

## Social Security and Social Insurance

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### Abstract

Social security as a concept to provide security to the needy, sick, unemployed is not a modern development of mankind. The needy people of the society were getting assistance from their joint family structure, caste fellows, co-villagers, guilds and religious trusts etc. from time immemorial. Social security is present understood as one of the dynamic concept of modern age which is influencing social as well as economic policy. As the nuclear missile is the most effective weapon of war, so also social security is the most effective weapon of peace.

**Keywords:** Social security; Citizen; Social insurance; Economic policy

### Introduction

Each Individual is unique and each individual desires to live independently with dignity. But being a part of the society one cannot live in isolation. Within the society he lives independently and also contributes to the society for a healthy social order. All the times and in every society, at every stage of development, there have been people requiring medical aid and care, handicapped and old people unable to work for a living [1]. In any society no individual is so capable of and versatile as to satisfy all his needs. Everyone is dependent upon others for the fulfillment of some or other needs. In particulars, the aged, helpless, the unemployed and the ones suffering from difficulty chronic diseases are badly in need of help from others. The pregnant women need assistance during last stage of pregnancy and for the delivery of the child. In case such persons are not given adequate help and assistance chaotic conditions will result in the society and the social order will be upset. More over when the aged, the sick, the pregnant and the other helpless persons have rendered help to other then they were able bodies, young, healthy and strong, the society owes them a debt for their earlier services and they must receive social assistance in the hour of their need. From time immemorial providing help to distress is considered as a human activity. Such human actions might have social sanction. But it is basic foundation of social security.

Social Security as a concept to provide security to the needy, sick, unemployed is not a modern development of mankind. The needy people of the society were getting assistance from their joint family structure, caste fellows, co-villagers, guilds and religious trusts etc. from time immemorial. Even in ancient India social security was prescribed by the great social scientist Kautilya.

According to Kautilya:-

“Karmasu Mrutanam Putradara Bhakta Abetanam Labheran (28)

Balabruddhabayadhitachhyeshamanugraahwah (29)

Pretabyaditasutika krushutyesu Chhau Paramarthamanakarma kuryart (30)”.

“Should a servant die while in state service his wife and children become entitled to his wages and food-rations. And the State is required to look after minors, aged persons or sick persons in the families of the deceased servants. And when there is death, illnesses or birth the state is asked to render help with money and honour [2].

Today the world is passing through an Industrial era and life is becoming more and more complicated due to the industrial and

scientific advancement. The risk of life has increased manifold. Therefore, the social security measures based on voluntary charity is proved to be inadequate and it needs organized activity. The definitional of social security has under gone change and now it is the security that society furnishes through appropriate organization against certain risk to which its members are exposed. These risks are essentially contingencies against which the individual of small means cannot effectively provide by his own ability or foresight alone or even in private combinations with his fellows. Social security is a dynamic concept. By its very nature it is dependent on the growth and development of National economy and prevailing social conditions coupled with technological advancement.

All the developing as well as developed countries of the world are trying their best to achieve its maximum cherished goal. India being one of the young developing economy having declared social and economic justice to all in the preamble of the Constitution and also being a welfare state it has assumed the responsibility of providing social security against these risks by social insurance supplemented by quasi-social security against these risks by social insurance supplemented by quasi-social insurance and social assistance or by combination of all or any of these devices. These measures are an integral part of social democracy and introduce an element of stability and protection in the midst of the stresses and strain of modern life. It is the function of an ideal welfare state to give every citizen the opportunity of earning his living and freedom from fear, fear especially of economic ruin which involve physical and even moral ruin. This is in contrast to a police or Laissez Fair state [2].

The concept of social security is a broader term, which includes both social insurance and social assurance. The difference between the two lies in the scope of operation. Social insurance is primarily aimed at protection from want and hunger, whereas social security besides want and hunger also helps removal of squalor, diseases, ignorance and exploitation. So social assistance is supplemented in nature rather than substitutive. The benefits of social insurance are admissible to

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those who are so insured and make their regular contribution towards it. Social insurance is an institution jointly operated by industrialists, workers and Government. Social Insurance benefits are allowed to all injured persons irrespective of their status, economic need whereas the benefit of social security is allowed strictly on the basis of needs and requirements.

Social security is an incentive for development. Substituting the gear of risk and inadequacy of working class through social security improves efficiency of the workman. Poverty constitutes a danger to prosperity everywhere. There is thus a changed trend of thought that want is not only undesirable, but also unnecessary under all circumstances. The testimony for this and its acceptance by all nations can be found in the Universal Declaration of Human Rights.

Hence, it has been declared that the right of Social security is one of the significant human rights. The declaration in Art 25 proclaimed that everyone as a member of society has a right to social security and is entitled to the realization through national effort and international cooperation.

The need and scope of social security has not only been recognized and expanded from time to time in the national scenario but also in the International level. There has been continuous thinking. This is evident not only for declaration of human rights by also from the declaration of Philadelphia and of acceptance promotion of right of social security by the ILO since its inception in 1919. The ILO played a pivotal role in evolving universally accepted principle and standard of social security throughout the world. Through its conventions and recommendations it has exerted influences to extend the range and the class of persons protected, the contingencies covered and to improve the efficacy of the benefits assured. The adoption of social security (minimum standard) Convention 1952, embodying the universally accepted basic principles and common standards of social security is one of the glaring instances of the ILO's one of the most important and comprehensive instrument covering almost every branch of social security and providing for minimum standard in respect of benefit payable in varied types of contingencies like sickness, old age, employment injury, invalidity. Besides this in to ILO has passed twenty eight (28) social security conventions. Out of this India has ratified only 5 conventions *viz*;

- i) Workmen's Compensation (accident) Convention 1925 (No.-17)
- ii) The Workmen's Compensation (occupational diseases) convention (1925 (No. 18)
- iii) The Workmen's Compensation (operational diseases (residue) Convention 1934 (No. 42)
- iv) The Equality of treatment Convention 1925 No. 19
- v) The Equality of treatment (S.S.) Convention 1962 (No. 1180)

Besides having ratified the above conventions India has passed various legislation, the first among them being the Workmen's Compensation Act. 1923. Others being the Employee's State Insurance Act 1948, Maternity Benefit Act 1961, Payment of Gratuity Act 1972, Industrial Dispute Act 1947, Providing for unemployment relief in case of retrenchment and layoff.

The concept of Provident Fund as a social security measure was made a reality with the enactment of Coal Mines Provident Fund Act 1941 the success of which prompted the Legislature to enact Employees' Provident Fund Act 1952. This facility has been extended to the Railway employees under the contributory P.F. Scheme.

All the State Government have not played the roles of passive un-looker and have stepped into legislating social security legislation relating to Old Age Pension, Provident Fund etc.

All most all the Five year plans adopted by the Central Govt. for the proper realization of its goal reflected in the Preamble of the Constitution outlined social security measures.

In spite of the step taken by the Govt., India being the Country of billion people the prevailing social security benefits are felt to be very insignificant. These are available to a very limited section of society. Unfortunately, India is more prone to want, disease, ignorance squalor and unemployment than any other developing country in the World. Therefore, there is a need not only the wider scope and coverage of social security benefits both in terms of quality and quantity (meaning thereby covering more number of people) which is always being recommended by ILO.

### Concept of Social Security

Social security as a concept is very wide and it is indispensable in any developing economy more essentially when it is a welfare state. By the very fact that it strikes at the root of poverty, unemployment etc., its scope and application is widened.

In order to appreciate fully the meaning of social security various definitions may be examined:-

According to Sir William Beveridge:-

"The security of income to take the place of earnings when they are interrupted by unemployment sickness accident to provide for retirement through are to provide against loss of support by the death of another person and to meet exceptional expenditure those connected with birth, death and marriage. Primarily social security means income should be associated with treatment design to bring the interruption of earnings to a end as soon as possible [3]".

ILO has defined social security as:-

"The security that society furnishes appropriate organization against certain risks to which its members are exposed. These risks are essentially contingencies against which the individual of small means cannot effectively provide by his own ability or foresight alone or even in private combination with fellows [4]".

In India the National Commission on Labour has endorsed the ILO definition of Social Security and observed ;"Social Security envisages that the members of a community should be protected by collective action against social risks causing undue hardship and privatization to individuals whose prime resource can seldom be adequate to meet that [5]".

The first American Conference on Social Security in 1942 held each Country must create, conserve and build up the intellectual, moral and physical vigour of its active generation prepare the way for its future generations and support the generation which has been discharged from productive life. The social security is a genuine and rational economy of human resources and values. ILO Social Security (minimum standard) convention defines Social Security as the result achieved by a comprehensive and successful series of measures for protecting the public or a large section of it from economic distress that in the absence of such measures would be caused by the stoppage of earning in sickness, unemployment old age and after death; for making available to that same public medical care as needed and for subsidizing families bringing of young children. British economist Geoffrey

Crowther envisages the contents of social security as the citizen of a democracy should be guaranteed as of right enough food to maintain his health. He should be assured minimum standard of shelter clothing and fuel. He should be given full and equal opportunity of education. He should have leisure and facilities for enjoying it. He should be secured against risk of unemployment, ill health and old age. Above all the presence of children should not be allowed to bring with it miseries for the parents deprivation for the children and poverty for all.

### Social Insurance and Social Assistance

Social security is a very comprehensive term. The two important means of providing social security are social insurance and social assistance. Thus, it may be called to be the two faces of the same coin. Both of these are part of a social security system.

#### Social insurance

Social Insurance is one of the devices to prevent individual from falling to the death of poverty, misery and to help him in times of emergencies. Insurance involves the setting aside of some money in order to provide compensation against loss resulting from a particular emergency. Thus, social insurance is a co-operative device which aims at granting adequate benefits to the insured on the compulsory basis in time of unemployment, sickness and other emergencies. Sir William Beveridge has defined social insurance as giving in returns for contribution benefits upto substance level as of right and without means test so that individual may build freely upon it. Thus social insurance implies both that it is compulsory and that men stand together with their fellows.

This is based on the principles of compulsory mutual aid. The principal elements of social insurance are:

- i) Social insurance is financed by contributions which are normally shared between employers and workers, with perhaps, state participation in the form of a supplementary contribution or other subsidy from the general revenue.
- ii) Participation is compulsory with few exceptions.
- iii) Contributions are accumulated in special funds out of which benefits are paid.
- iv) Surplus funds not needed to pay, current benefits are invested to earn further income.
- v) A person's right to benefit is secured by his contribution record without any test of need or means.
- vi) The contribution and benefit rates are often related to what the person is or has been earning.

#### Social assistance

Social assistance refers to the assistance rendered by the society to the poor and needy persons voluntarily without placing any obligation on them to make any contribution to be entitled to relief such as workmen's compensation, maternity benefit and old age pension etc. Thus, one may say that a social assistance scheme provides benefits for persons of small means granted as of right in amount sufficient to meet a minimum standard of need and financed from taxation.

Social assistance represents the unilateral obligations of the community towards its dependant group. It is provided by the society or the government to the poor and needy individual. The principal feature of social assistance are (1) the whole cost of the Programme is met by the

State and local units of Government (2) benefits are paid as of legal right in prescribed categories of need (3) in assessing need, a person's other income and resources are taken into account certain resources such as a reasonable level of personal savings are disregarded and (4) the benefit grant is designed to bring a person's total income upto a community determined maximum taking into account other factors such as family size and unavoidable fixed obligations such as rent grants are not related to applicant's previous earnings or customary standard of living. The difference between social insurance and social assistance are as follows:

- a) Social assistance is purely a government affair while social insurance is partly financed by the State.
- b) Social assistance is given gratis while social insurance is granted to those persons who pay a contribution.
- c) Besides, a social insurance does not insist upon a means test upon a means test and benefits are granted without it while social assistance is granted only if certain conditions prescribed by the Government are fulfilled.

### Social Insurance and Commercial Insurance

Social insurance is fundamentally different from Commercial Insurance. The inspiring motive of social insurance is the maintenance of minimum standard of living whereas there exists no such motive in case of Commercial Insurance. Moreover, while commercial insurance provides against an individual's risk only, Social Insurance is undertaken to meet a chain of contingencies of diverse nature and intensity. Besides, in social insurance the benefits received by the beneficiaries are usually much larger than the contribution they are required to pay towards the fund for the purpose whereas in Commercial Insurance, the policy benefits are according to premium paid. The social insurance is generally compulsory while commercial insurance is necessarily voluntary.

### Significance of Social Security

Social security is present understood as one of the dynamic concept of modern age which is influencing social as well as economic policy. As the nuclear missile is the most effective weapon of war, so also social security is the most effective weapon of peace. It is the security that the state furnishes against the risks which as individual of small means cannot stand up by himself or even in private combination with his fellows. It originally signifies the measures during the period when wage earning capacity of a worker is adversely affected during sickness industrially disability, unemployment or old age. In the life of a man there are two stages of dependency i.e., childhood and old age.

In the intervening period of adult life there are likely to occur spells during which he cannot earn a living. The social security system aims to help individuals in such time of dependency. In the circumstances in all advanced countries of the world it is now considered as an indispensable chapter of all national Programme to strike at the root of poverty, unemployment and disease.

The need of social security acquires a further importance in countries like India, where in view of the transition taking place traditional values associated with small communities joint family and security mechanism in-built in these social institutions, social structure and social organizations which used to provide security for the needy is gradually vanishing. Besides the countries of Asian Pacific region including India faces problem such as:-

- High density of population as compared to that obtaining in western countries.
- An average of 2 percent rate of growth of population.
- Meager resources and poor economies with low per capital GDP of US \$ 200 to 300 compared with US \$ 15000 to US \$ 20 000 in developed countries.
- Low rate of literacy and numeracy low aspirations and low label of awareness.
- Low skills.
- Low wages.
- Large rural population which is also scattered and fragmented mainly engaged in agriculture and vulnerable to the pressure of migration from rural to urban areas.
- Lack of strong administrative infrastructure.
- Lack of professionally and educated and trained manpower.
- Heavy fiscal deficit and the current account deficit rendering Governments of countries of the region finance social security schemes on a long term basis entirely on their own.

There are also some problems which are specific to women. These are:

- More women are in rural areas and below poverty line.
- More women are contract and casual workers engaged in series of activities in the informal sector.
- Women get wages invariably lower than men. Such wages remain static for a long time.
- Women's rate of literacy and numeracy is invariable lower.
- More women than men are unskilled.
- Women face much greater seasonal fluctuations in employment and earnings than men [6].

In view of such problems and in a pre-dominantly peasant economy with low per capita income, considerable under employment and total unemployment wide economic inequalities, highly limited opportunities etc. an individual's capacity and effort to alter himself will be inadequate. The State has therefore, initiated action in this field.

The Constitution of India, in its Preamble proclaims:

We, the People of India, Having Solemnly Resolved to Constitute India into A Sovereign, Socialist Secular Democratic Republic and

To Secure to all its Citizens:

Justice, Social, Economic and Political:

Liberty of Thought, Expression Belief Faith and Worship,

Equality of Status and of Opportunity [7];

The Directive principles of state policy as embodied in Part IV of the Indian Constitution further stipulates as here under:-

Article 38 State to secure a social order for the promotion of welfare of the people:

- 1) "The State shall strive to promote the welfare of the people by securing and protecting as effectively as it may a social order in which justice social economic and political shall inform all the institutions of the national life".
- 2) "The State shall, in particular, strive to minimize the inequalities in income, and end over to eliminate inequalities in status, facilities and opportunities, not only amongst individuals but also amongst groups of people residing in different areas or engaged in different vocations".

**Article 41:** Right to work, to educate and to public assistance in certain cases- "The state shall within the limits of its economic capacity and development make effective provisions for securing the right to work, to education and to public assistance in cases of unemployment, old age sickness and disablement and in other cases of undeserved want".

In view of Constitutional mandate in a self proclaimed socialist democratic country, the study of social security bears great importance.

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