CHAPTER 2: Review of Literature

The right to social security is accepted in the Universal Declaration of Human Rights and the International Covenant of Economic, Social and Cultural Rights. Nonetheless, international human rights instruments and supervisory mechanisms have remained mostly silent about its definition. The literature available in India on Social security is limited. In India and elsewhere in the world the literature on social security centers on the policy changes required and the strengthening of the administrative structures and arrangements for dispensation of benefits. The concept of social security is narrow as well as wide. Critiques, Authors, and Social Scientists are using these terms as they are without much emphasis on the definition part. According to the famous free encyclopedia from Wikipedia- Social security is a social welfare service concerned with social protection, or protection against socially recognized conditions including poverty, old age, disability, unemployment and others. Though some publications use the terms “social security” and “social protection” interchangeably. Social security is used both more narrowly (referring only to schemes with the formal title of 'social security') and more widely (referring to many kinds of social welfare schemes).

In an article entitled, “The present and future role of ILO standards in realizing the right to social security”, International Labour Office, 2007, Ursula Kulke describes that within the United Nations family, it has been left to the International Labour Organization ILO to give substance to the right to social security through international labour Convention No. 102. Despite international recognition of the Convention’s positive influence as a mechanism to help steer the progressive development of social security, it falls short of obliging minimum requirements for a basic social floor. In examining whether existing ILO standards can help states realize the universal right to at least a basic social security package, the article suggests the need for the ILO to develop new complementary mechanisms, which would also contribute to the achievement of the Millennium Development Goals and global poverty reduction. (Ursula Kulke, 2007)

Tamela D. Jerrell of Louisiana State University, USA, has presented a paper “A history of legally required employee benefits: 1900-1950” analyses the development
of major legally required employee benefits in the United States from 1900 to 1950 and highlights their profound impact on workers, employers, and society as a whole. The advancement of legally required employee benefits during this era can be viewed as reflective of significant environmental changes in nearly every respect. Business and social climates, labor concerns, and technological, political, and economic conditions evolved at a rate unsurpassed in our history. The field of management as a whole, and eventually human resource and employee benefits management, also emerged and distinguished themselves from their origins in engineering and psychology. Between 1900 and 1950 most of today’s major legally required employee benefits were developed. Businesses were faced with powerful social and political forces beyond owner’s influence. Employee’s benefits significantly grew and became entrenched in the workplace, despite no clear link between total compensation and worker satisfaction or motivation. The origin and evolution of early legally required benefits provides perspective on the prevailing status of employee benefit programs, which currently account for approximately 40 percent of total payroll. This paper explores some of the key political and social forces underlying the development of workers’ compensation insurance and two major tenets of the Social Security Act of 1935 directly related to active employment, old age insurance benefits and unemployment insurance. (Tamela D. Jerrell, USA)

A review of legal, social, and political environments provides great insight into the logic of the earliest mandatory employee benefits in the United States i.e. workers’ compensation, old age retirement, and unemployment insurance. For good reason, each of these came into being amid much debate and America’s political, economic and social structures were changed forever with their passage. The origins of these three legally required employee benefits illustrate how they set the stage for the many benefits to come.

The first half of this century saw a tremendous shift of personal welfare responsibility from the individual to governments and businesses. As the close of the century, it is indeed seeing the pendulum swing the other way. Businesses are passing more of the expense of employee benefits back to individual employees through higher deductibles, increased contributions, and other cost-sharing mechanisms. Governments, especially at the federal level, are seriously debating the desirability and effectiveness of the social state created by multi-layer benefit (whether earned or
unearned) systems. As a new century approaches, the business, social, and economic climates are much different than they were in 1950. Corporate restructuring, technological advances, and increased skill requirements are but a few of the day-to-day realities of worker life. Employee benefits are a logical area of re-evaluation as organizations become leaner. While the magnitude and long term effects of change in employee benefits are uncertain, workers and managers are sure to observe major transformations. Understanding the origins of major legally required employee benefits can help make the continued evolution of benefit structures more logical and fathomable.

*Systems of socio-economic security were introduced in Europe in the late 19th century.* These were gradually implemented in most countries during the early 20th century and consolidated after the Second World War. These programmes were established as a means of improving the well-being of the poor in general and workers in particular and to reduce inequality within society and conciliate different social demands. Thus, avoiding the social and political conflicts, this arose as capitalist forms of production evolved in the industrialised countries. Two of the most important examples were the United States' 1935 Social Security Act and the Social Security programme implemented in the U.K., summarized in the 1942 Beveridge report.

The study "Social Security Reform in Indonesia: An Analysis of the National Social Security Bill" (RUU Jamsosnas) given by Alex Arifianto, of The Smeru Research Institute Jakarta, Indonesia (2004), describes that the Indonesian social security program is currently undergoing a fundamental overhaul design to make the existing system work better for the beneficiaries and to extend social security coverage to more workers, both in the formal and informal sector. The existing scheme has not been successful in its aims to provide adequate social security benefits to beneficiaries because of its low coverage, limited benefits, and low investment returns, combined with poor governance. The government has proposed a plan to convert the current social security scheme, which is based on a provident fund system, into a compulsory social insurance system. The plan is analyzed in this study in order to examine the possible impact of the proposed scheme on the Indonesian labor market, investment flows, the government budget, and the economy in general. (Alex Arifianto, Indonesia 2004)
From this analysis, it is obvious that there are several serious flaws in the government proposal as outlined in the proposed legislation, such as the proposed scheme could worsen Indonesia's labor market and investment climate, worsen the government's budget deficits, and does not provide room for the private sector to provide social security benefits to Indonesians. Many have concluded that publicly-provided social security schemes are no longer a viable model for workers today. Instead private social security schemes would suit the health and retirement needs of today's workers better than public social security schemes. Given the many problems facing the Indonesian public pension and healthcare system today, Indonesia should seriously consider adopting private social security programs to replace the current publicly provided scheme.

Further, the scheme disregards the role of competition in providing social security benefits for Indonesians, since according to the bill, social security provision would become the sole responsibility of the government, in spite of the fact that most formal sector workers already have adequate health and retirement benefits from their employers. As a result of this monopoly, workers might lose their privately provided health and retirement coverage that might offer better benefits than the Jamsosnas scheme.

Experiences from other countries in the world (especially Europe and Latin America) that have comprehensive social security schemes for their citizens show that publicly funded social security schemes have often failed due to problems relating to demographic transition, benefit levels that were too generous, not being financially sustainable, and often, poor governance. Many of these countries (such as Chile, Mexico, Poland, the United Kingdom, Sweden, and Australia) have pursued other alternatives in providing social security for their citizens, specifically, by reforming their public social security programs.

Based on these experiences, the provision and financing of social security programs should no longer be the sole responsibility of the government. In the above countries, it has been proven that the private sector can play a positive role in providing comprehensive social security coverage for citizens. This can be achieved through improving the quality of social security services available to the public, introducing
competition in the provision of social security programs, and eventually, improving age and health indicators in these countries. Based on these facts, policy makers should revise the Jamsosnas bill significantly so that it does not create an additional burden for workers and businesses, is financially sustainable, provides adequate benefits to its participants, and promotes the involvement of the private sector in providing the social security coverage to the general public, through individual retirement and medical savings accounts schemes.

should be conducted under the three-pillar paradigm, which has been adopted in various countries, both developed and developing.

The role of the government would be limited to issuing and enforcing appropriate regulations to safeguard the workers’ social security savings and to provide publicly funded social assistance (funded through general tax revenue) to the poorest Indonesians who are no longer able to work (e.g., the elderly and the permanently disabled).

World labour report 2000: “Income security and social protection in a changing world”, published by the International labour office 279th session Geneva, focuses on income security and social protection for the workers in the developing countries. It offers a snapshot of the main problems that are being tackled, the instruments that are being used, their successes and failures and the challenges for the future. The report describes the measures of social protection that can be put in place both to alleviate poverty and to minimize the risk that, through no fault of their own, individuals fall into poverty. (World labour report 2000: “Income security and social protection in a changing world” Geneva)

The report reviews a number of key issues, some of which represent challenges to the application of the concept of social security, while others focus attention on weaknesses that limit its effectiveness. The combined effect is such that a time when in many countries social protection needs have intensified, the mechanisms for addressing them are seen by many as having fallen short of meeting their objectives. Moreover, particularly in developing countries many of those engaged in some form of gainful employment are denied access to even basic social protection and live on day to day basis on the edge of destitution. It is however important to put this into
perspective and to note, while considering the problems, the success that many schemes have enjoyed in all regions in providing income security and access to health care for millions of people. The appropriate response to the challenge faced by social security is thus to focus on these weaknesses, but to distinguish them from the concept itself, which remains valid and strong. This report provides an agenda for the development of reform initiatives that will concentrate on these issues.

The extended family, the traditional mainstay of income security for the majority of people in the developing world, is becoming smaller and more dispersed. Such developments have major implications for income security and call for policy responses in the areas of social security, social services and employment. As far as possible, the limited social security institutions to be found in developing and middle-income countries must be assisted to improve their management and administration, their benefit levels and, above all, their coverage of the population. The real problem is not demographic but economic in nature: how to ensure employment for all who are willing and able to work. One-third of the world’s labour force is either unemployed or underemployed. Since the mid-1970’s unemployment rates in the advanced economies have more than doubled and high rates have been registered in many of the developing countries for which meaningful figures are available. Ultimately, what is sought is a fusion between formal and informal social security mechanisms, which will enable social protection to be spread widely and generously across the workers. The report shows that, despite the increasing general levels of prosperity observed in most countries, many changes are taking place that are adversely affecting income security and social security as well.

An article “Public provision of social security: The challenge in South Asia” by K. Seeta Prabhu and Sandhya V.Iyer shows that the prevalence of widespread poverty and deprivation in South Asian countries points towards the need to adopt a wider concept of social security that would include both promotional and protective social security. The article advocates this view against the backdrop of the coverage and financing of existing social security programmes and points to the inadequacies of these measures attaining the objectives of higher economic growth and the eradication of poverty. A characteristic feature of current social security programmes in South Asian economies is that they are designed in a conceptual vacuum and are
implemented mainly as welfare measures. The emphasis is on promotional measures and even within that category, on poverty alleviation programmes. A balanced provision of promotional and protective social security measures is not evident in any country. Some estimates of resource requirements for providing such balanced social security suggest that the cumulative cost of essential human investment over the period 1995-2010 would be over 4-5 percent of GDP. Such allocation of resources towards the wider connotation of social security is essential for the South Asian countries to reap the benefits of the linkages between social attainments and economic growth in East Asia. (Prabhu and Iyer, 2001)

Sarthi Acharya, Director, Institute of Development Studies, Jaipur (India) in the article titled “Economic Development Deregulation and Employment Conditions: The Indian Experience” defines a social security package for all workers, irrespective of whether they work in large or small enterprises or services. It is an important step towards achieving a better deal for labour. For one, social security should be a function of the state. Its element should include limited support for those who lose work temporarily due to closer (of industry or economic activity), health insurance, small loan for making adjustments or meeting emergency needs, and pensions for those who get incapacitated due to accidents at work. Additional anti-poverty and nutrition programmes could also find place. In the year 2005-06 Indian government spends only 1.8 percent of its GDP on social security, social safety nets and social assistance, while Sri Lanka spends 4.7 percent and many developed countries spend up to 40 percent. There is therefore sufficient scope to augment the resource base for this purpose. There are a number of success stories of how decentralized a community based systems could provide extremely efficient and cost-effective services. They could provide clues for framing state policy. (Sarthi Acharya, Jaipur)

The Paper presented by Patricia Justino entitled “Social Security in Developing Countries: Myth Or Necessity? Evidence from India” at Univ. of Sussex, Falmer, Brighton (2003) analyses the importance of social security policies in developing economies, using empirical evidence from India. The paper argues that adequate social security policies can be an important endogeneous factor in the process of socio-political development and economic growth of developing economies. It discusses the viability of implementing systems of social protection in developing countries and provides an empirical analysis of the effects of socio-economic security
policies on Indian’s economic performance between 1973 and 1999, using a two-stage least square model adapted to data from a panel of 14 Indian states. The results show that policies that strengthen the social and economic security of the Indian population have been an important endogenous variable to both the reduction of poverty and the economic growth in India. (Patricia Justino 2003)

The populations of several countries worldwide still lack access to adequate levels of social protection. In 2003, less than 10 percent of the poorest countries’ population benefited from adequate social security protection. Lack of coverage affects the most vulnerable segments of the population, such as women and older people, and has major social and economic repercussions. In 2003, coverage under statutory social security schemes in low income developing countries ranged between 10 and 25 percent of the working population and their dependants. Benefits usually being linked to contributions, people who do not contribute to statutory schemes are not entitled to receive them.

The paper “Social security options for developing countries” presented at the symposium on “Poverty: New approaches to analysis and policy”, organised by the International Institute for Labour Studies, Geneva (1993) by Emeritus Prof. S. Guhan of Madras Institute of development studies, explains that the debate on social security in developing countries has emerged largely since the 1980’s, prompted by several factors. According to him developing countries cannot rely on the formal social security model alone for social security provisions. Social security in poor countries will have to be viewed as part of and fully integrated with anti-poverty policies. Prof. Guhan has taken much of the empirical material from India. India has a very large weight among developing countries in both population (about 20%) and in rural poverty (about 30%). Secondly, Indian programmes for social security provision have operated on a fairly long period, have encompassed a variety of interventions, and have attracted a considerable evaluative literature. As such, they can potentially provide models for other low income countries. (S.Guhan, 1993)

While most developed countries have succeeded in implementing comprehensive social security systems, there is a pressing need for such systems to be established in developing countries, as they constitute an important tool for the elimination of the
various forms of insecurity that are still present in these countries. It should be noted, in this respect, that social security is considered not only a fundamental means of creating social cohesion, furthering political inclusion, and developing democracy but also an important tool for the prevention and alleviation of poverty through, interalia, the enhancement of productivity. This being so, it may no longer be questioned that social security, in conjunction with a growing economy and active labour market policies, constitutes an instrument for sustainable social and economic development.

In the paper “Social security in a globalizing world”, 2007 K. P. Kannan argues for enlarging both the concept and the coverage of social security to address the twin problems of “deficiency” and “adversity” especially in developing countries. The two parts of this enlarged concept of social security are: Basic Social Security (BSS) and Contingent Social Security (CSS). To strengthen the argument, lessons have been highlighted from the historical experience of Western countries, where the State played a leading role. Having argued for the extension of BSS, the work deals with the extension of CSS. (K. P. Kannan, 2007)

It is the adversity dimension that is captured in the notion of social security to meet contingencies. Such social security arrangements are provided through the work status of individuals. This, however, takes into account only those in the formal labour market, and they constitute a majority in the developed countries and a minority in developing countries. Given the reemergence of globalization through a process of economic liberalization, there is a greater sense of vulnerability among workers and their families the world over. Globalization is a double-edged sword. Countries endowed with higher levels of technology, institutions of governance, trade and investment as well as a skilled labour force stand to benefit compared with those that are less well endowed. However, from a majority of workers’ point of view, there has been apprehension about the negative impact of globalization.

In fact a debate was initiated some time ago to broaden the concept of social security in developing countries. Dreze and Sen in their work ‘Hunger and public action’, (1989) deploy a broader concept of social security while distinguishing two different aspects, i.e. protection and promotion. The former is concerned with “the task of preventing a decline in living standards” while the latter refers to “the enhancement of
general living standards and to the expansion of basic capabilities of the population”.
(Dreze and Sen, 1989)

If the need to extend the concept of social security beyond its restricted meaning of social arrangements for meeting contingencies is accepted, a useful distinction could be made between Basic Social Security (BSS) and Contingent Social Security (CSS). In both these there could be a mixture of promotion and protection dictated by local conditions.

However, BSS primarily takes into account the dimension of deficiency while CSS primarily takes into account the dimension of adversity. Thus BSS and CSS are complementary to each other. BSS is often envisaged for citizens while CSS is provided to workers and, through them, their families. Employment related Social Security programmes are aimed at reducing contingent poverty and they are understood to be the programmes for the Organized Sector. Such a social floor is best established through recognition of the right to development as enshrined in Article 22 of the Universal Declaration of Human Rights of 1948.

Extension of social security arrangements in the sense of both BSS and CSS is thought to be greatly difficult, if not impossible, in developing countries compared with the present-day developed countries. Some scholars even argue that there is very little for the developing countries to learn from the experience of the developed countries, especially France, the United Kingdom and the United States. Both the level of development and the structure of the economies in developing countries are thought to be so different. As a result, the institutional assumption that social security schemes can be introduced for the bulk of the population, while a reasonable goal of twentieth century reformers in Western countries, has little applicability to developing countries.

This observation is hardly an isolated one but is, it could be argued, a representative one, including in scholarly discussions. However, such opinions do not take into account the long-term evolution of social security in the present-day developed Western countries or the impressive gains made by the developing countries since decolonization or the demonstration of the feasibility of both BSS and CSS arrangements in selected countries and regions despite low levels of income and a
structure of economy that has a sizeable informal component e.g. Costa Rica, Tunisia, State of Kerala in India and Sri Lanka.

In the paper "Universal age pensions in developing countries: The example of Mauritius" International Social Security Review, Dec. 2006, Larry Willmore stated that Mauritius, a small developing country has provided older residents with non-contributory age pensions called ‘Mild income tests’ since 1950. The scheme became universal in 1958. Mild income tests were reintroduced in 1965 and again in 2004. This scheme could not get popularity among the people but existence of it was restored by the government each time. Government added a mandatory, contributory tier in 1978 that does not replace the flat, non-contributory pension. Instead, it promises participants (approximately half of the labour force) an income-related benefit to top up the universal pension. (Larry Willmore, Dec. 2006,)

A report by Fred Lerisse, Donald Mmari, and Mgeni Baruani, entitled “Vulnerability and Social Protection Programmes in Tanzania”(2003) describes the extent to which major social protection and risk management programmes and strategies adopted in Tanzania have contributed in shielding the extremely vulnerable individuals, households and communities in urban and rural areas from becoming poorer. Vulnerability or the probability that an individual become poorer due to various situations is an important aspect of poverty reduction strategies. (Fred Lerisse, Donald Mmari, and Mgeni Baruani, Tanzania” 2003)

The report calls for a comprehensive documentation of different typologies of vulnerability to various forms of poverty in order to recommend policies that may respond more effectively to different forms of vulnerability. A country level participatory poverty assessment (PPA) has been carried out as part of implementation of the Poverty Monitoring Master Plan (URT, 2001). Reports from this assessment, which adopted a participatory approach, describe the most vulnerable social groups and outline the types of impoverishing forces facing the different categories of social groups who are vulnerable to poverty. In general, findings from the PPA show that the extremely vulnerable groups are likely to be members from the following social groups: children, people with disabilities, individuals carrying out high-risk jobs, elderly people, youths and women.
Among the impoverishing forces described by the reports are economic, environmental, social, cultural, health, life cycle, and governance, such as restrictive policies and regulations, poor governance and limited access to productive assets etc. Although it is recognized that a great number of social protection initiatives in terms of programmes, strategies and projects are being carried out by government as well as non-government organisations in Tanzania, there is insufficient documentation showing the effectiveness of these attempts mainly in terms of:

a) The extent to which they target the most vulnerable people.
b) Whether they are appropriate given the type of impoverishing forces.
c) Scope and timing of the risks.
d) Whether they mitigate or increase risks.

Likewise an attempt to show the policy context in which the different social protection initiatives are being carried out is yet to be made. At least twenty seven national level programmes of social security run by different institutions including three central government ministries were studied. Interviews were carried out with relevant programme officers, especially those who are directly involved in managing the social protection programmes. Where documents were available they were reviewed and supplemented the findings from the interviews. The Poverty and Human Development Report 2002, and results from the PPA are the main documents for the study as they provide ideas on the framework for analyzing vulnerability, and the identification of social groups considered to be the most vulnerable from their own perspective. Other important reference materials included reports from various social protection and risk management programmes and related studies. While evaluation of programmes with respect to achievements or impacts would have been useful sources of information, very few programmes were found to have carried out evaluations relevant to the subject of this study.

Benedicte Zimmermann in his article, “Changes in Work and Social Protection: France, Germany & Europe”, adopts a dual approach to the examination of unemployment insurance reforms in France and Germany. On one hand it looks back at the historical link between waged work and social protection which is characteristic
of both systems; on the other hand it considers the impact of the European Employment Strategy on national reforms. The historical retrospective reveals the eminently political nature of social protection and its intimate relationship with a vision of society based on a nation of wage-earners. That vision is now being called into question but the kind of alternative political project needed to breathe life into the idea of Social Europe has yet to emerge. (Benedicte Zimmermann, 2006)

Wasana Karunarathe & Ranadev Goswami in the paper ‘Social Security in Asia and the Pacific: Reforming formal social security systems in India and Sri Lanka’ analyse the formal social security systems of India and Sri Lanka. While many of the social, demographic, and economic indicators differ markedly between the two countries, the structure of the social security systems, challenges, and reform directions are quite similar. They found that provident fund organizations in both the countries are highly inefficient and need to modernize and benchmark their governance, operations, and investment policies. The dualism in their systems, which has resulted in relatively generous non-contributory pensions being provided to civil servants, also needs to be addressed. This dualism and the fiscal unsustainability of current civil service pension arrangements lend urgency to reforms in this area in the two countries. The prospects for voluntary tax-advantaged private sector schemes are encouraging, particularly in India. The conditions for reforms are more favourable now owing to hopeful signs of an end to longstanding conflict in Sri Lanka, and decade-long experience with financial sector reforms in India. (Wasana Karunarathe & Ranadev Goswami)

After analyzing various papers and studies it is clear that the issues of social security are multidimensional. While discussing at length the adequacy of the available benefits, some speak of the sustainability of the schemes and their problems of funding. The argument for coverage of entire population looks unsustainable in the views of Director General I.L.O. who feels that coverage of already better offs bears more heavily on the poorest.

Therefore, no attempt has so far been made to study the benefits available for contingent poverty in the organized sector, their adequacy, implementation programs, administrative arrangements there and the policy issues involved in developing comprehensive social security both for the organized and the unorganized put
一起。許多人的問題藏在技術用語和統計表格之後，並沒有給出一個國家政策的藍圖來實施社會保障。

Mukul G. Asher 和 Amarendra Nandy，新加坡國立大學，於 2005 年發表了一篇題為 "Reforming provident and pension fund regulation in India" 的論文。這篇論文審查了印度社會保障系統的各個組成部分，以確定其在治理和監管機構中的改革需求。它還評估了新退休系統將由提出的養老基金監管和發展機構（Pension Fund Regulatory and Development Authority）監督和監管（Asher 和 Nandy, 2005）。

該論文發現，當前的安排不足以提供足夠的激勵來實現專業主義和系統性視角，以應對印度的社會保障挑戰。緊急實施 PFRDA，並現代化相關法律和規則，將大大提高應對印度的社會保障挑戰。現代化員工養老基金組織也是必不可少的。分析建議將專業主義和系統性視角的需要應當被印度的養老基金組織放在高優先順位。論文中的分析是相當聚合和質性。這強調了需要更為強大的數據庫和更大範圍的實證證據在這一方面。

該論文將為理解改革印度的養老基金和養老金基金的治理和監管問題提供更好的認識。它還將為其他研究者識別和進行更詳細的分析提供基礎，例如如何在養老基金組織中進行國際對標，以及規避和監督成本，實現 PFRDA、銀行、保險和資本市場監管者之間的協調。

在 2003 年第四屆國際社會安全協會大會上，Mahindra University 的 Sandhya V. Iyer 提供了論文 "Old Age Protection In Urban Agglomeration Of A Developing Economy: An Intergeneration Analysis"，描述了從人類發展的視角看，傳統社會保障系統在大多數發展中國家普遍存在。這些國家的社會保障項目都是在概念虛無的背景下設計的。它們的社會保障項目，其公共部門從社會保障系統的某個特定角度來看，選擇和設計。這篇論文描述了這種代際分析的必要性，以及從人類發展的視角看，傳統社會保障系統在大多數發展中國家普遍存在。這些國家的社會保障項目都是在概念虛無的背景下設計的。
implemented as welfare measures. Social responsibility of the community to provide such social protection is tacitly present in these societies. The families continue to be the main source of traditional social security. But the budget constraint at the household level inhibits the magnitude of protection for the older population. Overall, informal social security network have failed to provide effective social security to the older population. In an era of decentralisation, the role of the community assumes greater relevance and any initiative would have to be linked to the economic and social policies formulated by the State. The State action would have to be multi-pronged approach that aims to strengthen the institutional and legal framework, reduce the gap between formal and informal sectors and extend targeted social assistance measure for socially vulnerable sections of the population. (Sandhya V. Iyer, 2003)

Many thinkers felt and perceived inadequacy of the conventional type of Social Security. Pointing out the inadequacy of the conventional type of Social Security Schemes for Developing countries, The Director General of ILO said, "Social Security Schemes in developing countries generally apply to wage earners in stable jobs in an Industrial Urban setting. Other categories of workers and especially the overwhelming majority of the working population; who live in rural areas remain uncovered. Thus the gap between the relatively well off and poor may well be increased rather than diminished by such schemes. Many schemes inherited from colonial regimes benefit those who occupy a commanding position in the power structure including the military and civil service, the prosperous and better educated in other occupations. Some assistance schemes such as family benefits are patterned on schemes in the developing countries devised for very different demographic situations. Moreover, when social protection schemes are financed by state revenue derived from indirect taxes which is sometimes the case, part of the cost of the benefits paid to the already better off bears more heavily on the poorest". (Report of Expert Committee GOI, 1999)

K. Seeta Prabhu in one of his study, “Economic Reform and Social Sector Development: A Study of Two Indian States” 2001 observed that the economic regime prevailed in the country from Independence to the early 1990s had assigned a special responsibility to the state to protect the right of the weaker sections and to
remove the impediments that prevented them from active participation in economic processes. The economic reforms initiated in 1991 did not directly call for any change in the commitment of the nation to the workers or to the government's role in translating it into concrete action. In fact the reforms emphasised the continuing role that the state should play in the field of social security, education and public health. (K. Seeta Prabhu, 2001)

According to Seeta Prabhu empirical evidence suggests that it is possible for certain forms of growth to have an adverse impact on the workers. In India, Seeta Prabhu found that the country's experience has been similar to those of the Latin American countries. Apart from an all-India analysis, the Indian experience is examined through a case study of two States, Maharashtra and Tamil Nadu. Both States have come to be noted for their social sector policies, Maharashtra for its employment guarantee scheme and Tamil Nadu for some pioneering social security measures. While these policies have been commendable for what they were intended to achieve, and did achieve their goals to some extent, Prabhu makes the significant observation that they were "in the nature of add-on components" that did not seek to alter the structural conditions in any fundamental manner. Further, in both States there had been a deceleration of social sector expenditure since 1985-86. These two factors together led to a neglect of the social sector in both the States immediately after the reforms were launched. But because these shortfalls were corrected subsequently, the final conclusion has been that "there was no substantial change in the pattern of expenditure on social sector during the period of economic reform" in the two States. Seeta Prabhu makes an effort to get closer to the ground realities by selecting a few districts within the two States and selected villages in the districts. A great deal of empirical material has been assembled, which will help understand the working of the economy at these levels. These include provisions for social security, information on income and expenditure, employment, health and education. The shortcoming of this study are, first the period studied is the first half of the 1990s when, rightly or wrongly, the emphasis was on macro economic policies to correct the balance of payments problem. The second reason is related. During a short period of three or four years, and at lower levels such as a village, a district or even a State, it is not easy to sort out the impact of the reform from other changes which would also be taking place at the same time. For instance, employment and wage increase in a village over
a period of three years. But Seeta Prabhu provides a procedure for enquiry at different levels and arrives at conditions that are likely to determine the outcome.

B.N. Som the Central Provident Fund Commissioner in 1994, expressed the view in a paper presented at a seminar on Development of Social Security programmes in developing countries that in discussing the question of extending Social Security to the entire population one was drifting from one utopian world to another confounded utopia. He pointed out that for the last decade or so and more particularly during the last three or four years the Social Security system all over the world was under great strain. The ILO was consulting the World Bank and the I.M.F about the future of Social Security. The message from these international organizations was that whatever schemes were introduced, they should be affordable and sustainable with reference to the capacity of the national economy. Moreover, a situation had arisen where the entire concept of Social Security as well as the programmes called for a serious review. It was paradoxical that in this situation one should be discussing the question of extending Social Security to whole population. According to B.N. Som, most of the discussions about the future of Social Security revolve around the financial troubles that Social Security Schemes are suffering all over the world from the decade of 70s. While the social security practitioners think that social security for the entire population is something that should be thought of more cautiously considering the burden on the national economies and the burden on the poorer sections of the society.

On the possibilities of extending Social Security to entire population B.S. Ramaswamy had highlighted two main problems in the administration of Social Security programmes in India. First there was inadequate appreciation of the nature of social insurance on the part of the beneficiaries and to a certain extent on the part of the administrators. There was a tendency to equate the insurance schemes with provident fund schemes and to expect the refund of or a return on the contributions made in respect of the insurance schemes. Second, the functional responsibility for providing medical care to the insured persons and their families was with the State Governments in addition to their own schemes. The result was inadequacy of doctors, non-maintenance of equipment and non-availability of medicines and in short total dissatisfaction on the part of the beneficiaries. Ramaswamy's concern was mainly of
inadequacy of medical benefit administration. It does not go beyond this area of social security. His understanding of social insurance appears to be requiring comprehension for it does not speak of components of social insurance and the difference between the institutions of provident fund.

Ms. Lynn Villa Corta in her paper titled social protection in Asia and the pacific says, "Some Social Security institutions particularly in developing countries had been marked for bad management, lack of modern techniques, training and other deficiencies which resulted in complaints from the beneficiaries. In some regions Social Security had acquired a bad name because of these deficiencies." Ms. Corta has seen the social security situation from the angle of the administration. Her paper, however, does not suggest any social security policy to extend the benefits to the large majority of the uncovered lot. Her paper speaks of modernization of existing administration.

According to Dr. Amartya Sen and Jean Dreze "The basic idea of Social Security is to use social means to prevent deprivation and vulnerability to deprivation". They say that the focus of the social security is to enhance and protect people’s capabilities to be adequately nourished, to be comfortably clothed, to avoid escapable morbidity and preventable mortality. The average experience of poorer populations understates the precarious nature of their existence, since a certain proportion of them undergo severe and often sudden dispossession, and the threat of such a thing happening is ever present in the lives of many more. (Dreze, Jean and Amartya Sen, 1991)

If we consider this view, the earlier views need to be adequately answered in the interests of larger population becoming deprived of a decent standard of living and the governments need to be suggested policies and strategies to program the schemes that address the issues of all affected by inadequate arrangements of social security.

In an Inaugural address, at an International Conference on "Social Security Policy: Challenges before India and South Asia" held on 1st November 1999 Shri K.C. Pant, the then Deputy Chairman, Planning Commission said, “Social Security is one of the important dimensions of the development process. It assumes a place of special significance in the developing countries, where poverty, destitution and income
inequalities abound in large measure. While growth is an important precondition for expanding the scope of social security, no less important is the need for adopting special social security policies". Professor Pant, however, has not stated any thing specifically about the old age pension or provident funds for the industrial workers. Neither has he recommended any organizational set up for the delivery of benefits of social security.

In the book "Reforms, Labour Markets, and Social Security in India," Ramgopal Agarwala, Nagesh Kumar and Michelle Riboud explains that Social Security policy reforms have attracted increasing attention over the past decade in the context of the process of industrial restructuring involving mergers and acquisitions, privatization, closure of sick enterprises associated with economic reforms that have led to displacement of a growing number of workers. Furthermore, with social security programmes covering only 10 percent of the work force, for a large part of the population, depriviation in the form of inadequate income, ill-health and malnutrition is not a contingency to be guarded against, but a continuing certainty of life. Extending the coverage to the rest of the 90 percent of the workforce that is part of the informal sector is a major challenge for the reforms. The contributions to the book examine some of the issues in the context of India with a view to contribute to the ongoing process of economic reforms. The labour market trends resulting from the reforms and the liberalization process are analysed in the context of their implication for social security and safety nets. Conceptual issues concerning the reform of pension systems in India are examined. The book also reflects on old age security in the unorganized sector.

The authors contend that the existing social security policies for the formal sector cannot simply be extended to the informal one. They highlight the need for an alternative for this vulnerable segment of the workforce. The essays draw upon relevant experiences of developed as well as developing countries in this area to support the arguments.

It stresses the need for a unique social security system designed specifically for India. Cautioning against mere import of existing systems from other countries, in the Indian framework, the contributors suggest several alternatives for policy-makers.

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Prof. P. Madhava Rao, in his paper “Social Security Administration in India: A Study of Provident Funds and Pension Scheme”, November 2007, acknowledged that social security is becoming a distinct part of the social policy of India. Successive governments in India have promised many a benefit to all those in need of social security. Many programs of Social Security have come and gone. The Employees Provident Fund Organisation which is the largest Social Security organization in terms of its coverage for Old Age income and survivor benefit programmers for the industrial workers has covered over 30 Million people working in the business houses in India. Nevertheless, coverage of total population, at least total working population, has been the demand of the social security thinkers and economists in the liberalized economy of India. Responding to the need of covering entire workforce in a viable and feasible and looking for options of such programs, it is felt that the administrative arrangements currently available for old age income and survivor benefits programs should be reviewed and remedial measures suggested before suggesting any additional programs. Thus, the paper examined the Social Security Administration in India with special reference to Provident Funds and Pensions and the feasibility of covering entire working population including workers in the informal sector, and suggested restructuring the administration. (Madhava Rao, Nov.2007,)

K.M. Naidu in his book, ‘Social Security of Labour in India and Economic Reforms’ analysed the social security for workers in the post reform period. According to Naidu social security measures for labour have become relevant in India after the implementation of economic reforms. The first part of the decade of reforms has not given the required focus on this problem, though amounts have been set apart in every budget. There is a decline in the allocations made for social security in general and labour in particular. The second half showed increased allocation, but the amounts were found to be insufficient. As human face of economic reforms began to be slowly seen as severely adverse to labour, with losing of jobs, fall in employment, low allocation (in percentages) to social security of labour, researchers began to study the issues of social security of labour in detail and brought out conclusions which are quite unfavourable and depressed to labour. (K.M. Naidu,2003)

He analysed critically the declining trend observed in employment, poverty, education, health, housing, food and nutrition as well reduced government allocation
to social security of labour. Organised employment got reduced and hence unorganised sector employment grew to 93 percent of total employment. The book articulates effectively for the removal of deprivation and vulnerability of labour to make them live a comfortable life with assured security.

Dr. Gupta Ramesh has evaluated three government reports namely, OASIS, IRDA and Bhattacharya in an article, “Pension Reforms in India: Myth, Reality and Policy Choices”. These government reports have so far examined the issue and suggested several measures to provide a safety net to the employees and the aging population. Dr. Gupta has observed that escalating costs of the pension system is forcing the Indian Government to reevaluate the formal programmes that provide social security to employees. He has examined the recommendations made in these reports and analysed the potential effects of them. He raised five policy questions likewise:

1. Should the reformed system create individual (funded defined-contribution) accounts, or should it remain a single collective fund with a defined-benefit formula? The changeover involves a larger public policy choice issue: who should ultimately bear the risk? Should employees/retirees shoulder those risks alone arising from variations in asset yields and unexpected changes in longevity, or should these risks be shared more broadly across participants, if not society? Choice would depend upon to which group the individual belongs. Financially successful people may believe in individual ownership and choice, while low wage earners may want assured returns because they do not have other resources to fall back upon. Unfortunately most Indians, unlike those in many other countries, are in the latter category which cannot bear any risk, more so in the old age.

2. If individual accounts are adopted, should the reformed system move toward private and decentralized collection of contributions, management of investments, and payment of annuities, or should these functions be administered by a public agency? In privately managed funds, associated problems would be intermediation costs, agency problem (principal-agent fiduciary relationship), and greatly increased costs to administer the plan. Several studies across the world have shown that periodic fee may look deceptively low but, over longer time horizons, the cumulative effect can be dramatic, sometimes reducing the benefits by 30 to 50 percent.

3. Should fund managers of retirement savings be allowed to invest in a diversified portfolio that includes stocks and private bonds? In recent years equity investments,
particularly index investing, have become a favoured strategy. Index funds are subject to tracking error, and being loaded with few big stocks, there are much higher risks in index investing than people perceive. Over the period, real annual return on index funds may be more, but people retire only once. Equity markets are highly volatile and go through long periods of feasts and famine. Guarantees would have to be provided in the form of minimum return or providing minimum basic pension on retirement. World Bank studies show that government ends up acquiring conjectural liabilities wherever a pension system based on private providers is mandated. How would that be different from the present system where a government agency (EPFO) provides retirement benefits?

4. Should the government move toward advance funding of its pension obligations for its employees, or should these obligations continue to be financed on pay-as-you-go basis? Studies have shown that a simultaneous implementation of funded, diversified, individual accounts is not a "free lunch" once you properly account for existing unfounded obligations and risk. The Bhattacharya Committee's estimates show that the government would have to pay out more on account of pensions to its employees for the next 38 years before the new scheme starts showing reduced government expenditure. These amounts do not include the tax foregone by the government on the employee's contribution. Several assumptions have been made about the scheme, which the committee hopes would remain valid and that the future governments would behave responsibly. The proposed scheme does not consider intermediation costs and agency risks; in fact, the committee presumes that agents would behave more responsibly than principals.

5. What should be the level of government fiscal support in the form of tax subsidy, foregone tax collections, grants, administrative costs incurred by its agencies, and level of assumed contingent liabilities in case the government guarantees minimum pension? The crucial question is: how much and to whom is this subsidy accruing? Are beneficiaries of the proposed system the ones who need subsidy? Tax treatment of pension is a critical policy choice. A generous tax treatment may promote savings but may be costly in terms of revenue foregone. Apparently, an exercise in balancing is necessary. The priority should, therefore, be putting in place a policy vision and road map with specific goals in relation to pre-determined milestones. These should include a tax financed and means-tested system for lower income groups. If government cannot afford it, then it has no moral or political justification to even
consider providing further tax benefits to privileged income groups. If there are no
government funds for the first pillar in the World Bank recommended multipillar
system, the third pillar should remain out of policy discussions. Emphasis should be
on strengthening the second pillar. Suggested reforms neither enhance efficiency nor
make the social security system more equitable. It would only privatize the gains
while costs and risk for the government would increase considerably. It would only
help well-off segment of society in availing more tax concessions. Present problem in
the government pension system is due to successive governments behaving like Santa
Clauses ignoring the cost to exchequer. Fund managers would not be able to solve
these problems. Specific fiscal and other measures for implementing a feasible and
viable pension system in Indian conditions have also been suggested in the paper.

The studies conducted by ILO in India have found that the availability of contingent
social security in India is extremely skewed in favor of public employees and workers
in the organized sector who constitute even less than 10 percent of the workforce. In
the organized private sector employment, formal social security schemes suffer from
shortcomings in coverage, access, and efficient delivery. They also largely leave out
casual or contract employees who fall outside the purview of the organized private
sector and who are nearly three times the number of the employees within this sector.

B.N. Rajhans, the General Secretary of Hind Mazdoor Sabha in his paper on social
security for the workers states, “The workers are compensated very poorly for the
efforts they put into add the national wealth. There is a dire need to improve their
compensation and provide them a cover of social security benefits”. Rajhans
however, does not speak of old age pension and its funding aspects in his paper. The
old age pension is the only ultimate technique of social security for it addresses
economic problems of a person’s life during the evening years of life.

Prof. Indira Hirway went to the extent of saying that one important question, however,
is regarding integration of poverty issues in these programmes. It will be useful,
therefore, to examine the present set of social security programs from this point of
view. It is recognized that social security measures are an essential component of anti
poverty programs as:

a) The poverty of the population in the bottom-most deciles, which is mainly due to
destitution, can be eased only by appropriate social assistance schemes.

b) The poverty of the underemployed also can be eradicated by guarantee of work, and
c) The poor can be supported in vulnerable situations (i.e. old age, sickness, and death)

and protected from exploiters through appropriate social security measures. In other
words it is an income guarantee or income security to the labour force. (Indira
Hirway, 1985)

On the other hand, Professor Mahendra Dev says that the social security programs
would be successful only when utilization of funds is proper and which is possible
with the improvements in the literary standards of the population. In his own words, it
is true that there is a need for increase in social expenditure for a poor country like
India. Nevertheless, merely increasing funds is not enough if our aim is to reach the
poor effectively. Between allocation of funds and effective utilization of the existing
funds, more weightage should be given to the latter. Education for the poor seems to
be a crucial parameter for the success of social security programs in India.
(S.Mahendradev, 1996)

H.C. Mehata, the then Secretary of Life Insurance Corporation of India, proposes a
corporation for social security on the lines of LIC. Mehata does not go beyond the
levels of the Life Insurance Corporation of India. The Life insurance corporations of
India although takes care of post-retirement needs of the population or the benefits of
the survivors of the deceased insurer this type of security is based on the individual
savings and government intervention is not required and neither is there any social
responsibility cast among the insurers directly. Insurance growth is directly
proportional to the salesmanship of the agents who are also equally interested in their
commission more than on the social security products. (H.C.Mehata, 1994)

It further says, the workers in the organized sector are regarded as socially protected
and those in the unorganized sector as socially unprotected. The socially un-protected
workers tend to be poor and constitute a high priority target group for social policy and action. (The General Secretariat of the Social security Association of India-1994)

The International Labour Organization has conducted several projects in India on various issues of importance. The Project Director says that the challenge for many developing countries is to design social security schemes for informal sector workers that are effective in protecting against poverty, and that at the same time promote productivity and employment. Workers are generally willing to contribute to social insurance if they feel that they get value for money, if the benefits correspond to their priority needs and if the system that administers the benefits is trustworthy. If these three conditions are fulfilled and workers contribute wholeheartedly to social security systems, there is no problem with labour costs, employment or productivity. With regard to social assistance, the issue is more political and has to do with the overall willingness of society to show solidarity to those who are in most cases unemployable, such as old-age pensioners, widows and incapacitated people”.

(W.V.Ginnekan, 1997)

Patric Heller in his study of workers situation in Kerala, India has observed, while overly vague and even somewhat arbitrary, the organized/unorganized dichotomy does capture the fundamental distinction of the dualistic character of labor markets in the developing world. The organized sector is characterized by the contractual relations of a class-based social organization of production, closely linked with the development of the modern state. Workers in this sector enjoy legal protections and institutional conditions that are favorable to collective action. (Patric Heller, 1999)

Much before India achieved independence, the popularly known ‘Rege Committee’ Of 1944, which was asked to investigate the question of wages and earning, employment, housing and social conditions generally, made a survey of labour problems in different industries. The committee covered, interalia, the question of relief in case of old age and death in relation to retired benefits such as provident fund, gratuity and pension. The committee observed, “The whole problem of provision against old age or death of breadwinners legitimately falls within the sphere of social security, and it is a matter for consideration whether either the initiation of management of scheme of provident fund, gratuity and pension should be left to employers themselves. Of course, so long as there are no schemes of social security
introduced in a particular industry or area, the existing private scheme of provident fund, etc. should be allowed to continue under the management of the employer. The existing schemes in this connection do not appear to be very liberal. The absence of social security measures like provident funds, gratuities and pension in most concerns has largely contributed to the migratory character of Indian labour and is one of the most important causes of the large labour turnover in the factories. Though some of the big employers have instituted tolerably good schemes, the number of such cases and pensions are rather rare. A few employers have instituted gratuity and pension scheme. The amount of gratuity generally amounts to half a month’s wages for every completed year of service put in. In almost all the cases the gratuity is payable only to deserving workers of proven good behavior, the sole judge of the deservedness being the employer himself. Hence, there is always scope for discrimination and the trade unions bitterly complain that their members are discriminated against. The rate of gratuity is progressively reduced if the period of service is less than 20 years.

After examining the above facts the committee concluded "Our investigation shows that only a few enlightened employers in the country have made some provision for safeguarding the future of their operations when they retire, and of their dependents when they die, by way of either provident fund or gratuity scheme. The large bulk of industrial workers, however, remain uncovered and it is distressing that a worker who has toiled for 20 to 30 years in a factory should become destitute in his old age. We think that just as employees of governments and of local bodies have something to fall back upon during old age, so also industrial labourers should be protected by a similar provision requiring employers to have pension schemes. The incidence of death is probably much more serious in this country than the incidence of old age in view of the low expectation of life.

There is little or no provision against the contingency of the premature death of the breadwinner. As the average industrial worker is too poor to insure his life with commercial companies and as such insurance is not always technically profitable, this field may best be reserved for state insurance of some kind."

This committee has made some meaningful observations, which ultimately lead enactment of current legislations like Employees Provident Fund Scheme, which has a limited application of coverage of only the employees in the selected industrial and
other establishments. The main purpose of our study is the study of the administration of the provident fund and pension schemes only. The organization although grown vertically and horizontally, is under utter criticism on its approachability and it’s out reach to the targeted population.

It can be seen from the foregoing literature reviewed, (excepting some of the observations of the Rege Committee) that the thinkers and writers on the social security have conveniently forgotten to suggest a national policy of social security to the government, which takes care of the millions of the working population. The glaring gaps in the available literature are:

a) The literature does not clearly state any national policy for the Social Security.
b) There is no comprehensive study available on the existing schemes of social security.
c) The adequacy of the available benefits has nowhere been discussed.
d) The organizational setup to extend the social security for the entire working population has nowhere been suggested.
e) Neither are there any recommendations and proposals to strengthen the current administrative arrangements.
f) Even for the Unorganized sector too there is no working solution given.
g) Only the Rege Committee made some meaningful suggestions, which of course lead to the establishment of the schemes like employees provident fund. However, the recommendations of the committee have not been paid full attention for the reasons not clearly known.

The literature so far reviewed however, does not go in to the details of the functioning of the organizations established for the delivery of Social Security Benefits for attacking contingent poverty. There are several stray comments on the efficiencies of the organizations but empirical approach to examining the shortfalls is not seen. Some writers like Prof. Mukul Asher and P.S.Srinivas have only commented on the investment patterns in practice in the Employees Provident Fund Organization without going into the details of the mandate before such organizations and their
social responsibility. There are many recommendations on extending the benefits to a large number of the unprotected working class. Ironically none of the above recommendations have seen the light of the day nor do we find any road map to approach the unprotected and uncovered lot. Concrete suggestions to improve the administrative arrangements are also not seen in the literature reviewed.

However, we can infer from the literature that the reforms to social security systems in India are an urgent need in terms of their administration, benefit delivery, coverage of target population and sustainability of funding. We therefore, try to examine the programs to arrive at some policy conclusions addressing the objectives of social security, with special reference to provident funds and pension, keeping in view the limitations to review all other programs.