International
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Extending Social Health Protection to Informal Sector Workers in India: A Survey Report

Executive Summary

Social health protection provides a rights-based approach to reaching the objective of universal health coverage that ensures financial protection and effective access to health care services. The SDG targets on universal health coverage (SDG 3.8) and universal social protection systems, including floors (SDG 1.3) are two complementary and closely linked priority measures aimed at achieving a healthy and dignified life for all, which is at the heart of sustainable development and social justice.

During the pandemic, robust social health protection systems have enabled people to receive the lifesaving care they need when sick without financial hardship, and to protect their income through sickness benefits. Despite laudable progress over the past decades, right to health is not yet a reality for all in India where millions of people face impoverishment due to out-of-pocket health. In India, around 90 per cent workers are informal workers who work without some or all social security benefits such as a written contract, paid leave, sick leave, insurance, and other benefits. Gaps in coverage disproportionately affect the most vulnerable and jeopardize the social contract. This mandates a high-level commitment by India to assume primary responsibility for the design, implementation, and financing of social health protection to address these issues, prevent impoverishment due to sickness and care-seeking and promote positive health outcomes. Positive health outcomes can help increase labour supply and productivity and thereby national income. The expansion of social health insurance can be a significant way forward in reducing the burden of ill-health of the poor and the working population.

India was one of the first countries to roll out a major social security programme at a very early stage of its development, with the passing of the Employees' State Insurance Act in 1948 and the Employees' Provident Fund Act in 1952. Over the years, India has taken incremental steps to expand social health protection through a range of schemes. The largest scheme, Employees State Insurance Scheme (ESIS) provides social security benefits to more than 34 million industry workers (approximately 7.5% of working population) and their families with a total number of 132 million beneficiaries (roughly 10% of the total population).

The ESIS provides need-based social security benefits to workers (earning a monthly salary up to Rs. 21,000) who are engaged in private sector in the organized enterprises. The ESIS is applicable to enterprises that employ ten or more workers. The key benefits of the ESIS are as follows: (a) Coverage is provided for self and dependants, (b) Coverage includes hospitalization costs and cash benefits in the cases of sickness and disablements and (c) Dependent benefit is paid to dependants of those workers who die in an accident in the course of their employment. To keep up with the increasing beneficiary base, the ESIS has tied up with private hospitals and services and also with the major government insurance scheme, such as Ayushman Bharat to steadily expanded the health protection coverage on a large scale, both horizontally and vertically.

Given the potential and comprehensiveness of ESIS benefits, there is a strong argument for expanding the scheme coverage to all informal workers. It is necessary to address the supply side constraints and adopt mechanisms that can enhance the quality and uptake the existing ESIS and pave way for increasing its outreach.

This study is an attempt to analyse the potential of upscaling ESIS services for health insurance to include economic units of the informal sector and workers in informal employment for mitigating the health burden on households. The objective of the study is to understand the needs and behaviour of informal workers and employers regarding health insurance. The mixed-method study was conducted in three phases focused on those who are currently eligible for ESIS (but not covered), as well as those who are not eligible but may have the willingness to participate, with a sample size of 1,980 workers and 3,000 enterprises.

Challenges of extending Social Health Protection in India

Various social health protection schemes operate in parallel in India targeting a specific population and offering certain social health protection benefits - Employees' State Insurance Scheme launched in 1952, Central Government Health Scheme (CGHS) in 1954, Railway Employee Scheme in 1997, Rashtriya Swasthya Bima Yojana and various state schemes in 2008 and very recently, Pradhan Mantri Jan Arogaya Yojana (PM-JAY) in 2018.

These schemes have been working in a fragmented environment leaving a large coverage gap. Combining the population covered by publicly funded insurance, private cover, and social insurance, there remain as many as 400-500 million, often termed as the "missing middle" who are without health insurance cover. They constitute of mostly informally employed, casual workers and self-employed who are just above the poverty line and uncovered by non-contributory public health insurance schemes targeted at the poor majority, while unable to afford premiums for the existing voluntary private health insurance schemes.

Extending coverage to this missing middle offers many challenges – first is the relative difficulty of categorizing, identifying, and enrolling these informal sector workers in a specific scheme. There exist wide variations in the economic characteristics of households/ individuals within this uncovered 'missing middle'. And separation/identification by economic status is an arduous task, only feasible at high-cost identification mechanisms which may offset financial gains from expanding coverage to this population.

Another challenge is deciding upon a strategy to extend coverage based on not just equity and efficiency, but also workers' preference and willingness to participate. In case of public financed health insurance schemes where participation is voluntary, over-all registration and service utilization is low either due to lack of awareness, systemic issues in registration, inadequate benefit package, or poor quality of service. Affordability of private health insurance and hence its penetration (around 6%) is low and even though social health insurance schemes have mandatory enrolment, lack of awareness and poor service quality deters the utilization there too.

Improving access to services in India remains a challenge. With all the schemes working in silos, each scheme has its own health system with providers, hospitals, beneficiary base, benefits, provider payment mechanisms which does not result in optimal access for beneficiaries. Accessibility challenges are evidenced by the very low levels of utilization witnessed across facilities under ESIS. Furthermore, while family members working in urban areas have access to ESIS or empanelled facilities, geographical access is much more limited for family members in rural areas, which is a very common situation among industrial workers. Administrative barriers like lengthy registration requirements and reimbursement procedures also hamper the beneficiary registration and utilization.

Another challenge is the comprehensiveness of the benefit package. While the PM-JAY and other state schemes focus on inpatient services, schemes like ESIS, CGHS offers a more comprehensive benefit package covering in-patient and out-patient services. However, concerns about adequate accessibility to and quality of health services offered under the ESI scheme are thought-worthy.

Furthermore, over-prescription of drugs, especially antibiotics, as well as over-treatment is rampant in both public and private sectors and appear to be worse in rural settings and among private providers. To compound this, clinical protocols or guidelines are generally absent or unavailable, and even when they are available. This not only impacts the quality of services provided, but also increases spending on health, including out-of-pocket (OOP) spending among households and costs of the schemes.

Understanding the Employers' Perception

The survey results show that the employers' knowledge and understanding on ESIS and other social health protection schemes were rather limited: merely 17 per cent of the employers claimed to know something about the ESIS and only 10 per cent knew something about the government social health protection schemes. Medical and sickness benefits under ESIS are better recognized than maternity and disability benefits.

The employers' willingness to join ESIS was reflected in their lack of knowledge and interest towards ESIS. The major reasons for non-affiliation were their perception that they were not eligible for ESIS, they did not know how to register, they did not feel the need for health insurance for the workers, they had contribution related issues as majority preferred to pay less than Rs. 500 per worker as annual contribution, and the workers had issues with quality of care provided by ESI health facilities.

Survey results show that there are challenges with legal enforcement of employer liability in case of employment injuries as employers covered treatment costs in just over half of the cases, the rest was paid by the worker himself/herself. Given the high cost of hospitalisation across the country, the employers' contribution was less than 10 per cent of the total expenditure, leaving workers to pay a significant proportion out of their pocket.

Understanding the Workers' Perception

Regarding their working conditions, 72 per cent of workers were employed in enterprises with 5-9 workers, 22 per cent worked in units with 10-19 workers, 3 per cent were engaged in establishments with 20-49 workers, and 3 per cent worked with 50 or more workers. 96 per cent workers were hired directly by the owners/managers of the enterprises and not through any contractor. However, a proper written contract detailing the terms and conditions of employment was only reported by 1.1 per cent of the workers. While almost 37 per cent workers had an oral agreement with their employer, the maximum share (62 per cent workers) did not have any kind of agreement.

Regarding working hours, 54 per cent were used to working for more than 8 hours and 20 per cent workers worked more than 11 hours in a day. Only 17 per cent of the total workers got paid for overtime if working for more than 8 hours or on holidays, and only 3 per cent were paid 100% of the wage. Around 53 per cent of workers received a weekly day off but the day off was paid for only 33 per cent of the workers. As for casual and sick leaves, 20 per cent had access to causal leave and 32 per cent had access to sick leave; and, workers affiliated to the ESIS had better access to casual leave and sick leave.

Almost one-third of the workers faced health risk associated with their work. About 7 per cent of total workers had experienced worksite accident and the treatment cost was borne

by the employer in 54 per cent of the cases but in 15 per cent instances, they had to bear the expenditure incurred for medical treatment.

33 per cent of workers had health protection benefit of some kind (30 per cent state schemes; 3 per cent central scheme). Of the workers covered by health insurance, 10 per cent paid a certain contribution towards the scheme. 14 per cent of the workers said that the health insurance scheme was mandatory whereas 59 per cent said it was on a voluntary basis.

Concerning the gender aspects of social protection, only 7.5 per cent of female workers and spouses of male workers had some sorts of assistance related to maternity. The nature of assistance provided ranges from free hospitalisation and expenditure incurred before and after childbirth.

For serious health condition, 12 per cent of family members of workers had to be hospitalised. The major reason for hospitalisation was childbirth, followed by heart disorders, fever, body pain, and stroke. 58 per cent preferred private hospital and 42 per cent government hospital with wide inter-state variations. Out-of-pocket expenditure for hospitalization was less than Rs. 5,000 in 41 per cent of the cases, Rs. 5,000-15,000 in 13 per cent cases, and more than Rs. 15,000 in 40 per cent of the cases. Only 1.5 per cent cases had partial/ full coverage by an insurance agency. Of the total workers who said that they spent from their own pocket, 48 per cent had drawn the money from their personal savings; whereas 50 per cent said that they had to take loan.

We asked the workers about health care services, the results show that a reliable medical facility such as hospital (according to 85 per cent workers) and dispensary (according to almost 90 per cent workers) were present in the vicinity of the workers.

Regarding awareness of ESIS, 21 per cent of the workers had full or partial knowledge about the ESIS, higher in women as compared to men. 90 per cent of the workers had knowledge about medical benefits but much lesser of sickness benefits (62 per cent), disablement benefits (50 per cent), and maternity benefits (44 per cent). Awareness about enterprise eligibility for ESIS registration was less than one-third and only one-fourth workers knew about the workers' contribution.

1.8 per cent of workers were engaged in enterprises registered with the ESIS. 63 per cent workers were interested to participate in the ESIS and make the necessary contribution. The workers strongly felt the need for health protection and opined that the employer/contractor should bear the onus of medical coverage for their employees. They were aware of some workers registered with the ESIS had benefitted from the scheme. Though, treatment takes longer as ESI hospitals are often crowded. But medicines were freely available from ESIC dispensary and sick patients did not suffer any economic loss due to leave of absence if they were covered by this scheme.

For expanding health protection coverage to the workers, the role of trade unions is critical. Trade unions have been historically known to negotiate better health protection and working conditions for workers. However, the survey results showed that trade unions' roles and actions to enhance health protection to the workers are rather limited. The study reports only 3 per cent of the establishments experienced trade unions negotiating for individual employees' health and well-being in the event of workplace accidents and/or serious ailments.

Impact of COVID-19

There has been an adverse impact of COVID-19 induced lockdown on enterprises and workers, and it has caused unprecedented dislocation and disruptions. A massive loss of livelihood and wellbeing of enterprises and workers has taken place. Small enterprises and workers were the hardest hit and continue to be the most vulnerable to such shocks. Realising the impact of COVID-19 pandemic, two out of three enterprises (67 per cent) were willing to join the ESIS for health coverage protection scheme in case additional concession/benefits were provided.

Motivational factors that helped in joining the scheme were: (i) Payment of contribution by government (ii) Waiver or reduction of tax liability (iii) No interest rate charged in case employers fails to pay contribution (iv) If the ESIS pays unemployment allowance for COVID-19 pandemic and (v) Improved/guaranteed availability of ESIC related services.

For workers, reduction in the working hours along with a cut in the salary and lay-offs was most common feature during the pandemic. Casual or contract workers became the most vulnerable, as neither the duration of employment nor the income is certain. They are scarcely given any social security benefits. The pandemic threatened the livelihoods and wellbeing of non-manufacturing and workers in the smaller enterprises.

73 per cent felt the need for protective health measures against such diseases to ensure availability of quality health services, limit out-of-pocket payments to a minimum and increase accessibility to health-care facilities. Majority of workers preferred the workplace-based government/public scheme (65 per cent).

The way forward

The Social Security Code 2020 mandates that coverage of ESIS to be extended pan-India. But there is a significant number of workers employed in larger enterprises but still devoid of ESI coverage. While the Code recommendations are a welcome move, it would be more critical to implement them in a timely fashion to effect changes. At the policy level, a comprehensive social security approach integrating the factor of urbanisation, climate change, depleting natural resources, and transitioning energy requirements needs to be taken into policy planning.

ILO recommends coherence among different types of legislation, namely labour and social security laws, enterprise legislations and trade union law, to support sustained transitions to formality. The role of macroeconomic, employment and sectoral policies is equally critical. Also important is that statistical and other relevant offices should work together to harmonize legal definitions and that labour inspectorates should cooperate with tax authorities and social security agencies.

Based on the survey findings, ILO strongly recommends concluding a written contract with the flexibility to hire workers for a fixed duration particularly for work that may not be permanent in nature. The terms of the contract may specify the same benefits (such as medical insurance and others) and conditions of work as are available to permanent employees. Considerable effort also needs to go into awareness building of the casual wage earners on the different welfare schemes available to them, and how they can leverage these benefits. Trade unions and other civil society organisations can play an important role in this process by leveraging their networks.

The Government has taken several policy measures to formalise the informal sector. Government is implementing Pradhan Mantri Rojgar Protsahan Yojana (PMRPY) and Aatmanirbhar Bharat Rozgar Yojana (ABRY) with the objective to incentivise employers for creation of new employment and also aimed to bring informal workers to the formal workforce. We recommend harmonization among these schemes under the umbrella of Social Security Code, 2020 for efficient implementation and ensure that beneficiaries get their due. Strong initiatives by the Government in employing advanced-monitoring and performance-evaluation techniques are recommended to track the progress of schemes and ensure that all relevant data regarding their implementation is available in the public domain.

ILO also recommends a pandemic-responsive resilient social protection system. Data suggests that countries that invested heavily in their social protection systems before and during the pandemic suffered less from the pandemic's wrath and had quicker economic recovery.

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