

EMPLOYMENT AND SOCIAL SECURITY

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I. URBANIZATION AND ITS IMPLICATIONS

Urban life has now come to be regarded as the dynamic basis for most of the activities and processes associated with modernity and economic progress. Industrialisation has committed mankind to this new form of human settlement and we have to adjust ourselves to it. The entire world is rapidly becoming urbanised and experts of urban development are of the view that if the present process continues, the majority of the world population will live in cities or metropolitan areas of more than 1,00,000 at the end of this century. It is interesting to note that half of the world's largest cities today are located in the developing countries.¹ About 80 million (18% of total population) of Indians live in towns and cities numbering 2,699 as against 360 million living in villages numbering 5,66,878.² There has been a steady shift towards urbanization.³ According to a latest *Sample Census conducted in 1966*, the total population in India on July 1, 1966 was about 495 million, out of which 400 million were living in the rural areas and 95 million in the urban areas. The population has thus increased by 11.07% in the rural areas and 20.15% in the urban areas, as compared to 1961.⁴ Urbanization would continue to grow in India in the coming years and it is estimated that about 80 million people will be added to our urban population within two decades.⁵

Traditional societies like ours, engaged in transforming themselves into modern nations will, therefore, have to visualise the development of modern urban societies and metropolitan areas and give conscious direction to this growth through sound planning. Our success in achieving a sustained economic growth would greatly depend on minimising the birth pangs of the industrial society and in avoiding the social costs involved in the process of economic development.

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1. Wolf Von Eckardt, "The Crisis and Promise of the American City," *Span*, Vol. VIII, No. II, 16 at 20 (November, 1967).
2. *India—A Reference Annual*, p. 21 (1966) (Government of India Publication).
3. *Ibid.* Table 16 at page 21 gives valuable comparative figures on rural and urban population from 1921 to 1961.
4. "The Hindustan Times," December 21, 1967. The Census was carried out by the Registrar General in collaboration with statistical bureau of the State Governments and State Census Superintendents.
5. *Fourth Five-Year Plan: Draft Outline*, p. 355 (Government of India—Planning Commission, 1966).

It is, however, the irony of human fate that every newly gained advantage brings with it unsuspected disadvantages. Urbanization brings with it the "crisis of the city" and is fraught with profound disruptive tendencies creating bewildering problems of public policy. Rapid urban sprawl is apt to bifurcate the social system into two water-tight compartments—the modern urban elites and the traditional village folk. The compact and intimate life of the old village is now face to face with a highly impersonal life of an urbanised society causing deep personal insecurities and psychological tensions which, if left unchecked, can have grave political implications and spell instability and disaster. Full appreciations of the dynamics of the urbanization process and of the character and motivations of the people as they are inducted into the new settings is essential for formulating sound policies.⁶ The problems involved are those pertaining to public administration, the need to provide social services for crowded populations and a sense of participation in the larger polity.

Since this paper is concerned with "Employment and Social Security," the discussion would raise and attempt to answer such questions as : What is the nature, type and magnitude of the problem of unemployment and under-employment in India ? What is the impact of urbanization on this problem ? What measures, including social security, our society has adopted to meet this challenge and with what results ? Where does social security exist in the scale of priorities in our developmental planning ? What could be a proper solution to the problem of unemployment ?

II UNEMPLOYMENT—ITS MAGNITUDE AND TYPES

The problem of unemployment in India is vast. Large numbers of people are unemployed and much larger numbers underemployed. A correct assessment of the magnitude of the problem in quantitative terms with the existing data on the subject is very difficult. The Labour and Employment Minister of India informed the Parliament on December 4, 1967, that the number of unemployed on the "live" registers of employment

6. Lucian W. Pye in his study "The Political Implications of Urbanization and the Development Process, 8 *American Review* 56 (1963) distinguishes, for purposes of analysis and policy planning, three distinctive Patterns of urban growth common to developing societies : (1) The shuttle pattern common to cultures with extended families in which there is fairly constant movement back and forth between family establishments in rural and urban areas. The movement is frequently seasonal and culturally there is considerable absorptive capacity with little demands being made on public institutions. (2) Isolated individuals moving more or less permanently into psychologically and socially unprepared urban settings. Such migrants are a potential political threat. If they cannot even find the satisfaction of employment, they are likely to resort to anti-social activities in order to find a sense of belonging and becoming again a member of a community. (3) Migration based upon communal groupings in which people of a common ethnic, religious or regional background get together in moving to the cities.

exchanges in the country on October 31, 1967, was more than 6,60,000.⁷ This figure does not give an idea of total unemployment. Our employment exchanges are located in industrial towns and the figures supplied by them are mostly confined to the industrial sector. Even the information regarding industrial workers cannot be adequate as the unemployed workers are not compelled to register themselves with the exchanges and the employers are not obliged to recruit workers only through these exchanges. Further, these figures are silent about the disguised unemployment which is due to the fact that qualified persons have to do work which does not fetch the income which persons of similar qualifications get elsewhere.

According to the Planning Commission, the backlog of unemployment at the beginning of the Fourth Plan period was about 9 to 10 million of which 3/4ths occurred in rural areas.⁸ The additional employment generated during the three Plan periods (1951-52 to 1965-66) failed to meet demand for employment opportunities arising from population increase, migration from rural into urban areas, and development of education. The total number of under-employed persons available and willing to work is roughly estimated at about 16 million.⁹ Considerable under-employment and seasonal unemployment exists in the agricultural sector. This hinders introduction of new techniques of production. Industrial unemployment is a major factor in urban unemployment. The migrants from the rural areas seeking jobs in urban areas as unskilled labour constitute a substantial number. According to one survey, about 41% of the labour force in the large cities is migrant and in the four largest cities (Bombay, Calcutta, Delhi and Madras) 69% of the unemployed labour comes under this category.¹⁰ Most of the migrants are drawn from landless agricultural labour and belong to low castes. According to the findings of the National Sample Survey,¹¹ the highest percentage of unemployed is found amongst unskilled workers, followed by the clerical and skilled and semi-skilled personnel and educated unemployed occupy the fourth place.

“Unemployment,” to quote Mrs. Robinson, “is not a mere accidental blemish in a private-enterprise economy. On the contrary, it is a part of the essential mechanism of the system, and has a definite function to fulfil.”¹² Capitalistic set-up does open new vistas of employment, but, when used as

7. “*The Statesman*,” December 5, 1967.

8. Fourth Five-Year Plan, *supra* n. 4, at 106.

9. *Ibid.*, at 110.

10. See Table in C.A. Myers, “Industrial Relations in India”, 70 (1958), reproducing Table IV from W. Malenbaum, “Urban Development in India,” *Pacific Affairs*, June, 1957.

11. Published under the title “*Report on the Preliminary Survey of Unemployment*,” (September 1953).

12. Robinson, *Collected Economic Papers*, 84 (Oxford 1951).

an instrument of authority by the master over servant, one doubts as to whether full employment will ever be possible under capitalism.¹³ However, in a planned economy which has accepted the socialistic pattern it should be possible to eliminate the defects causing unemployment, remove the cleavage between savings and investment, and thus eliminate unemployment.

The forces that cause unemployment are many and differ widely in different countries. Beveridge, the great pioneer of social security legislation in Britain, refers to three main causes : (1) Deficiency of demand of labour for lack of jobs, (2) Misdirection of demand, and (3) Defective organisation of labour.¹⁴ The first is the most significant and population increase, without a matching increase in job opportunities, is the most important factor under this category. The rate of population growth in India is about 2% per annum.¹⁵ The migration of labour, particularly unskilled, from the rural to the urban areas, a feature of Indian economy, tends to aggravate unemployment situation in the urban areas. Unemployment in the industrial sector is also accentuated because of displacement, permanent or temporary, arising out of lay-off, lockouts, and retrenchments.

Three main types of unemployment in terms of its causes are : (1) Unemployment arising from deficiency in aggregate demand ; (2) Unemployment arising from shortage of capital equipment or other complementary resources, and (3) frictional unemployment. Whereas the first is cyclical in character and is common to all advanced countries, the second is typical of under-developed countries, and the third may occur in any type of economy. Unemployment in India is not largely a cyclical phenomena arising during the downswing of the trade cycle when production and demand fall a way, but a chronic malady resulting from low level of economic activity.

Unemployment leads to serious social evils, causes deterioration in physical standards, produces disintegrating psychological effects on the personality of workers and their families, breeds a discontented mass of people presenting a threat to political stability.

III. REMEDIES

The risk of unemployment is eminently a social liability and needs social treatment. Social action is needed both for controlling unemployment and for rehabilitating its victims. Social security schemes generally take care of the latter. But, social security measures cannot cope with the

13. Dobb, "Full Employment and Capitalism," 5 *Modern Qrly*, 125-35 (1950).

14. W.H. Beveridge, *Full Employment in a Free Society*, (1944).

15. W.B. Reddaway, *The Development of the Indian Economy*, p. 20 (1963).

problem in an unlimited manner. The State must make a drive for employment of all the employable. This would require a plan for reconstruction of both industries and rural occupations with a view to full or maximum employment. Such a plan can be regarded as complementary to social security, for in its absence social security on a nation-wide scale would be a costly liability. In fact, unemployment insurance and relief which will be substantially financed by the State will themselves lead the state to adopt measures for the reduction of unemployment. A proper solution to the problem of unemployment would, therefore, require a simultaneous action on the three fronts—rural, urban, and educated unemployed—by adopting measures which would create employment, organise the labour market (through suitable placement and training services and a balanced educational policy) and control unemployment by adopting family planning, unemployment insurance and cooperative self-help. Real solution of the unemployment problem lies in planned development. The techniques of production to be chosen should be such as to bring about a proper balance between capital-intensive and Labour-intensive industries. Our Five-Year Plans have made an attempt in this direction by making provisions for heavy industries along with measures to generate employment, including land reforms, development of cottage industries, construction works etc. However, labour-intensive techniques will not be a success if the quality and quantity of output suffers.

Rural development is to be emphasised in our planning not only because there is acute unemployment and under-employment in the rural sector but also because it will relieve urban unemployment by dissuading migration of labour, largely unskilled, from rural to urban areas. A vigorous programme of rural industrialisation should be undertaken with emphasis on rural electrification development of rural industrial estate, promotion of village industries and effective re-deployment of man-power. A proper rural works programme should be organised to secure work to new entrants to the labour force. Since cooperative farming has not made much headway and recent trends even in the collectivist countries were towards “de-collectivization,” an effective breakthrough in the semi-stagnant sector could be through a policy of establishing joint stock companies to undertake large-scale farming.¹⁶

Besides agriculture and industry, a very large proportion of workers in industrialised countries are engaged in tertiary occupation like trade, transport and services. Service industries will be a good source of employment in India. They are pursued in small units and could absorb large number of workers throughout the country without raising problems of urban over-crowding and wages. Further, the scope and pace of

16. A suggestion to this effect has recently been made by the Association of Chambers of Commerce and Industry in India, *The Statesmen*, 7, December 20, 1967.

mechanisation should be limited in such a way as to maximise employment without undue loss of efficiency. Decentralisation of industry, particularly in consumption goods industries is another method to increase employment. A broad-based economic plan with provision for basic undertakings like roads, railways, irrigation works, hydro-electric works and construction works and conservation, including slum clearance, flood control and afforestation etc. will incidentally give steady employment to labourers.

IV. SOCIAL SECURITY AND UNEMPLOYMENT

Social security measures are one of the several measures (the latter comprising full employment through suitable economic and social policies, legislation relating to security of employment and wage fixation, and stimulation of private savings through tax concessions and other incentives)¹⁷ adopted by the State for providing a certain minimum standard of living to its people by maintaining a continuous flow of adequate income to all its families. There are three different forms of social security : Social Insurance, Public Assistance and Public Service. The need for social security is increasing as the joint family and other social institutions which have so far considerably cushioned the hardships of unemployment, under-employment and other contingencies are fast disintegrating in the wake of industrialization and urbanisation.

The framers of our Constitution were conscious of the importance of social security when they provided in Article 41 that the "State shall, within the limits of its economic capacity and development, make effective provision for securing the right to work, to education, and public assistance in case of unemployment, old age, sickness, disablement and other cases of undeserved want." This Article gives direction to the State action in clear terms and is generally applicable to the population of the country as a whole. Notwithstanding this directive, social security has not yet been accepted as an essential function of the State. Social security legislation in India may be divided into two main parts : (a) Legislation covering the risks of sickness, maternity and employment injury (as Workmen's Compensation Act, Maternity Benefit Acts, the Employee's State Insurance Act); and (b) Legislation covering the risks of old age and unemployment (this includes various Provident Fund Acts and provisions of Industrial Disputes Act pertaining to compensation for involuntary unemployment caused by lay-off and retrenchment). Thus, several internationally recognised social security measures which are covered in a number of under-developed countries of the world are not provided in our statutory scheme.¹⁸

17. Burns, *Social Security and Public Policy*, 1-4 (1956).

18. To mention some, old-age pensions, dependant's pensions on death of earning member for causes other than industrial injury, child maintenance allowance, sickness benefit for the families of workers.

V. INADEQUACIES OF SOCIAL SECURITY SCHEME

The foregoing statutory measures are awfully inadequate in scope, benefits, finances and administration. They cover only a small segment of the population (mainly industrial labour and Government employees, leaving uncovered 60% of Indian landless agricultural labour and workers in small scale industries) and partially provide against the risks of sickness, maternity, disablement and death due to employment injury, old age and retrenchment. The benefits extend over short periods with inadequate coverage. Finances are poor and the burden mostly falls upon employers and employees. In matters of administration, the State, however, enjoys an upper hand bringing in high costs and red-tapism. It is surprising, therefore, that the workmen who are supposed to be the beneficiaries of these schemes have shown little interest in these welfare measures.

The aforementioned legislation makes no provision for the contingency of unemployment except some provisions in Chapter VA of the Industrial Disputes Act which are in the nature of a relief and provide for lump-sum retrenchment benefits and continuing benefits of limited duration for laid-off workmen. Neither the workers nor the State make any contribution and the sole responsibility rests with the employers. This being so, the law is evaded in practice. The employers can manage to break the continuity of service of their employees in order to deny them the lay-off and retrenchment compensation. Under Section 25E, a worker will be denied compensation of lay-off if he refused to accept alternative employment. The alternative job should be reasonably suitable in several respects. Clause (i) of this section, however, by adding the words "in the opinion of the employer" makes the employer the sole judge in regard to the suitability of the alternative job. Section 25C makes the payment of the extended lay-off compensation subject to a contract to the contrary between the employer and the employee. This contracting out provision can easily be invoked against the interests of the workers so long as they are not in equal bargaining position. The requirement of one year's continuous service under one employer as laid down in the Act for becoming eligible to the retrenchment and lay-off compensation and the linking of the amount retrenchment compensation to the number of completed years of service under the same employer tend to create a situation in which the worker is rather "frozen" in his existing job and this leads to restrict labour mobility. Excessive labour mobility may also be harmful, but this can be easily contained by a provision prescribing a minimum period of service in one establishment as a qualifying condition for the benefit. Long-term mobility should, however, remain unhindered. The proper way out seems to be the introduction of the social insurance scheme organised on a tripartite basis and allowing periodical benefits during the period the worker remains unemployed. The rate of compensation (in case of lay-off, half wages for about 1½ months regardless of length of service and in case of retrenchment

about 1/24th of the year's wages) inadequate and is all the more so in case of workers in the lower wage group with large family responsibilities. In a planned economy with a well-regulated policy in regard to economic growth, the lay-off and retrenchment should go.

The Employees' Provident Fund Scheme, on the whole, seems to have fared well in its limited sphere, though defaults in payment of employer's contribution and difficulty to recovery of past accumulations have caused hardship to the workers. Further, the provision for old age is inadequate and lump sum payment of provident fund has the risk of the money being unwisely squandered away. The Study Group appointed by the Government of India in 1957 had recommended the replacement of the provident fund scheme by a scheme of Old age, Invalidity and Survivorship Pension-cum-Gratuity. The recommendation is commendable but remains unimplemented.

A full-fledged unemployment insurance scheme financed by the contributions from the employers, workers and the State will have to be drawn up. In view of the financial and other burdens, we can first make a modest beginning. Even an advanced country like Britain initially applied it to only seven industries covering only 22,50,000 workers and the scheme was also limited in its financial implications. If insurance will be the method of dealing with unemployment, as suggested here, it would apply to those working people who were already employed and have fulfilled the necessary conditions such as those relating to the minimum contributions, waiting period, maximum period of benefit, etc. For the vast mass of permanent unemployment or beggary, social assistance may be invoked with the State simultaneously undertaking a definite employment drive.

VI. NEED FOR A COMPREHENSIVE SOCIAL SECURITY SCHEME WITHIN THE FRAMEWORK OF OUR PLANNED DEVELOPMENT

A well-planned scheme of social security within the framework of developmental planning will be a vital factor in the economic development of India. Industrial development in Germany and U. S. S. R. bears testimony to this fact. Our Government has not yet given due place to social security in its planning.

A comprehensive scheme of social insurance with a universal coverage should be our goal. To begin with, such a scheme may be launched on an experimental basis in selected industrial towns where people are already covered under one or the other scheme of contributory health insurance. By unifying all these schemes and extending them to the rest of the population in these industrial towns, comprehensive schemes could be started. As an initial measure, the Employees' State Insurance scheme can be integrated with the Provident Fund schemes and the unemployment risk be also added, as suggested earlier, by raising the rate of contribution.

However, to offset this increased burden on workers, it would be necessary to increase the money wage or make the wage-goods cheaper. A single well-coordinated social security organisation will bring about economy and efficiency. Social security is in the Concurrent List of our Constitution. In the interest of uniformity, equalisation of tax burden, the impact on cost of production and labour mobility, the Central Government should assume leadership and major responsibility in this behalf. Since an effective long-term solution of the unemployment problem in India cannot ignore world developments, because unemployment is also caused by instability in world trade and monetary systems it is the Central Government which can take steps on an international basis. Some such steps would be to have long-term trade agreements so as to stabilise and continually expand world trade, maintain the level of demand in various countries through constant consultations, stabilise currency under the auspices of the International Monetary Fund, stabilise international prices of primary commodities by agreements, encourage flow of long-term capital from more advanced countries to supplement inadequate domestic savings, invoke technical know-how from the advanced countries to speed up economic development, and work out a scheme of international labour mobility under such agencies as the International Labour Organisation and the United Nations. All these measures of an international basis can be undertaken by the Central Government alone. It is not suggested that this should be at the cost of what State Governments and local bodies can do. Actually the social security measures should take into account the regional and local factors and efficient administration at the local and regional levels is an essential pre-requisite for the successful working of the scheme. All this should be well-coordinated under a Central Organisation

For facilitating unemployment insurance, the machinery of our Employment Exchanges will have to be expanded and streamlined so as to cover all types of workers covered by unemployment insurance. Registration at the exchanges should be made compulsory. Unemployment insurance will also necessitate the establishment of centres for training and re-training of workers with a view to their rehabilitation. This will increase their marketability and reduce the burden on the fund and also increase industrial mobility of labour.

For successful operation of the scheme, we would require qualified and well-trained social administrative personnel. Japan has set up a training Institute since 1964 and its functions include : conducting basic research on social security matters, collecting information, publishing its findings, and training personnel. It also carries out international cooperation activities such as exchange of information, organisation of international seminars for social security planners and exchange of research workers. It would be very desirable to have such an Institute in India,

VII. CONCLUSION

Every able-bodied man who is willing to work should be able to get a job on a basic living wage, together with security of income up to a certain reasonable minimum in order to make up the impaired earnings caused by such interruptions as unemployment, inability to work (including old age) or death of breadwinner. A proper solution to the problem of unemployment calls for a broad-based policy related to our developmental planning. Unemployment insurance will have its desired cushioning effects if there is a simultaneous policy to effectively create employment, provide adequate training and placement services, formulate a sound education policy and pursue a vigorous campaign for family planning and population control, together with measures at international level, as suggested earlier. The primary purpose of urbanization is to meet the same man's essential needs which were and are best met in old villages. Social security is an eminently good device. By pooling the risks it acts on the golden rule that the misfortunes of some of us should be borne by all of us. This gives us a sense of community, a sense of belonging and a sense of sharing in the common life.