCIAL SECURITY IN INDIA**

India is a diverse nation having crossed the population of one billion. The population reflects immense diversity in terms of caste, religion, language, culture, food, lifestyle and occupation. The diverse nature of the Indian population is an asset for the nation as well as a mammoth task in terms of administration. On the one hand, there are states such as Kerala with over 94% literacy rate\footnote{Ministry Of Human Resource Development, Government Of India, *Adult Education* (March 4, 2016) para 4} while on the other hand, there are states such as Bihar and Uttar Pradesh which are still striving to achieve the national standard in terms of literacy. The needs of various sections of the society vary as per their standard of living and the resources available to them. Despite such vast differences in various aspects such as religion, language, culture, food and occupation of the Indian society, what remains unchanged is a constant need for a social security setup throughout the nation that will cater to people from various segments of the society irrespective of their socioeconomic status. India as a welfare state has surely transformed itself since independence. The idea of a welfare state is one where the
state has to shoulder the responsibility of securing socioeconomic stability of its citizen in one way or the other. The same has been incorporated in the constitution in the form of Fundamental Rights and Directive Principles of State Policy to ensure the well-being of the masses through democratic, independent and fair means. Post-independence, the nation battled a devastated economy, acute poverty and illiteracy. The economic reforms of 1991 brought sweeping changes in the economy and introduced India to globalisation and open market. This reform came into picture after an exceptionally severe balance of payments crisis occurred. It witnessed liberalisation, deregulation and privatisation as major catalysts which boosted the economic power in more than one way. The major impact of this economic reform was visible on the export and import which were unable to generate revenue due to various constraints created earlier. Prior to 1991, the imports were regulated by means of a positive list that included all the freely importable items. From 1992, imports were regulated by a limited negative list. The imports of almost all intermediate goods were made unrestricted. The influx of trade and business from all parts of world has earned India a global name in the subsequent decades. There was a growth in GDP due to the economic boost given to the production units and liberalised exports and imports. This was quiet significant for an emerging economy such as ours. However, this could not completely uplift the growth of the country at large. The prime reason behind this was the fact that within the country itself there were major challenging issues that demanded attention. On the one side, there was globalisation and expansion of exports while on the other hand, the nation was battling poverty, hunger, unemployment, poor health facilities, high infant mortality rate, frequent droughts, etc. There was no guarantee as to social security in India at that time. After almost six decades of independence, the scenario has changed and though social security doesn’t stand universalised in the Indian context, it is present in certain realms of life and that in itself is a great step ahead.

At present, social security in India is accomplished by various schemes and legislations which cover mostly the employees of the organised sector. This brings into light another facet of social security in India that unorganised sector and the unemployed people

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5 Planning Commission of India, Montek S. Ahluwalia, *India’s Economic Reforms*, (March, 1994) 4
are grossly neglected by the present schemes. So, there is no umbrella statute or action plan that aims at providing security to all, instead, the social security set up in India is run in bits and parts.

The most coveted form of aid is that of pension. It refers to the post-retirement remuneration which is made available to an employee or his/her dependent(s) in case of his/her death. The benefit of pension is extended to the employee, spouse and the children. It is availed by the employee either on superannuation or upon facing some disability. The dismissive side of this aid is that it benefits only the employees of the organised sector, for example, the employees of public units, civil servants and defence personnel. So, the pension scheme in India which is partly administered by the Employees’ Provident Fund Organization covers not even half the working population of the nation. Though it is not the sole organisation which manages the pension of the organised sector employees, but it is totally absent in case of the unorganised labourers. Another aid in the form of social security which is available to the people is in the form of a health security. For example, The Employees’ State Insurance Act, 1948 and the Maternity Benefit Act, 1961 aim at securing the well-being of the people and providing aid in times of physical distress. The Maternity Benefit Act is a major change for the working female population in India whose condition was impoverished in the early days of independence. It has been a source of great change because prior to this Act there were other Acts in force in the country. But there was no uniform implementation of such Acts. The Maternity Benefit Act has revolutionised the perception of women towards employment. It provides for 12 weeks of maternity benefit in the form of average daily wage for their actual absence due to pregnancy and delivery. A very recent step in the same direction is The Maternity Benefit (Amendment) Bill, 2016 which has not been notified yet. However, this amendment seems to be quite a promising one as it aims to increase the duration of the leave from 12 weeks to 26 weeks. But this increment in leave is not applicable to women who have two or more children. The bill also aims at providing maternity leave to the women who have adopted a child below three months of age. The concept of maternity leave has attracted women into employment and they are able to contribute at par with men. But the same is not true for the women in the unorganised sector.
who although are necessitated by their economic conditions to work have no access to any maternity benefits. They keep juggling between their priorities as a mother and as a bread earner due to the lack of any aids for maternity. The prime objective of the Employees’ State Insurance Act is to provide insurance benefits over contingencies such as sickness, maternity, death or any other form of disablement which may affect the earning ability of an employee. This, however, doesn’t mean that the entire population has access to free or subsidised healthcare facilities as the Act is applicable only to specific establishments and factories. The Act also guarantees reasonably good medical care to workers and their immediate dependants. The framework of this Act is an ideal to impart maternity care to the working women but its impact remains limited as it covers only a limited number of establishments.

In India, the most recent progress on social security has been brought about by the new trio of social security schemes simultaneously launched at 115 locations throughout the country.11 The present government has launched the schemes Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Pradhan Mantri Suraksha Bima Yojana (PMSBY) and Atal Pension Yojana (APY) keeping in view that the poor need empowerment, not aid.12 PMJJBY is an effort of the Central Government to provide life insurance cover to people within the age of 18-50 years. The account holder will be provided with a fixed annual premium and in case of death, the person will be given a fixed amount of Rs 2 lakhs. APY is a pension scheme primarily for the unorganised workforce in India. The Central Government as an initiative will contribute 50% of the total contribution or Rs. 1,000 per annum, whichever is lower, to each eligible subscriber account, for a period of five years. Thus, a pension fund will be created for the person irrespective of the work he/she is involved into. The PMSBY mainly focuses on providing accident insurance to people of age group 18 to 70. These schemes are a ray of hope mainly for the people from the unorganised sector in India who were earlier bereft of any social security. The advent of these schemes saw a whooping response that clearly pointed at the utility and necessity of such social security schemes. The number of people subscribing to these schemes crossed the count of 10 crore in a short span of one month. But no matter how efficient the social security schemes are individually, they are all

11Atmadip Ray, ‘PM NarendraModi launches 3 social security schemes’ (The Economic Times, May 9 2015)
scattered. This inconsistency in the operation of such schemes is a major loophole for the non-performance of any social security regime in India. Another possible hindrance in the success of this trio of social security schemes may be that they won’t be able to generate as much revenue as they should and this will again reflect badly upon the economy at large. A simple reason for the generation of low revenue is that when such group schemes are provided to such a large number of people, the cost of services and maintaining such huge data rises dramatically. The focus remains only on the benefits that would occur but once the schemes are launched their operational cost eclipses all the benefits earlier planned. But the benefactors being people of low-income group or with no income are unable to pay for such high-end services. A possible remedy to this can be cutting down on certain services or changing the mode in which they are made accessible to the public at large.

LEGAL MANDATE FOR SOCIAL SECURITY –

The prime utility of law is to provide justice to all and existence of equality is a precondition for the idea of justice to perforate through each and every strata of the society. Social security is one of the means to achieve this equality and justice. Social security as a backbone of social justice was envisioned long back by the framers of the Constitution. They also envisaged economic development of the nation and social security as intertwined and made constitutional provisions in the form of Directive Principles of State Policy. The Preamble itself speaks for economic justice and equality of status and opportunity. It is for this reason that social security is a subject-matter under the Concurrent List so that both the Central and State Governments can make laws for its proper implementation. The idea of social security is deep-rooted in the Constitution of India itself. It also emphasises the fact as to how vital social security is, for the integrity and growth of any economy.

The Directive Principles of State policy, though not enforceable in the courts of law, play a key role whenever any law is enacted for the nation. It may not be directly presented as a claim in a court of law but the fact that these principles must be incorporated and cherished in every law that is framed shows their fundamental presence in one form or the other when it

comes to governance. It operates as a guiding torch for the legislature so that the state can make its best endeavours to give social security to the people in the form of basic necessities of life which include food, clothing, housing, medical care and the right to social security in the event of physical and financial distress. Article 39 of the Directive Principles\(^\text{16}\) lays down that the resources available within the nation must be so distributed as best to sub serve the common good and also that the citizens must not feel forced by the economic necessity to enter avocations unsuited to their age or strength.\(^\text{17}\) It emphasises the importance of optimum use of resources within a community. The Directive Principles also focus on the right to work, to education and to public assistance.\(^\text{18}\) This highlights the interdependent nature of education and social security and that they stand inseparable with respect to economic growth of the nation. No doubt that there are limitations on the economic capacity of any state at any given point of time and subject to these limitations only the state should make social security provisions for its citizens. The right to work incorporates within itself the right to human conditions of work.\(^\text{19}\) The state’s responsibility doesn’t cease to exist if a person has a secured job, the security must exist in the real and practical sense. Provisions for maternity, permanent or temporary disablement and employment-related health hazards are the key components that actually are the essence of right to work in humane conditions. The legal framework revolving around social security in the nation also includes legislation such as The Employees’ Provident Fund & Miscellaneous Provisions Act, 1952,\(^\text{20}\) The Employees’ State Insurance Act, 1948,\(^\text{21}\) The Payment of Gratuity Act, 1972,\(^\text{22}\) The Employees’ Compensation Act, 1923,\(^\text{23}\) and The Maternity Benefit Act, 1961,\(^\text{24}\) all of which have in some way or the other addressed the issues of pension, maternity, insurance and gratuity but only with regard to the organised sector of work. The picture is disappointing if looked from the perspective of the unorganised workforce in India. A ray of hope that restored the optimism of the unorganised workforce was in 2008 when the Unorganised Workers’ Social Security Act\(^\text{25}\) was passed, which seemed to be a promising one but was unsuccessful in serving its purpose when evaluated in light of the existing issues which it was meant to address. The Act doesn’t

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\(^{16}\) Article 39 of Directive Principles of State Policy, Constitution of India.

\(^{17}\) Article 39(e), Directive Principles of State Policy, Constitution of India

\(^{18}\) Article 41, Directive Principles of State Policy, Constitution of India

\(^{19}\) Article 42, Directive Principles of State Policy, Constitution Of India

\(^{20}\) The Employees’ Provident Fund & Miscellaneous Provisions Act, 1952

\(^{21}\) The Employees’ State Insurance Act, 1948

\(^{22}\) The Payment of Gratuity Act, 1972

\(^{23}\) The Employees’ Compensation Act, 2010

\(^{24}\) The Maternity Benefit Act, 1961

\(^{25}\) Unorganised Workers' Social Security Act, 2008
touch certain key aspects too, for example, the Act\textsuperscript{26} neither defines social security as a term nor does it lay down its components. The administration of assurance through the Act also presents a dismal picture. The implementation of the Act is weak and vague. The National Social Security Board constituted under it doesn’t have powers to administer or grant any security to the workforce in the unorganised sector. All it can do is to recommend the formulation of social security schemes\textsuperscript{27} and, thus, its role is reduced to an advisory body rather than an administering body. The excruciating part of such attempts by the legislature is that though attempts have been made to provide security to the vulnerable sections of society yet they turn out to be futile due to lack of any practical benefits.

THE UNORGANISED SECTOR & SOCIAL SECURITY AS A TOOL FOR ECONOMIC GROWTH –

It was rightly said by Mahatma Gandhi that “A nation’s greatness is measured by how it treats its weakest members”. Social security symbolises the harmony and unity within a nation. It also symbolises that the dynamics of human needs are balanced by the interdependence of members within a society. The growth and development of one member reflects its effect on the progress of other individuals too. This progress is inclusive of various realms of life be it culture, politics, economy, justice or education. The socioeconomic development of a society acts as a barometer to the prosperity of a nation at large. The economic growth and development of a society and a country is deeply influenced by its social security status too. The harmonious co-existence and tranquillity in governance is one of the most important prerequisites for the growth and development of a nation, which can be attained by way of social security. Social security is not only an end result of the development, it is rather an important driving force for the economic development of a nation.

The employment structure in India can be analysed from various perspectives. The workforce within the nation can be categorised on a number of parameters. Analysing it from

\textsuperscript{26}Ibid.
\textsuperscript{27}Ministry Of Labour & Employment, Welfare Of The Unorganised Sector Workers (December 31, 2008)
the nature of work and the involvement of public or private entities and the conditions of employment, the workforce can be categorised as organised and unorganised sector. The nature of work in both these sectors can be primary, secondary or tertiary. But the remarkable dissimilarity is with respect to the conditions of work. The organised sector is characterised by regular work and regular pay. Such institutions of work are registered with the government and are bound to follow certain regulations in order to fix the terms of employment. These regulations ensure that there is job security and the employee gets medical and pension benefits due to the nature of the employment. The unorganised sector is in glaring contrast to this system. The apathy towards job security is the prime lacunae of the unorganised sector. It is further characterised by a lack of medical and pension benefits, lack of fixed wages and a complete absence of job security. The vulnerability of the unorganised workforce in India stems from the fact that there is no legal framework regulating them or bestowing any rights upon them. Lack of education and working skills shove people into this sector of work where they are exploited only for the benefit of the employer. They mostly include workers in small-scale industries, domestic helps, street vendors, farmers growing crops on their own land, rag pickers, construction workers on contractual basis and people doing a myriad of other odd jobs. The short-lived nature of work provides these people less benefits and more risks in terms of health hazards too. What adds to the economic misery of India, which although is dynamic but is unable to make optimum use of its dynamism, is the fact that the sector which contributes half the GDP and engages almost 90% of the population is the most vulnerable and socially unsecure sector even after decades of independence. The unorganised sector consists of about 82.7% of the total workforce of the nation and still remains the most unregulated and non-legalised sector of the economy as it is hardly regulated and monitored by any statute which runs uniformly throughout the nation. Out of these, three-fourth of the unorganised workforce is involved in the agricultural sector and the rest are in the non-agricultural sector. The miserable condition of the unorganised workforce is simply unjustifiable when they contribute 60% to the national economic output of the country. Due to urbanisation, there has been a shift of economic output from agriculture to other areas of work such as domestic helps and rag pickers. Though such population does not constitute a sector but their occupation came into existence due to rapid urbanisation and they

28 Ministry of Labour & Employment, Government of India, Report of labour force employment and unemployment, The Enterprises In The Unorganised Sector, (July 2016) para 1
do not have any social security with regard to their respective occupations. But what remains unchanged is that employment density is still more in the agricultural area of work. A major chunk of the population is engaged in agricultural activities. Thus, there is a condition of disguised employment where a person is employed but not as per his full employability potential. While agriculture no longer dominates the Indian economy in terms of national output, it still dominates in terms of employment. This uneven distribution of manpower in the job sectors presents a distorted figure of employment at the national level. It has also led to increasing incidences of suicides by farmers who despite the availability of land fail to make full use of it due to lack of any financial support, any working skill and absence of any technological assistance. To add to their vulnerability, they are exploited and are forced to accept remuneration much below their requirements. A similar condition prevails in other unorganised sectors of work too. The lack of any social security is the root cause behind their exploitation and non-realisation of their primary rights. The unorganised sector is essentially illiterate as it has very scarce knowledge about its rights, duties, the impact of education on their lifestyle and the transformation which education can bring to their lives. It makes them reluctant to educate their children, they rather put them to work which subsequently leads to child labour. The ill effect of illiteracy among the unorganised sector has far-reaching effects than is visible on the face of it. The lack of awareness about their rights can be socially secured only if they are given access to appropriate education and healthcare facilities. So, a common thread running through each of these unsecured areas of work is that of illiteracy. Social awareness through education has a definite link with social security and economic growth. Factors such as poverty, recession, crop failure, unemployment, poor medical facilities and post-retirement insecurity are some of the most challenging issues required to be properly redressed today. When such vulnerable groups are given education and basic facilities such as maternity benefits, pension and free or subsidised medical benefits, they become confident and self-reliant. They become assets for themselves as they are able to fulfil their own basic needs. This happens in the light of the fact that they are given support and care in times of any financial or physical distress. An economically vulnerable individual can never be an asset for himself/herself or for his/her nation. Access to such basic amenities via social security makes it promising for an individual to contribute towards the economy of the nation. Once a farmer is introduced to the technical know-how and is given a basic insurance against any kind of crop failure fully or partially, he becomes more independent.

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and progressive towards experimenting and taking calculated risks which can benefit his/her job tremendously in the long run. Providing social security to vulnerable people also ensures that they do not fall into any debt trap once they meet any misfortune. Around 250 million Indians slip into poverty if they face any health problem. So, a single health problem has the potential to put a person into the vicious trap of poverty and debt and the number of such vulnerable people is quite high. Thus, the lack of social security worsens the condition of the unorganised workforce in India. Immoral and undignified acts such as begging and human trafficking would be curbed and the manpower can be utilised to perform skilful tasks as per their abilities. The lack of any social security within the unorganised sector has made it a breeding ground for poverty, illiteracy, unemployment and post-retirement insecurity, all of which have slowed down the economic growth of the nation. So, the economy definitely reaps the benefits from the unorganised sector in the form of enhanced GDP but fails to extend social recognition and support to it. In the initial days, post-independence, this set-up worked because at that time India was a young economy. But now, when India is internationally renowned and has even conquered the space by becoming one of the Mars explorers that too in its first attempt, now it needs a robust manpower and economy to maintain its growth in various fields. The unorganised sector is still contributing to GDP with the same efficiency but the lack of any social security has made this sector financially crippled. This can be altered only by infusing fresh resources into the manpower in the form of primary and secondary education, skill-development programmes, rural healthcare schemes and employment generation.

**RECOMMENDATIONS**

Social Security is undoubtedly a means to achieve economic growth. However, it needs to be well structured in order to ensure that the benefits perforate through each and every strata of the society and eventually reach the benefactors. In a densely populated nation such as India, social security can bring about economic progress only when its implementation is robust. In the light of the research done and conclusions drawn, the following steps can greatly remedy the economic slowdown via social security:

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1. Recognising various jobs within the unorganised sector, regulating and bringing them under the purview of social security based on the nature of jobs and the risks involved. This will ensure that the unorganised sector too gets its fair share of benefits under social security schemes.

2. Setting up a social security administration at the centre, state and district levels that would monitor the implementation of social security schemes. Implementing a specific scheme for each species of job as well as unemployment and providing multiple benefits through that scheme instead of funding multiple schemes that overlap each other. The administration will help to keep the implementation process transparent without any mismanagement of resources.

3. Keeping a record of the benefits accrued and of the benefactors. Incorporating the use of advanced technology to monitor the distribution of resources and study its impact over the economic progress. This would ensure transparency and leave no room for corruption.

4. Educating and sensitising the masses about the need and benefits of social security and utilising them to achieve the desired economic goals. This will not only help the masses make optimum use of such social security but also contribute towards it.

**CONCLUSION**

The evolution of any society is possible not just by advancing in one field, there needs to be a balanced approach for development to happen. Social security when made accessible to the vulnerable sections of the society uplifts them in more than one way. It secures their health, employment, justice and dignity and all of this has an impact on the economy of the nation. If a support system is built up to guard them in times of distress, they can not only overcome the after-effects of the distress but also utilise these basic amenities to advance their economic conditions. This will lead to more educated, healthy and self-sufficient individuals contributing toward the GDP of the nation. There will be a gradual shift from quantity population to quality population. It will restore the human dignity which is lacking in many areas of work that subject the worker to inhumane conditions of work and put their life at stake. Thus, the idea of social security and economic stability are so intertwined with each other that neglect of one will lead to total evaporation of the other. It is high time that
the idea of social security is encompassed in all sectors of economy to bring a uniform progress both nationally and internationally and to excel not only financially but also socially.