

EVA STALIN IAS ACADEMY - BEST IAS COACHING IN CHENNAI

12/24, Muthurangan Muthali St, West Tambaram, Chennai - 600045

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The U.K.-India relationship is alive with opportunity

It is fantastic to see India, the world's largest democracy, take the global stage as host of the G-20, a vital forum for fostering international cooperation. The United Kingdom has long held the belief in trade as a force for growth and prosperity. It is why we advocate for free and fair trade at the World Trade Organization and why we are taking advantage of our newly recovered powers to forge trade deals with booming economies such as India. Collaboration on issues such as global value chains resilience and digitalisation of trade documents is key to harnessing the true value of global trade.

As India's middle class grows to a quarter of a billion middle class consumers by 2050, any improvements on our current trading relationship could be a huge boost for U.K. businesses. It is no secret that the U.K. and India share a thriving trading relationship, which was worth £36 billion in 2022.

New figures from the U.K.'s Department for Business and Trade reveal that India retained its position as the U.K.'s second largest source of investment projects in the last financial year, with 118 new projects creating 8,384 new jobs across the U.K. And, importantly, our trade and investment relationship goes both ways. In fact, as India's sixth largest investor, between April 2000 and March 2023, the U.K. has invested \$34 billion in India in foreign direct investment. U.K. companies are also creating jobs and growth opportunities. There are 618 U.K. companies in



Kemi Badenoch
is the United Kingdom's Business and Trade Secretary

Their strong partnership extends far beyond trade and investment into culture, sport, education and tourism too

India with a combined turnover of around \$50 billion employing about 466,640 people directly as of 2021.

The ambitious FTA, a strong partnership

While in India, I will be meeting with Commerce Minister Piyush Goyal to discuss progress on an ambitious Free Trade Agreement, which could boost our bilateral trading relationship even further.

The U.K. has proven we can negotiate ambitious trade deals, and I want to move at pace to secure a deal with India, but there are still complex talks ahead on areas including goods, services, and investment – all of which will take time. What we want is a deal that is fair, works for both sides, and benefits businesses. And our business relationship is going from strength to strength. Just last month, the U.K. was chosen as the home of Tata Group's first gigafactory outside India, in a move set to create thousands of jobs and bring a huge boost to the U.K.'s automotive sector. And I am pleased to be meeting with Tata Chair Natarajan Chandrasekaran, following their £4 billion investment, while I am here.

But the U.K. and India's strong partnership extends far beyond trade and investment into culture, sport, education and tourism too. To borrow a phrase from Prime Minister Narendra Modi, there is very much a 'living bridge' between our nations – you only have to look at our shared love of Bollywood to see this in action. As one of Bollywood's largest audiences outside

of India, the U.K. has featured in some of Bollywood's iconic films such as *Kabhi Khushi Kabhi Gham*, which was shot in around London's St Paul's Cathedral and Blenheim Palace in Oxfordshire, and remains a popular filming destination today; blockbuster *Bade Miyan Chote Miyan* was filming in Scotland's spectacular highlands earlier this year.

A vibrant Indian diaspora of over 1.6 million people makes a significant contribution across all walks of life in the U.K., from education through to the workforce, with Indian students making up one of the U.K.'s largest groups of international students.

Marketing campaign

That is why I am proud to announce that the U.K. is launching 'Alive with Opportunity', a £1.5 million marketing campaign designed to showcase the tremendous bond between our countries and build on the continuous exchange of people, ideas and culture. As part of the U.K.'s ambitions to double trade with India by 2030, the campaign aims to stimulate interest and demand for U.K. goods and services, increase the U.K.'s ability to grow their business through trade with India, and attract new Indian inward investment. Over the course of the next year you can expect to see a celebration of the business, trade, cultural, and sporting links between the U.K. and India across billboards shining a light on this relationship which is very much alive with opportunity.

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Needed, a well-crafted social security net for all

Around 53% of all of the salaried workforce does not have any social security benefits in India, according to the Periodic Labour Force Survey Annual Report 2021-22, and which has been cited in the media. In effect, this means that such employees have no access to a provident fund, pension, and health care and disability insurance. Another conclusion is that just 1.9% of the poorest 20% quintile of India's workforce has access to any benefits. Meanwhile, gig workers, or approximately 1.3% of India's active labour force, rarely have access to any social security benefit. India's social security system is also ranked poorly; Mercer CFS ranked it at 40 out of 43 countries in 2021.

India's policymakers have largely ignored social security. While policies are often announced, budgetary allocation has always been limited and utilisation even less so. In FY11, the National Social Security Fund was set up for unorganised sector workers, with an initial allocation of just ₹1,000 crore to support schemes for weavers, rickshaw pullers and bidi workers to name a few. The amount was a pittance when compared to a requirement of over ₹22,841 crore – as estimated by the Centre for Budget and Governance Accountability.

A Comptroller and Auditor General of India (CAG) audit on the scheme in FY17 identified ₹1,927 crore (the entire amount accumulated since inception) had just not been utilised. Consequently, select social security schemes have been left moribund. Take the National Social Assistance Programme that was set up in the 1990s, with a focus on old-age poor individuals with no able-bodied earners in their household, who were eligible to earn a monthly pension of ₹75. Contribution by the Centre to old-age pension schemes has stagnated at ₹200 a month since 2006, i.e., below the minimum wage per day. Similarly, in July 2022, the CAG identified that the cess collected for the provision of social security to construction workers in Delhi was poorly utilised – approximately 94% of the money was not utilised. In Haryana, the CAG noted that the direct benefit scheme of the State's Social Justice and Empowerment Department had seen the transfer of ₹ 98.96 crore to the accounts of deceased beneficiaries. Meanwhile, budgetary cuts to the Mahatma Gandhi National Rural Employment Guarantee Act continue.

Schemes overseas

How is it in other countries? Brazil's General Social Security Scheme is contribution-based, substituting income loss for a worker (and his family), whether in partial or full. This covers any situation due to an accident at work, a disability that prevents the worker from working, death, an illness/medical treatment that leads to time away from work, family burdens, or the prospect of unemployment (Brazilian Good Practices in Social Security, International Labour



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Organization, or ILO, 2013). Even income loss that occurs due to a worker being imprisoned is covered by the low-income insured (ILO, 2013). Unemployment insurance is paid from worker support funds, and health care is covered through the Unified Health System. The Constitution itself has established that if there is a lack of funds, the National Treasury will step in (ILO, 2013). Social security benefits can be availed of with a simple phone call or a visit to a bank, with no requirement to submit endless documents, as highlighted in Brazilian Good Practices in Social Security.

Approximately 9% (or around 475 million) of India's workforce works in the informal sector. It lacks access to social security. In two decades, India will be an aging society – for such workers with limited savings, there will be no significant social protection. While the Code on Social Security (2020) merged existing social security legislation, it dealt fundamentally with formal enterprises and did not cover informal ones.

Steps for India to take

India should aspire to provide social security to all of its workforce, in a manner that is fiscally and administratively feasible. Three broad principles come to mind: we must expand employer and employee contribution under the Employees' Provident Fund Organisation (EPFO) system for formal workers. For informal workers with meaningful income (whether self-employed or in an informal enterprise), partial contributions can be elicited, along with persuading informal enterprises to formalise and expand their total contribution. And for those who are unemployed or have stopped looking for work, or do not earn enough, the government should step in. It is estimated that the cost of providing social protection to the poorest 20% of the workforce would be ₹1.37 trillion (including those who are elderly, pregnant or disabled) – a cost of approximately 0.69% of GDP in FY20.

Additional reforms are needed. There has been some progress. It was heartening to see the government push for a Code on Social Security in 2020, which sought to provide a statutory framework to enable social security for the urban and rural poor, construction workers, those in the gig industry and informal sector workers – it proposed the provision of life insurance, disability insurance, accident insurance, as well as maternity and health-care benefits along with old-age protection and crèche facilities for gig workers. A push for greater digitisation under the e-Shram platform has enabled the enrolment of approximately 300 million workers while expanding coverage of accident insurance (of ₹2 lakh cover) and disability (of ₹1 lakh cover).

However, much more needs to be done; e-Shram puts the burden of registration on informal workers, who are required to furnish a self-declaration and share their Aadhaar card; there is no responsibility/incentive given to their

employer (even temporary) to foster registration. Bringing employers into the process would have enabled the formalisation of employee-employer relationships. We could have done much more, pushing informal employers to make social security entitlements mandatory and not voluntary.

Greater support is required for financing social security for the majority of India's labour force, moving beyond construction and gig workers. There must be a push for a pan-India labour force card and an expansion of existing successful schemes such as the Building and Other Construction Workers Schemes to other categories of workers. Such expansion requires a loosening of existing restrictions on benefit portability, having a 90-day mandatory cooling period, as well as a more straightforward registration process.

Special attention is required for domestic workers (usually female), who are never sure when their employment may be terminated. Migrant workers often face discrimination and suspicion from authorities in their working area so coverage of social services such as child care can be expanded. Domestic workers must also organise themselves across India's cities.

On existing schemes

We may also strengthen existing schemes, for example the Employees' Provident Fund (EPF), the Employees' State Insurance Scheme (ESI), and the National Social Assistance Programme (NSAP), with budgetary support and expansion of coverage. Administratively, there is much tinkering that can be done. For example, the existing social security framework for unorganised workers has become complex, with overlapping areas of authority between the State and Centre, and confusing definitions being used such as between a platform worker, an unorganised worker and someone who is self-employed.

We need a more significant push to raise awareness about social security to ensure that more workers are aware of the available benefits. Organisations such as the Self-Employed Women's Association which run Shakti Kendras (worker facilitation centres), may be funded to run campaigns (especially for women) to provide greater information on social security rights, along with services and schemes that the government offers.

The time has come for India to consolidate its existing social security schemes/ad hoc measures and provide universal social security to its entire labour workforce. With jobs becoming increasingly on-demand and hire/fire policies proliferating, India's workers are increasingly insecure on the job front. To have the fruits of growth trickle down while offering a sense of social security, policymakers must discard supply-side shibboleths to embrace policies that enable equitable growth.

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