Corporate Capitalism in the Name of Social Security

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The many schemes that have been announced in the name of social security are limited in scope and the quantum of security they prefer. The promotional schemes will also be linked to the market and will benefit the insurance companies. In the meanwhile, basic social security programmes are either ignored or provided limited funding.

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The finance minister, while delivering his budget speech, spent several minutes reading out his proposals for the many schemes that he referred to as social security, in contrast to the few seconds he spent on the reduction in the corporate tax rate from 30% to 25%. But the revenue loss from the cut in customs duty could work out to several times the amount he intends, if at all, to spend on social security. But the devil is certainly in the detail and a quick examination would show the extremely limited benefits and coverage of the new initiatives. The running theme of the budget speech was the strengthening of corporate capitalism into which Arun Jaitley also sought to weave the social security proposals. What do all the proposals add up to? In my view, not much, especially if one views social security as consisting of measures that are both promotional (to fill deficiencies in basic needs) as well as protective (to take care of contingencies and eventualities).

Let us first examine the implications of what has been announced. These can be divided into three groups: (i) insurance cover for life, (ii) a new pension scheme and options in existing provident fund and state insurance, and (iii) selective tax concessions for healthcare expenditure.

What Is 'Social' about the New Schemes?

The first group — insurance cover for life — is theoretically universal, that is to say, anyone can join the scheme. Insurance for life has been split into schemes in the event of only an accident and that for accidental death. The Pradhan Mantri Suraksha Bima Yojana is for "accidental death" only and not for accidents. Subscribers will be eligible for an insured sum of Rs 2 lakh by paying a premium of Rs 12. The catch here is "accidental death," the probability of which among the general population is extremely low, as any actuarial exercise would show. The attraction for insurance companies is the law of large numbers and the possibility of mopping up significant financial resources with a low premium.

The finance minister has been careful not to restrict the scheme to public sector insurance companies, which could have been interpreted as generating loanable funds for the government. Ideally, such a restriction could have led to the funds collected being utilised for welfare/social security schemes for the poor and vulnerable. Note that there is no financial burden here on the Government of India. The other scheme is for "natural or accidental death" with an insured sum of Rs 2 lakh and Rs 330 as the annual premium. But the catch here is that it is restricted to the age group of 18–50 years. Here again there is no mention of any government contribution. In fact, these two schemes could have been floated by any insurance company as part of their portfolio of products. Of course, the government can restrict subscription to these two government-sponsored products but there is nothing that prevents insurance companies from floating similar products. There is no socialisation of costs of these schemes and hence people are left wondering what is social about these social security schemes.

The second group of proposals includes a new pension scheme called the Atal Pension Yojana which will provide a "defined pension, depending on the contribution, and its period." That sounds quite broad in scope and insurance companies are in any case free to float any number of schemes as they want to. But there is a catch in order to make it attractive as a central government-sponsored scheme. The Government of India will pay 50% or a maximum of Rs 1,000 per year as premium for the first five years, provided the enrolment is before 31 December 2015. You have 10 months to rush to register under this scheme if you want to avail of the government's incentive of getting a portion of the premium for the next five years. One will have to wait to get to know the

agency that is to implement the scheme. Anyone can take advantage of the scheme and hence it is universal. To the extent it is government-sponsored and incentivised, the mutual funds market can get some boost for their activities. For the better-off sections, this is hardly attractive. Obviously it is meant for those who do not have a pension and that category is of the poor and vulnerable workers in the informal sector. In 2012 this worked out to roughly 330 million. But there is a most-poor category that is currently entitled to a social pension under the National Social Assistance Programme (NSAP) of the central government. Some of them are receiving this in the form of a pittance of Rs 200 (fixed in 2006) per month but this increases to Rs 500 if the aged poor person manages to reach 80! A task force of the Ministry of Rural Development submitted a report in 2013 arguing for increasing this to Rs 300 (which would be just about the real value of Rs 200 at 2006 prices)[1] rejecting the suggestion of a minority of members to raise it to Rs 1,000 based on the official poverty line. Even this adjustment for inflation was not accepted by the United Progressive Alliance-II (UPA-II) government on the specious ground of a fund crunch.

It is important to remind ourselves that this national social pension, along with other two schemes under the NSAP, is a legal entitlement that is included in Schedule 1 of the Unorganised Workers' Social Security Act (UWSSA) of 2008. The finance minister of the National Democratic Alliance government has exercised his option to ignore this act, let alone protect the real value of various entitlements under the act. It would be too much to expect the current dispensation to strengthen or expand the entitlements by way of any meaningful social security to the working poor.

Enhancing Risk

The initiatives in the name of giving more options to subscribers to the Employees Provident Fund (EPF) and Employee State Insurance Corporation (ESIC) are steps in the direction of slowly dismantling these low-risk and statutorily protected schemes in favour of further expanding the equity as well as insurance markets. By giving employees the option of either continuing in the EPF or subscribing to the New Pension Scheme (NPS), the idea is to attract them to the latter which is linked to investments in the capital market. There is also a tax incentive for subscription to the NPS. In reality, the choice is between a more or less assured return or service and a market-determined fluctuating return, exposing the vast number of members from worker- and middle-class households to the lure (and volatility) of the capital market. By giving ESI members an option to exit by choosing a health insurance product, the idea again is to boost the health insurance market and consequently further commoditise healthcare. By making the EPF contribution optional to employees below a certain threshold (not yet specified), what is being done is to reduce their future social security rather than strengthen it. This should be read along with the recent relaxation of labour laws, including abolition of inspections of enterprises employing up to 40 persons. A generalised environment of no government interventions and low direct and employment-based social security payments are suggested as the hallmark for the new "Make in India" initiative.

Tinkering at the Margin

There is a third set of measures that is intended to protect healthcare expenditure from taxation of those Indians who have sufficient income to pay not only income tax but also earn large enough incomes to benefit from concessions. These relate to (a) deduction from income for expenses up to Rs 25,000 with a higher limit of Rs 30,000 for those above 80 years, (b) enhancement of exemption limit from Rs 60,000 to 80,000 for specified diseases in the case of very senior citizens (presumably above 80 years), (c) additional deduction of up to Rs 25,000 for differently abled persons, (d) enhancement of deduction limit from Rs 1 to 1.5 lakh to the National Pension Fund and NPS, (e) additional deduction of up to Rs 50,000 for contribution to the NPS, and (f) increase in transport allowance and service tax exemption for senior citizens on the Varishtha Pension Bima Yojana.

These details can give the impression of an array of concessions being provided. But here again the devil is in the detail. Take, for example, the concessions to the very senior citizens, that is, those 80 years and above. The potential beneficiaries are going to be those in this age group among the income tax payers and earning sufficiently high income so as to benefit from these exemptions. The proportion of population of 80 years and above in the adult population was 1.35% according to the 2011 Census. If this is applied to the total number of those filing tax returns of around 36 million, the potential beneficiaries would be around 4.9 lakh. Not all of them would be in the higher tax brackets so as to benefit from these incentives. One might say "much ado about a few little things." But the social dimension of this social security incentive, if one may call it as such, is that it goes to a tiny percentage of the betteroff sections of society.

The finance minister also made a statement of intention that he proposes to create a Senior Citizen Welfare Fund by appropriating the unclaimed deposits of around Rs 9,000 crore in the Public Provident Fund and EPF which will be used to subsidise the premiums of "vulnerable groups such as old age pensioners, BPL card-holders, small and marginal farmers and others." Since no details are given, there is no clarity at this stage as to the likely coverage or the amount of benefit by way of social security.

Some Small Benefits

There was no mention in the budget speech about whether these new schemes would constitute legal entitlements as in the Rashtriya Swasthya Bima Yojana (RSBY) that followed from the UWSSA 2008. In the absence of any explicit commitment, one should assume these to be government schemes that can be terminated at will. There is also no reference as to how these schemes gel with the legal entitlements such as the RSBY and the life insurance for the common man (Aam Aadmi Bima Yojana)

and other schemes that are included in Schedule 1 of the UWSS Act of 2008. In fact, the tradition of announcing a plethora of small and fragmented schemes continues.

A historic opportunity to create a national minimum social security for the unorganised workers was wasted by the two UPA governments. Although the UPA-1 government constituted the National Commission for Enterprises in the Unorganised Sector which not only recommended a comprehensive scheme but also gave a detailed blueprint and a draft bill for a National Minimum Social Security (NCEUS 2006), the neo-liberal power centres, especially those at the helm of the Ministry of Finance and Planning Commission, distorted the recommendations and came out with what became the UWSS Act that provided for a list of schemes, some defunct and some intended for specific groups, that could be changed from time to time. One notable new scheme was the RSBY that was enthusiastically received by the state governments but the entitlement was on the basis of the worker's poverty status and not her status as an unorganised or informal worker. Subsequently, some specified groups of informal workers were added, making the act a hotchpotch one, leaving sufficient room for future tampering, including addition and deletion (for a detailed account see, Kannan 2014: Ch 6). This was in sharp contrast to the National Rural Employment Guarantee Act of 2005 (later renamed as the Mahatma Gandhi-NREGA) with its self-selection and limited but clear entitlement in terms of employment and wages in rural areas.

Retreat from Basic Social Security

As we mentioned earlier, contingent social security will not make much sense if the basic social security system is weak and brittle as is still the case in the country. Despite its clear and well-defined entitlement, MGNREGA gets a budget provision of Rs 34,699 crore for 2015–16 which is just 2.1% above the allocation in 2014–15 in nominal terms. That is to say, a reduction of around 3% to 4% in real terms. The highest budget allocation for the MGNREGS was during 2010–11 and 2011–12 when it was given Rs 40,000 crore each year and there was an expenditure ratio of 98.5% and 93.8%, respectively. The reduction in real terms of the budget allocation this year for this much-needed national rural employment programme is therefore well below its peak three years ago. In fact, restricting the scope of this scheme through expenditure control has been a fine art practised by the finance minister in the last UPA government as well. This is eloquently revealed when one finds that around 19% of rural households reported "seeking work under the MGNREGA but not getting it" during 2009–10 as well as 2011–12, i e, according to the 66th and 68th rounds of the National Sample Survey.

The other crucial social security is that to be provided by Food Security Act 2013 which is yet to be fully implemented. There was much apprehension that the original intention of covering 67% of the households might be considerably reduced following the recommendations of the Shantakumar Committee on food procurement and storage. The finance minister's silence might be the result of the resounding voice of the people that came through the Delhi elections in February. But it looks like that another struggle will have to be launched to secure the Food Security Act.

The overwhelming message is that the central government is on a course reversal as far as basic social security provisioning is concerned. Its plans for providing some small and discreet contingent social security will clearly be linked to market-based solutions. All these will be a further boost to the process of what may be called predatory capitalism, led by the private corporate sector and protected by the state.

NOTE

1 As a non-official member of this Task Force, this author recommended Rs 1,000 per month based on the expenditure required to keep a poor citizen just above the officially defined poverty line in 2013. The other suggestion, made by Harsh Mander, was to pay either Rs 690 per month in 2013 that would be equivalent to the total pension of Rs 400 per month (Rs 200 from the central government and an expected equal amount from the state government) at 2006 prices or Rs 1,320 per month that would be equivalent to 10 days of a normatively worked-out minimum wages for a family. There are other recommendations relating to the revision of entitlements under the National Family Benefit Scheme. For details, see Government of India (2013).

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