

Social Insurance Provision for Women in the Urban Informal Sector: Interpreting the Successful Strategy of Working Women's Forum, India

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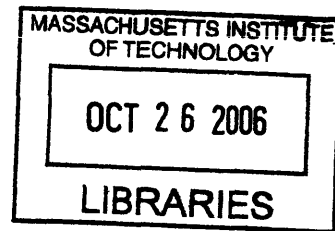
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Abstract:

Since the late-1980s, the world's workers have experienced two strikingly coordinated global trends. The first is an unpredicted decline in secure, formally employed labor, and subsequent growth in informal labor. The second is an unprecedented decline in state welfare rhetoric and policy. These simultaneous trends have resulted in an increase in the proportion of workers that do not receive secure wages or social benefits from either the employer or the state. As this notion of the "benevolent" state purported in the 1950's disintegrates, one finds development literature focusing squarely on formation of social movements as solutions. This study examines the efforts of one such social movement-Working Women's Forum, India (WWF)-which has been successful in providing social protection (insurance) for over 8,00,000 women in the urban informal sector in Tamilnadu, Andhra and Karnataka. This case study looks at linkages between WWF and insurers: Government and Private owned. The curiosity that guides the research is regarding a) opportunities involved in such linkages towards a wider coverage of women in the informal sector, and b) identifying different state characteristics that influence different levels of success among informal workers organizations' ability to secure labor benefits. The latter is marked by continuous negotiations, sometimes confrontational, and other times enabling. This necessitates knowledge of the larger political, legislative and policy environment under which such struggles become successful movements. The reason to study this organization was multifold. First, the organization has been operational in more than one State (of India), aiding comparative analysis of outcomes with respect to different governmental set ups. Second, owing to its large coverage, it was useful to understand the kind of strength it wields in influencing policy decisions (Social Security Bill for Unorganized Sector Workers, 2006). All these issues are analyzed in the backdrop of reformatory struggles through the 1970's, definitions of social protection, current legislations, organizational modifications over the years, and the micro-insurance programmes. The intention of the thesis is mainly to identify factors that have contributed to bringing about an enabling environment for social protection for women in the urban informal sector.

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## Chapter 1: Introduction

### **1.1 Introduction:**

Since the late-1970s, the workers in the urban informal sector have experienced two strikingly coordinated global trends. The first is an unpredicted decline in secure, formally employed labor and subsequent growth in informal labor<sup>1</sup>. The second is the realization that statutory social security schemes alone do not ensure a wider coverage of this population. These simultaneous trends have resulted in an increase in the proportion of workers that do not receive social protection: secure wages or social benefits from either the employer or the state.

Given this situation, the idea of the “benevolent” state (as prevalent in the 1950’s) once again takes a beating in the various planning literature seen as being unresponsive to the needs of the poor. The development literature along the 1960’s, and 1970’s, then purports the idea of “development from below” coming from civil society organizations. Therefore, the rise of the anti-government sentiment around the world in the 1980’s seems to be directly linked to with an equal rise in the popularity of civil society- or what is commonly thought of as the people (Sanyal, 1994). This spurs development literature to focus squarely on formation of civil society as “solutions” to the lack of welfare attention by the State.

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<sup>1</sup> Thus the primary difference between informal and formal workers is that the latter are protected and regulated under state law while the former are not (Portes, Castells, and Benton 1989). Informal sector workers include the self-employed and contract workers, both of whom rely on insecure wages with no benefits.

Welfare attention by the State is discussed in the context of social protection of women in the urban informal sector in this particular case study. Going back to the prevalent literature, the basic theme, then, lay in expressing resistance through such non-governmental actors believing this resistance couldn't be expressed through conventional political institutions, such as political parties (Sanyal, 1994). What this study aims to look at is the provision of such benefits through the channel of a Civil Society Organization, not alone but in partnership with Government, and Private insurers. Turner's was the most influential work on constructed ideas of the State, and the people, as antagonistic to each other, paving the way for new research on social movements (Turner, 1994).

Castells makes a persuasive argument about the nature of these urban social movements and places a critical importance of space and place in social movement mobilization and in their ability to use political leverage (Castells 1983)<sup>2</sup>. He focuses on two broad themes, a) the importance of civil society in bringing about a quicker distribution of services, and the dynamics of its operations involved, and b) policy debates, which are conspicuously absent in case studies of service delivery, not paying much attention to the role of political parties and actors in both articulating civil society for good governance, and distorting the effects of public sector reforms efforts.

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<sup>2</sup> The core of Castell's theory of urban social movements is quite elegant: 'urban protest movements, in our societies and in our epoch, . . . develop around three major themes: 1) demands focused on collective consumption. . . 2) defense of cultural identity associated with and organized around a specific territory. 3) political mobilization in relationship to the state, particularly emphasizing the role of local government' (Castells, 1983: xviii, emphasis in the original).

The latter, stresses on the need to include the external policy, and reformatory climate, which makes for certain movements to gain more momentum than the rest. It is by virtue of the fact that they service delivery channels in opposition to the State, and meant to fulfill an ideological vacuum instead of earning profit that they are said to be intersecting between the State and the Market. Variouslly labeled ‘voluntary,’ ‘non-profit,’ ‘nongovernmental,’ or ‘civil society’– these organizations have been rediscovered by politicians, academics and the public as a possible third way of a substitute for the statutory welfare service.

So, from being an enclave on the margin of most social policy terrains, the various contributions of voluntary organizations have moved closer to the center of current social policy debates and play an increasingly active role in its implementation (Kim, 2006). One reason for the rediscovery of the concept of “civil society” is the growing skepticism about the capacity of the state to deliver public services that satisfy user expectations and diverse citizen aspiration (Kim 2006).

In addressing the above point, the focus of this paper is then on tracing the path of one such organization, Working Women’s Forum-India (1978) and how it has proved to be successful in delivering social protection to over 8,00,000 women in the urban informal sector. The organization was established at a time when the “social movement literature was strongly anti-state, and pro-people in its orientation. It represented a symbol of the people’s resistance to state encroachment on their lives” (Sanyal, 1994).

Thus, the period it spans begins from the era of disenchantment with the State apparatus in its role of developmental efforts through the years of post-economic reform.

This study gives an opportunity to examine how the state characteristics influence different levels, and differing degrees of success in informal workers organizations' ability to secure labor benefits. This stresses the unique feature of a social movement, which is contentious politics; when ordinary people erupt out into the streets, often in conjunction with some influential person and demonstrate against elites, authorities, opponents, or some policies (Tarrow, 98). The legitimacy it derives is from the belief in the State's unresponsiveness, strength of numbers and the charisma of the leader.

The above idea gets evaluated through the laudable efforts of the WWF at provision of social protection to women workers in the Informal Sector. This is done through elaborating the social security schemes of WWF, and then specifically studying limitations to its own micro insurance program, and making recommendations to improve for wider coverage for the women in the informal sector. These limitations are also reflected on as a feedback to propositions in the Social Security Bill for the unorganized sector brought out by the India Government. The intention of the study is help establish a more informed base for consideration, design and implementation of social insurance schemes for Working Women's Forum in specific, and informal sector at large.



## **1.2 Objective**

The research aims to understand institutional “linkages” (at various levels of the political process) of the WWF in bringing about favorable outcomes in increasing social protection coverage for women in the informal sector. This case study looks at two such linkages related to the provision of micro-insurance for women through State and Private insurers. The curiosity that guides the research primarily is regarding the opportunities involved in such linkages<sup>3</sup>, which are marked by continuous negotiations, sometimes confrontational, and other times enabling. This necessitates knowledge of the larger political, legislative and policy environment in which such reformist struggles have been placed. It is important to understand, and hence document, what causes an enabling environment for social protection, as each case of study is specific.

Briefly, the WWF with over 7,00,000 workers in the Southern States of India (Tamilnadu, Karnataka and Andhra Pradesh) redefines and moves away from classic definitions of social security to not merely encompass economic terms but non-material concepts such as “ empowerment” (combating powerlessness). It’s insurance programs have both a class, caste and gender dimension ensuring the worker with a life cycle approach (life, accident, disability and health). The program is done in partnership with the Government, and Private insurers (elaborated in Chapter 3), and adopts the partner agent model (explained below). The social insurance program, in terms of coverage and quality, has been successful in Tamilnadu, Andhra Pradesh and Karnataka, but the outcomes are different nevertheless. In here is where I would be seeking to understand,

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<sup>3</sup> coordination

and elucidating the differing notions of “success” through the insurance programme, the relevance for which lies in the reasons to study this organization.

In the case of Working Women’s Forum, it has meant engagement with a range of actor, from hawkers, and vendors to Central Government, to corporate organizations and international agencies. One of their aims has been to promote greater social insurance with the help of micro-credit lending, already in place. It seemed useful to track the organizational modifications the WWF has undergone over the years, and delineating the factors responsible for its success. The following study therefore draws on the development literature’s emphasis on the role of the social security provision as shaping the relationship between the insurers: private and government owned, civil society and informal sector workers<sup>4</sup>.

This study contributes as an interpretation of a “good practice” to the vast literature on social insurance provision in the urban informal sector. It tries to bring to fore the factors leading to “good practice”, providing a more informed basis for consideration of social schemes in general. I am hoping to look at mainly the “moments” of opportunity that made for the success of the organization’s contribution to social protection, large coverage of micro-insurance, and recommendations to improve it.

The reason to study this organization was multifold:

First, the organization has been operational in more than one State (of India), aiding comparative analysis of outcomes with respect to the organizational set up, the

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<sup>4</sup> For more read [Bhowmik and More 2001; Chandavarkar 1994; Heller 1999; Rudolph and Rudolph 1987].

nature of civil society and the state apparatus (enabling legislations) in these three states. Tamilnadu has a deep history of India's labour and independence movement, representing the birthplace of one of India's largest trade union movements. Andhra Pradesh has been second to Tamilnadu in social welfare provision (in the Southern States), and Karnataka was the first to foster decentralization in the Government through Panchayats (in Southern India), especially 25% of reservation for women approximately two decades ago. These together constitute the need to understand why the same organization has worked differently in Karnataka, and Tamilnadu given similar welfare attention being paid to women in both these States.

Second, born a social movement, the WWF example has much to offer on ground through its micro-insurance activities in confronting the popular myths focusing on anti-government sentiments which made it seem as though the State and the People worked at the expense of the other (Sanyal 1999).

Third, these civil society organizations operate, by definition, in the intersection between market and state. They interact with each other, of course—many organizations sell the product of the poor in markets or provide marketable services, and nearly all organizations come under one or other set of government regulations. But their size effectively insulates them from the full force of markets or government. As these organizations expand to scale up poverty reduction, they will come up against the market on the one hand and the state on the other.

So this issue of scaling up<sup>5</sup> is particularly a useful tool in revealing the nature of their relationship with the larger political organizations, and the State. The interesting question would be to trace their evolution and see what makes them large, and successful, and analyze the power they wield in influencing policy decisions (relating to making legislations for the informal sector more accountable).

In sum, it would be useful to look at the replicability of such a model elsewhere, and as WWF has expanded its operations in the three States, it gives a clear example of the nature, and outcome of replicability. This leads to analyze the role of the charisma of the founder of the organization, does the success depend on the charisma of the leader or are there other external/ internal factors at play? What kind of setting it takes to ensure a successful developmental outcome, and related to this, how do we define a successful outcome?

### **1.3 Methodology**

I adopt two methods to studying the issue of social protection through micro-insurance: a) to examine a real-life case of intervention in the form of a micro insurance organization, that is WWF, especially where an attempt has been made to scale up successful small activities, and make an assessment of the conditions of success, and b) take a more conceptual approach, asking what might be needed for success, or might explain failure, in a range of circumstances. In this combination of approaches does the dynamics between macroeconomic stability; the quality of the micro-finance institution

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<sup>5</sup> Diversification and scaling up in the case of small organization through credit activities in this case

and its interventions becomes clear in assessing the circumstances under which the socially desirable goal of universal coverage of social protection is possible.

In studying micro-insurance for women in the informal sector as a part of the WWF's social protection strategy, it is also important to view the broad range of actors and linkages in this process. The data collected by the staff of the organization, on the 200 members<sup>6</sup> are in depth interviews conducted in Karnataka, Tamilnadu and Andhra pradesh of a random sample of two hundred women. This is an ongoing process. I have conducted a long interview with President of the Organization Dr. Jaya Arunachalam, academic researchers who have been involved in studying the organization through its conception, corporate groups involved with the micro-credit lending, staff and members of Working Women's Forum.

The study also uses secondary literature from the various other sources such as the ongoing programme literature of the organization, and academic research that has been conducted by researchers from universities from around the world. The aim is two fold, both to provide useful feedback to WWF as well as learn about the successful strategies adopted in the providing social protection through micro-insurance for women in the urban informal sector. This I believe, will also useful to its donor agencies, Government financial institutions, similar women's organizations as well as academic researchers in the area.

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<sup>6</sup> Random Sampling Technique; First 200 samples of an ongoing study

## **1.4 Layout**

The introductory chapter begins by giving an overview of the study, tracing the popular literature on events leading up to the need for an “alternate” development model, stating the objective, relevance, methodology, and layout of this study. Rest of the study is focused on issues grouped under the four main heading: a) classification of social security c) trajectory of the organization, d) micro-insurance program, and e) final recommendations. These have also become the chapters respectively. The study is organized as follows:

Chapter 2: Looks at the history, and scope of social security provision in the urban informal sector, classifying methods of social security provision, and the reason for studying micro-insurance. The key issues section us about the various risks that are characteristic of the sector, and concentrates on the statutory social protection schemes that are in place for it. This section also briefly elaborates the Social Security Bill, 2006 that is yet to be passed, which is a first, in that it is comprehensively pulls together the various working bodies (organizations) and occupations in the informal sector from the past legislations.

Chapter 3: This chapter focuses on the interplay of institutions that have given rise to the context of the successful scheme, and also provided opportunities for its smooth functioning. To understand this I look into the organizational capabilities of the WWF: centering on its birth, growth, and diversification through its micro-credit activities into micro-insurance schemes. This chapter elaborates on the institutions within

the WWF (and outside), which not only provided economic security to the members, but also the non-material aspects of strength, for example, by registering as a trade union it gave their rights statutory protection.

Chapter 4: This section provides an overview of the micro insurance activity of WWF, sketches the socio economic profile of the women worker, which provides the basis– preferences, and needs for social protection among the workers. By doing this, the effectiveness of the micro-insurance program is evaluated and suggestions are made.

Chapter 5: What elements have been responsible for this successful diversification of credit into insurance? This can only be seen through the various institutional relationships forged along its growth, and developments keeping in mind the larger political climate. It addresses the objectives in the first chapter about the difference in state characteristics, legislative opportunities, and organizational set up that have proved to be the successful for WWF. Modifications are suggested towards drafting the social security bill for the unorganized sector, keeping in mind the experiences of WWF in the provision of insurance in partnership with government insurers such as LIC.

## **Chapter 2: Social Security for the Urban Informal Sector**

The concept of social security takes on a new meaning in the informal sector, which houses around 93 million workers, in India alone. Among the countries of the world in Human Development Index, India is ranked 135<sup>th</sup> out of 173 as a composite

measure of three main components of human development longevity, knowledge and standard of living (van Ginneken, 1999). Further, in 1973, there were 11 workers in the unorganized sector for every one worker in the organized sector. This is grown to 14 unorganized workers for each organized worker. During the period between 1994 and 1998 itself, there has been a growth of 27 workers in the unorganized sector for each of the worker added to the organized sector (Rao, 2002).

This kind of growth calls for a review of statutory social security measures in place, and identifying institutions other than the State that can provide it successfully. This chapter begins with a literature review of the growth of the informal economy, and traces the reasons for the lack of social security coverage. This is followed by a classification of the concept of social security, defining the characteristics of the informal economy and the reason for lack of coverage. Finally, this ties up with the question of the range of providers of social security, and the current legislations that are in place for the informal sector.

## **2.1 Background**

One of the key problems facing the globe is statutory social security provision for half the world's population, especially the labor force that lies in the informal sector. While the phrase "informal sector" came onto the development scene in 1972, its roots reach back into the economic development efforts of the 1950s and 1960s. That was a time of confidence and optimism. With the surprisingly successful rebuilding of Europe



and Japan following the Second World War, there seemed no reason why a similar sort of deliberate economy-building effort could not also be applied to the newly emerging countries in the de-colonialising World (Bassanger 2000).

The optimism of the modernization theory<sup>7</sup> of the school of development had led most people in the 1950s and 1960s to believe that traditional forms of work and production would disappear as a result of economic progress in developing countries. The subject of social security then was material well being indicated by measurable income per capita<sup>8</sup>. And the logic was applied "universally" across the spectrum of "developing countries", with little allowance or variation for their evident differences in size, history, cultures, natural endowments, etc.

Against this background, International Labour Organization Social Security Department undertook an action programme with regard to social security provision, expecting all the workers to get absorbed into the formal sector eventually. This optimism proved to be unfounded, as the expected trend reversed<sup>9</sup> especially after the economic restructuring in the early 1990's. However, the response of labour markets to the accelerated process of industrialization was not what orthodox economic theories of industrial development would have predicted (Colin 2004). So, this sector had not only persisted but had in fact expanded to encompass new developments<sup>10</sup>. The expansion was

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<sup>7</sup> States that all paths to development are the ones that early industrializing countries have taken

<sup>8</sup> The conceptual tools were taken overwhelmingly from economic science, and with a strong preference for "positive" rather than "normative" economics.

<sup>9</sup> Formal sector employees joining the ranks of the informal economy

<sup>10</sup> Globalisation has led to important changes in the nature of work, and workers access to social protection. In large parts of the global economy work is becoming increasingly informalised, both in important global export sectors as well as domestic production.

characterized by flexible, precarious and insecure forms of work associated with an increase in female participation in paid work<sup>11</sup>.

The ILO's *first* response to this increasingly evident paradox was the World Employment Programme (WEP)<sup>12</sup> as a direct attack on conventional economists' wisdom<sup>13</sup>. Parallel to the comprehensive employment missions, its *second* response followed in deterring focus solely on the economic aspect of the informal sector. Over the course of the 1970s, the phrase "the urban informal sector" gradually replaced "urban unemployment"<sup>14</sup>. The *third* major informal sector "event" of the 1990s was the interdepartmental project on the informal sector in the 1994-95 Programme and Budget<sup>15</sup>. One of the objectives was to extend to informal sector producers and workers basic social protections incorporated into certain fundamental international labour standards, mentioned first time in any ILO proceedings.

In accepting that these informal forms of productions were to stay, scholars started using the term "informal sector", which was first used by Keith Hart in a study on an African community in 1971 and launched by the ILO (1972) in Kenya. In the second half of the 1990s developmental literature started to consciously use the term "informal

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<sup>11</sup> And, the social protection systems designed for formal employment are often inaccessible to informal workers and particularly women.

<sup>12</sup> WEP emerged as a proposal in 1967 at the Americas Regional Conference in Ottawa

<sup>13</sup> Economics around that time was the reigning discipline, with the aftermath of Cold War, and industrialization.

<sup>14</sup>

<sup>15</sup> The Urban Planning department was started then with the 1992-93 Programme and Budget. The project's objectives were: (a) to improve the productivity of informal sector activities, (b) to extend to informal sector producers and workers basic social protections incorporated into certain fundamental international labour standards, and (c) to promote and strengthen informal sector organisations and institutions for collective action.

economy” instead of “informal sector” to refer to a broader concept that includes enterprises as well as employment in developing, transition, and advanced industrialized economies.

For the purpose of the study, a wider concept of the informal economy is used which comprises employment created outside recognized institutional framework, and characterizes the workers depending on the degree of informality of their work status. The National Commission for Labour commission (NCL) also opined “ the group of workers, who cannot be defined but could be described as those who have not been able to organize in pursuit of a common objective because of constraints such as:

- Casual nature of employment
- Ignorance and illiteracy
- Small size of establishments with low capital investment
- Persons employed
- Scattered nature of establishment, and
- Superior strength of employer operating singly or in combination.

This seems to be amore useful definition as it focuses on wages, nature of employment and work conditions so as to promote social protection for them.

## **2.2 Keys Issues:**

The informal economy encompasses such a diversity of situations and activities that it represents a heterogeneous universe, irreducible to any subset of specific rules of

economic calculations (Castells and Portes 1989). There are three aspects that are common to the activities mentioned above. First, there is the systemic connection with the formal economy; second, the special characteristic of labour employed in informal activities; and third, the government's attitude towards the unregulated sector. Workers involved in the informal economy receive fewer benefits or less wages or experience worse working conditions.

### **2.2.1 Systemic connection with the formal economy**

All workers - formal and informal – are faced with what we might call common contingencies, such as illness, disability, property loss, maternity, and old age. Though, all workers face a broad set of work-related economic contingencies and risks, and informal workers and atypical workers have a higher degree of exposure to such risks (Lund and Unni 2002). These risks will have an effect on their ability to work at certain times, and they will have to take measures to cope with these contingencies. For formal workers, coping mechanisms are available in the form of 'the social wage', through benefits such as accident insurance, health insurance, and old-age pension<sup>16</sup>. Prompted by the nation's nearly a decade and half year old experiment with economic reforms changing the meaning of work and state, the primary difference between informal and formal workers is that the latter are protected and regulated under state law while the former are not [Portes, Castells, and Benton 1989].

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<sup>16</sup> Taking a step forward, the formal unions have squarely focused on economic protection (welfare), while the informal ones strive for social protection by way of various strategies (the case of micro-insurance as a strategy will be studied).

### **2.2.2. Special characteristics of informal labour**

As stated above, the main problem facing workers in the informal sector is one of lack of wider coverage of statutory social security protection. It becomes challenging for the State alone to meet such vast social security needs. This becomes complicating due to a lack of a regular job whose earnings can be monitored and mandatory contributions can be collected from both the worker and the employer. This weakens the participatory basis on which most formal sector schemes are predicated, and in spite of these opening up to the informal sector it, the latter are not able to utilize the opportunity. Another reason for lack of coverage is also that informal sector workers define risks (discussed in detail later) on the basis of a time horizon. For example, in the formal sector where pension is one of the main social security components, the informal sector employees look for more immediate concerns such as health, death, and disability etcetera.

#### **2.2.2.1 Nature of Insecurity:**

It has been suggested that orthodox social security schemes fail to address the fundamental causes of income insecurity and vulnerability facing workers in the informal sector. Risks to income security for this group are related to the very conditions governing their employment and income generation of informality as stated above. Orthodox measures for social protection are by nature aimed at coping with risks arising from various contingencies, and fail to address the fundamental causes of insecurity and vulnerability.

This framework of orthodox social security has worked well in the developed countries where most of the workers are employed in regular jobs. However, in the developing countries while most people work, the work is intermittent and their incomes are too little to cover their basic needs as well as the costs of social security. As the old model of social security requires that all workers have clear-cut employer-employee relationships, it becomes difficult for workers in the developing countries as a large proportion of them are self-employed without any such a clearly defined relationship.

A three-pronged approach to security - basic, economic and social - is analytically useful to demarcate the different forms of insecurities faced by different sections of the population. This classification helps illuminate the different kinds of core needs of social protection. It is also useful to highlight the fact that the root cause of insecurity lies in the nature of work (informal, low quality employment) and insecurities do not arise merely through random shocks (discussed in chapter 4). Instruments of social protection need to be devised taking into account the nature and cause of these insecurities.

### **2.3 Social Security Classification:**

Getbug defines social security for the developing countries as “ any kind of collective measure or activities designed to ensure that members of the society meet their basic needs. As well as being protected from contingencies to enable them to maintain a standard of living consistent with social norms” Dreze and Sen distinguish two aspects of social security, which they define as the use of social means to prevent deprivation and vulnerability to deprivation. The focus of the social security is to enhance and protect

people's capabilities to be adequately nourished, and to be comfortably clothed, to avoid escapable morbidity and preventable mortality (Dreze and Sen, 1997).

The term social security is generally used in its broadest sense; it may consist of, all types of measures preventive (of risks), promotional (of productivity) and protective (of profits, assets, and life) as the case may be. The measures may be statutory (provided by the State), public (civil society, non-governmental organizations) or private (market, and corporate). The term encompasses social insurance, social assistance, social protection, social safety net and other steps involved, which are also characterize the channels through which provision of social security. In India, social security can be broadly divided into Social Assistance, and Social Insurance<sup>17</sup>.

Social insurance is publicly, or privately funded, and can be both compulsory and voluntary, while social assistance is financed through taxes, and cess' There is also the tried, and popular approach of the area- and occupation social insurance schemes, which have emerged at local levels in the informal economy. Some of them are still experimental in nature requiring the cooperation of various actors, and in that can be viewed as the best way forward in extending social protection to those who are in need of it the most

#### **2.4 Statutory Social Protection Schemes in India**

The primary social protection schemes available in India are (Rao, 2000):

- Employees provident fund and the miscellaneous provisions act 1952

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<sup>17</sup> (van ginneken 1997)

- Employees state insurance Act 1948
- Maternity benefit Act 1971
- Workmen compensation Act 1923
- Payment of gratuity Act 1971

When reading through the list, it is worth noting that, although many schemes exist, their coverage of the Indian population is on the whole miniscule. However, today in India, only about 8% of workers actually get the benefits available under these acts. The rest 92% (over 30 crores) work in the unorganized sector, and either are not eligible for coverage, or these Acts are just not implemented for them, with the result that these workers have insecure employments and low incomes. They have no coverage of social security, and have to spend out of their meager incomes for all contingencies such as illness and children's education; in their old age they are helpless. This is the case, in spite of the fact that they contribute over 60% of the country's GDP as seen in Figure 1.

### III (ii) VALUE ADDED FROM ORGANIZED AND UNORGANIZED SECTOR

| YEAR    | % Share organized | % Share unorganized | YEAR    | % Share organized | % Share unorganized |
|---------|-------------------|---------------------|---------|-------------------|---------------------|
| 1980-81 | 30.0              | 70.0                | 1988-89 | 35.8              | 64.2                |
| 1981-82 | 31.5              | 68.5                | 1989-90 | 36.5              | 63.5                |
| 1982-83 | 33.6              | 66.4                | 1990-91 | 36.2              | 63.8                |
| 1983-84 | 33.6              | 66.4                | 1991-92 | 36.7              | 63.3                |
| 1984-85 | 34.7              | 65.3                | 1992-93 | 36.5              | 63.5                |
| 1985-86 | 35.1              | 64.9                | 1993-94 | 37.7              | 62.3                |
| 1986-87 | 36.8              | 63.2                | 1994-95 | 38.5              | 61.5                |
| 1987-88 | 37.0              | 63.0                | 1995-96 | 46.3              | 53.7                |

Fig. 1:Source: Madhav Rao, 2000



Excepting some medical treatment in the state run hospitals and primary health centers and municipal hospitals there are no time tested social security programs for the unorganized in the country. Several state governments are also running some old age pension schemes but these are pure social assistance programs with rigid criteria of selection of beneficiary and with meager amount of benefit- say- 100 to 200 rupees per month. Some states have occupation based social security programs run by Non-Governmental agencies, particularly in the state of Kerala, and Self Employed Women's Association in Gujarat. Recently the West Bengal Government also has come out with a program of social security for the unorganized sector<sup>18</sup>. In effect, majority of the working class in the unorganized sector do not enjoy any social security benefit like Provident fund, Pension, Medical, or Maternity benefit, Disablement benefit, and widow Pension etc.

## **2.5 Institutions providing social security:**

The lack of coverage raises the question on what should be the role of state as changing and having an impact on the need for social protection, and which particular institution should provide it. It is possible that the role of the state has changed, but its basic responsibility towards provision of certain minimum needs cannot be brushed aside.

It remains an important — in fact, the most important — institutional mechanism to

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<sup>18</sup> The Maharashtra government Mathadi workers welfare fund is also a kind of social security for the workers in the unorganized sector. The coastal Andhra Hamali association contribution for the provident fund and pension is also an attempt towards social security for the unorganized. In addition there are welfare funds like Beedi workers welfare Fund, Limestone & Dolomite workers welfare fund, Iron ore, Manganese ore & Chrome ore fund, Mica mine workers welfare fund and Cine workers welfare fund etc. However, these programs are not answering the big question of income sustenance or income maintenance or old age income security

deliver social protection. The employer is the other traditional provider of social protection whose role is also diminishing due to the increasing informal nature of exchange relationships. The role of markets in the provision of social protection is growing. Besides the state, employer and markets there is a third form of institutional mechanism that also plays a role in delivering social protection — civil society. This takes the form of individuals, social networks and non-governmental and member-based organizations. There could be many methods to solve any single problem — that is, each need could be met by more than one instrument and delivered by more than one institution as the case may require.

In India, the British government set up state-run social protection schemes for its colonial officials, and passed the Insurance Act, comprehensive insurance legislation, which remains the cornerstone of the insurance industry today. Regulated insurers are divided into two categories: life and general insurance. Life insurance includes products like endowments policies and retirement annuities. General insurance covers all other types of insurance. In 1956, the Indian government nationalized the life insurance industry, and in 1973 the general insurance industry was also nationalized. In the decades following nationalization, insurance products were designed primarily for those with regular income streams, i.e., those in formal employment. These were overwhelmingly men in urban areas.

### **2.4.1 Micro-insurance Legislation**

By early 1990s, the Indian government set about liberalizing its insurance markets, giving rise to the establishment of the Insurance Regulatory and Development Authority (IRDA) laying the framework for the entry of private (including foreign) insurance companies. The key requirement for such an entry was a regulatory compliance of 15% of portfolio investment in the rural and social sectors (elaborated below). As in much of the developing world, India has a large number of informal insurance schemes. These schemes are often run by cooperatives, NGOs, and other community organizations that pool their members' premiums to create an insurance fund against a specific peril. In many countries, there is specific legislation to regulate these schemes, but in India no such law exists; any individual or institution conducting insurance has to comply with the stipulations of, among other regulations, the 1938 Indian Insurance Act as amended<sup>19</sup>.

There are two central legislations that have shaped micro-insurance in India. The first is a set of regulations published in 2002 entitled the “Obligations of Insurers to Rural Social Sectors.” This is essentially a quota system. It compels insurers to sell a percentage of their policies to de facto low-income rural clients. It was imposed directly on insurers

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<sup>19</sup> Schemes that do not comply with the Act—such in-house insurance offered by MFIs, NGOs and trade unions—operate in a legal vacuum. At present, the IRDA has not taken action against these schemes. However, regulated insurers have expressed their unhappiness to the IRDA about needing to compete against non-regulated insurers. Two possible scenarios may occur: either the development of particular legislation to cater for microinsurers

that entered after the market was liberalized. This regulation has put massive pressure on insurers to sell products to the social sector, including low-income groups consisting of un-organized workers and economically vulnerable or backward classes in urban and rural areas. For example Dalits or untouchables come in this category. Insurers must cover a specified number of new lives each year from these groups, from 5000 policies in Year 1, up to 20,000 policies in Year 5. There are positive, and negative aspects to this regulation. The positive being the insurers are making innovative models to sell to this sector to recover costs, while the negative aspect is that sometimes they dump cheap products on them as well.

In 2004, there has been an implicit restriction of micro-insurance to the partner-agent model (discussed in chapter 4); and 2) the lack of product flexibility. There are various models for selling and servicing micro-insurance, for example co-operative insurance and NGOs or other institutions providing insurance on their own. These models all have strengths and weaknesses, but overall, with appropriate regulation, they expand the frontier micro-insurance provision. Prior to the passage of the Obligations of Insurers to the Rural and Social Sector, and its resultant partnerships between insurers and MFIs and NGOs, for the most part Indian micro-insurance schemes were either some variant of a community-based model or managed by MFIs in-house. In the in-house model, an MFI or NGO runs an insurance scheme for its micro-credit borrowers.

## **2.6 Insurance Providers:**

The social insurance schemes are launched by the Central and the State Governments for the benefit of workers in informal economy through the Life Insurance Corporation of India and General Insurance Corporation of India. 'Janshree Bima Yojana Yojana' is a group insurance scheme and covers natural/accidental death partial or total permanent disability due to accident and the people below poverty line and marginally above are eligible to join the Scheme. Another group insurance scheme for the agriculture landless labour, 'Krishi Shramik Samajik Suraksha Yojana-2001' launched in July 2001 provides for pension and insurance besides providing money back.

Several public institutions and agencies are also imparting various kinds of social security benefits to the selected groups of workers, among which Working Women's Forum (discussed in next section) has made significant achievement in promoting social security through the formation of cooperatives, partnering with the Central, and State Insurers. The next chapter will explore the social security schemes of the WWF, and its micro-insurance program in specific, with some early statistics regarding the demographic profiles, and preferences of members.

### **Chapter 3: Organizational Overview**

The section introduces the background to studying the Working Women's Forum (India) focusing on the political climate, and the reformist struggles that were shaping up around the time of its birth. This involves an analysis of the social, and economic planning prevalent in the country around the 1970's, and understanding the reasons that

were needed for reform: *who was in dire need of it and how exactly was it envisioned*. In answering this it was useful to sketch out why the Southern States were a favored settings for a movement of this kind, and consequently what were the reasons that led to the origin of the WWF (I).

As the organization grows, many factors contribute as well as hinder the process. This helps delineate the factors, or even “opportune moments in history” that constitute its success. The potential replicability of the model comes through an analysis of the meaning of “success”, and the conditions under which it has been possible for WWF to achieve it. Social Security at WWF has both a social, and economic aspect to it. This chapter will touch on the social aspects of it, and then ties up with the socio-economic aspect of insurance in the next chapter. This discussion is meant to tie up with what exactly were the reasons that made the social security program of the WWF successful.

### **3.1 Prelude to the Movement**

Early twentieth century saw the emergence of various socio-religious reform movements in India during the British rule. These were an expression of the rising national consciousness and spread of liberal ideas of the west among Indians. In the social sphere there were movements of caste reform or caste abolition, equal rights for women, and a crusade against social and legal inequalities. Tamilnadu was one such state which, during the freedom movement was in the forefront of social reforms, thanks to it's

illustrious sons like C.Subramanya Bharathi, E.V. Ramaswamy Naicker, C. Rajagopalachari, K. Kamaraj and C.N. Annadurai.

Later, leaders brought in several social welfare measures on statute to empower the underprivileged and the poor. The most important was to universalize primary education, which got a boost during the regime of Kamaraj<sup>20</sup>. To ensure greater attendance at schools, free textbooks and food was provided to poor students. This developed further during the time both the Dravidian parties (AIADMK & DMK) were in power<sup>21</sup>. Another factor relevant to the study was that Tamilnadu has also been one of the pioneers in another area of social welfare - slum clearance. While there were debates whether slums should be cleared or the civic and other amenities in these slums should be improved, it was Tamilnadu that constituted a Slum Clearance Board that constructed multi-storied tenements where slums had cropped up in no man's lands<sup>22</sup>.

In 1978, one of the worst floods in the history of Tamilnadu had struck the coast of Marina, ruining the assets, and livelihood of the slum dwellers residing near the coast. Relief camps had been set up in schools and community halls. In here the deep-rooted problem of lack of social, and income security came peeping from the carnage of an immediate catastrophe of floods<sup>23</sup>. During discussions (with the women in these flood-affected areas) it was learnt that the dwellers were very anxious to get as much relief measures even after the floods receded. On further enquiry, they explained that such

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<sup>20</sup> Part of the social justice movement. Significance discussed later

<sup>21</sup> Annadurai, Karunanadhi (DMK), MGR and Jayalalitha (AIADMK), and became a model midday meal scheme that was later applied to the whole nation after it was commended by the World Bank.

<sup>23</sup> Interview with Dr. Arunachalam

measures came from the Government or the public only during disasters, and that when normalcy was restored they would be forgotten. Therefore they were quite avaricious and trying to accumulate as much as they possibly could in that time.

### **3.2 Conception of WWF**

“It was almost as though they had wished the water wouldn’t recede, and for them to go back to normal life”<sup>24</sup>. This statement was the realization, and constituted the moment, that prompted the conception of the organization: *the fact that even after the floods had receded, the affected people did not wish to return home*. At the time the WWF was established, the founder, Dr. Arunachalam was heading the Women’s Congress Wing, as well as being actively involved in mainstream Congress (I) politics. She was influenced by Kamaraj’s ideology, which was coupled with the service-oriented approach, believed to be the constructive part of Gandhian Philosophy. The latter was one of the main reasons the reason the Congress party workers were involved with slum dwellers, and their rehabilitation. The changing over to development from such relief & rehabilitation had become the norm.

The other factor that spurred the growth of WWF was the reform climate (discussed above) that was gaining momentum around that time. Especially, in the late 70's, the state was being convulsed with caste politics and reservation in educational institutions and jobs was the hot item on the agenda. The political opinion and structure could be divided on the lines of caste, gender, and class but Dravidian parties showed no

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<sup>24</sup> Interview with Dr. Arunachalam



single line of division. Though the first dividing line was used to organize party politics was the Brahman-non-Brahman divide, but the Non-Brahman category proved too amorphous<sup>25</sup>. This along with the fact that the Dravidian Movement wasn't able to amalgamate the Schedule Castes (and comprises mainly of the dominant castes)<sup>26</sup> and it was often said by the women themselves, “ it is oppressive enough to be from such a caste, but being a woman belonging to it, was a totally different story”

Keeping in mind that the women in these areas bore the brunt of discrimination on caste, class, and gender (in that order), the Working Women's Forum's (WWF) was initiated. However, it took the disaster of the floods to understand the real cause of powerlessness of these women and there seemed to be no physical evidence of any change towards betterment in their lives. Later, as Dr. Arunachalam says, “the Congress (O)<sup>27</sup> was deviating from the grassroots, during the early 1970's, therefore along with few of my colleagues, from the Congress Party (I) left active politics to form a separate women's organization”. This comment ties up with the final element of the class, caste, gender dynamics of political parties (elaborated below) in understanding the conception and birth of WWF.

One of the cardinal facts about the politics of Tamilnadu – that marks it out from almost every other major state - is that the Congress lost power in the state in 1967, to the

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<sup>25</sup> This was because it was as not a grassroots movement from below to articulate the aspirations of the masses. It began with well-to-do British toadies seeking commanding heights of Tamil society (in tune with what the British has wanted for their Divide and Rule policy)<sup>25</sup>. Brahmanism had been given shape as the ideology of the ruling class in the middle of the first millennium BC, with an exclusive intelligentsia claiming cultural purity and sacredness. It was annoying to them that many Brahmins, though with little wealth to sustain themselves had the religious authority, and were in the forefront of the freedom struggle.

<sup>26</sup> M.N. Srinivas.

<sup>27</sup> Congress (O): Organization was rightwing as opposed to Congress ( I)

DMK, and has never regained it subsequently. The DMK's return to power in the state elections in 1971 was assisted by the split in the Congress<sup>28</sup> and thereafter, following the split in the DMK itself, and the formation by M.G. Ramchandran in 1972 of the AIADMK, the two Dravidian parties have slugged it out with each other in the Assembly, in the towns and villages of Tamilnadu, and in successive elections, with the Congress only ever in a supporting role<sup>29</sup>.

The populist strategies of both the parties have been analyzed in terms of their attempts to target different socio-economic groups: the DMK is generally thought to have links to intermediate, and moderately well off people, while the AIADMK have made a much more explicit effort at reaching out to the poorest. The AIADMK has had a decisive edge among women, and landless labourers, and also having a lead over DMK among most categories of wealthier sections of voters as it catered to. In spite of the AIADMK having an edge among the women, there was no real up-liftment in their situation until then.

These women still faced problems related to three spheres: the business, the work place and home (Jeffers, 1983). The business component required financing which the banks weren't willing to disburse without collateral, on the other hand they were in severe debt with the money lenders (who charged exorbitant interest rates). Work place demanded a market interface with the community such as pavements, and nearby park.

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<sup>28</sup> between (I) and (O)

<sup>29</sup> It was a 'two and a half party system', in which the Congress, as the 'half' party, largely conceded influence in state politics whilst securing for itself a substantial share of the seats in Tamilnadu in Lok Sabha elections, in alliance with the DMK (1980) or more usually the AIADMK (1984, 1989, 1991).

This wasn't possible due to municipal restrictions and being jostled away from prime spots (Jeffers, 1983). Housework responsibilities, and indignities experienced (by virtue of being a women) were also important factors in contributing to their woes as a workingwoman. The home situation stressed on the gender aspect of submissiveness to the male member of the family, usually the husband, to whom the meager earnings were given away.

These problems came to fore much more during the floods with the help of an extensive network of women affiliated to the communist party. And, only through these neighbourhood contacts was it possible to determine the real problems during, and after the floods. Dr. Arunachalam, and her colleagues (along with whom) who had parted with the Congress (O), had associations with the communist party which was a part of the Congress (I). The flood-affected women were working already in petty trades, which facilitated their participation in political rallies. This exposure proved to be successful in getting them outdoors easily, and make them understand the principle of credit for their micro-business.

### **3.3 Birth, Growth & Diversification:**

Thus, started the Working Women's Forum (India) with 800 members laying emphasis on the socio-economic empowerment of the women, primarily for those who were affected by the floods. The grassroots character of the movement was to be kept for easier mobilization, along with the secular agenda of overlooking caste and religion. This

was made possible through credit principle<sup>30</sup> (again going back to the Gandhian philosophy of self-reliance). The credit principal was based on group solidarity as a collateral for repayment of loans borrowed at low interest rates. To trace the credit availing part of the WWF, it is worthy to mention the policy of the National Congress Party (in power then), which nationalized the banks during the time of Late Prime Minister Indira Gandhi, and this (Nationalization) and required 1% of the their portfolio given to the poor.

Bank of India and Bank of Maharashtra came forward to help with the financing, providing for 800 members, (in to) 40 groups with a 10-month loan pay back period. Each of them, were given only Rs.100 to 200, out of which only 32 (of the 40) groups succeeded in both making profit and repaying loans. Thus, it is worth mentioning that the foundation for the organization was built on those members who paid back accruing whatever little profit that could be made. This group quickly expanded, and in the last 3 decades has multiplied many folds (over 8,00,000 women by 2006).

However, two years after the establishment of WWF, the Nationalized banks refused to help these poor women. The reasons cited were as follows: a) discomfort with the poor entering the posh premises of the banks, b) staff resented disbursing small loans in large number, and c) bureaucratic formalities, system delays and complicated documents in English. These posed constraints failing to fulfill the needs of poor women who weren't literate. The Working Women's Forum had to look for other options ending

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<sup>30</sup> 10 women join the organization, and pool their risks by taking responsibility for the loss that occurs during one or many defaulting members, with an interest of 18%

in a decision to create a banking system of their own addressing the credit needs of these poor women.

Thus, women members who had experience in banking procedures with formal banking systems (within those 3 years i.e., beginning in 1978 to 1981), around 2500 women leaders, contributed a share Rs.20/- each and made up the first principle of Rs.50000/- available for starting the bank which is called the Indian Co-operative Network for Women (ICNW). ICNW is WWF's credit wing, which enhances the social, and economic independence of its members by providing them low-interest loans, thereby, encouraging their entrepreneurship skills.

To initiate a credit bank required a Registrar of the Co-operatives, who is a Government official, who alone could register the Co-operative Bank. The registrar was skeptical about the poor women members. He asked the following questions: a) Can lending to the poor be a viable proposition? b) Can the poor be entrusted with the responsibility of building their own institutions? The registration proved to be a problem and took almost seven months from October 1980 to May 1981 to register the bank, along with many conditions imposed by the Registrar, in 1981. The problem however resolved itself soon after a year of completion of the bank, when the co-operative registrar came for audits with and found that the cooperative reaching large members with negligible default. He was convinced. This provided the forum a mandate to operate nation wide in 14 branches in the other two Southern States of Karnataka, and Andhra Pradesh.

### **3.4 The Credit Dynamics**

The neighborhood group of 10 or 20 women, a small unit at the grassroots was thoughtfully evolved as a manageable group. Here, the women learned all the principles of collective management and action. Though as a credit group, their interest was in trade and business only, gradually these women took up other issues that affected their day –to-day concerns at the grassroots, and started mobilizing other women in the neighborhood for collective action towards achievement of their needs and requirements. In fact the critical need for credit may be a small experiment in nature, but symbolized the first stage in the process of women workers participating in the forum, thus laying the foundation for the phenomenal growth of the movement (on a small but tangible gain), “is a lesson for every one that how for those who live a hopelessly on hand to mouth subsistence, such small incentives of a loan became to have faith and commitment in an organized outfit” (Dr Kalpagam).

However, soon it was realized that “credit wasn’t enough”, the need for social insurance sprung up with women needed yet another cover of protection from the various risks they faced. Therefore WWF initiated the micro-insurance programme as a useful offshoot of its credit program to keep the economic balance of their income in poorer households. Micro-insurance programme of WWF became necessary to serve to protect their hard earned assets, and lives of the clients against insurable risks. Micro insurance as an innovative approach today evolved as a special programme of insurance based on

negotiating with several insurance companies to cover the entire life cycle of women from birth to death. It indeed was a way forward to end continued indebtedness of these women, shielding them from exorbitant rates of moneylenders, and the vicious circle of poverty. Therefore, while micro credit to be a viable employment strategy for the poor the women it is insurance can provide another layer of protection of their hard earned profits safe against the depletion by death, disaster, sickness and expenses like education and occasions like marriage.

The participatory training advocacy resulted in the savings programme of poor women and saving resulted in insurance programmes (discussed in the next chapter). The participatory training advocacy was to making the women aware of the advantages of savings, and its future prospects. Up until now these women, as mentioned earlier were living one day at a time. Thus the questions that was raised by the registrar whether the poor can participate in credit operations, control their institutions, whether illiteracy and ignorance is a barrier, were all answered by seeing the savings, and the low default rate. Therefore, WWF's micro-credit program is an inclusive process, where health care, savings mobilization, skill training and insurance benefits make extra layers of protection around their members. A total of 8,57,259 poor people have been organized and deposit in savings regularly.

While credit is just one component, other components are equally important in the struggle towards emancipation of women to restore their dignity at home, in the society and in the labour market. While credit can contribute to the alleviation of poverty at the

micro-level in a limited way, its achievement will be less important / when women don't have the power to reform the macro-economic situations as an effort to strike at the root of poverty. Therefore equal importance has to be given for women to adopt a continuous struggle to confront situations of discrimination, and oppressive forces.

Having organized a platform of their own women started addressing (above mentioned) critical needs through a trade union like outfit. These issues were necessary to improve their day to day living (over and above the minimal needs) such as improvement of their environment; living conditions like roads, electricity, water etc. The women, though poor, emerged as strong leaders in their communities, and thus credit did serve its purpose of becoming instrumental for social change. Unanimously, they agreed on registering themselves as a trade union in 1982 as they thought it necessary, and named themselves National Union of Working Women (NUWW). This was more to fight the class structure of employers and wage providers, and not the people themselves, and the best way to do that was through the strength of the organization. This provided protection of labour conditions, and attention to labour demands under statutory laws for worker rights.

NUWW has organized poor women to protest against the abysmal living conditions of their slums. Contrary to popular belief approximately seventy percent of their demands were met. The protest these women carried were against the unfair hike in the prices of petrol/ diesel (affecting the livelihoods of women workers) which were brought down by the government. The fisher women of Adiramapattinam (South Coastal



Area of Tamilnadu) were able to accomplish the task of breaking the monopoly of the auctioneer, and reap better profits. The constant protest/street demonstrations by Forum's women's groups in the slums of Chennai on the ineffective Public distribution System helped them achieve their demand. This made for appointment of 5000 women in ration shops to correct the irregularities. Over 5,000 women have marched and submitted a petition to the President of India lobbying for 33% reservations of seats for women in the Indian Parliament. This is again as discussed earlier the contentious politics with regard to social movement, where protests provide legitimacy as much as a means to achieve an end.

Some successful examples, through the efforts of unionization of women through NUWW were wage revisions for beedi rollers, agarbathi rollers and lace artisans. For instance the beedi rollers who were paid just Rs.3/-per 1000 beedies rolled, now get about Rs.24/- per 1000 beedies, the lace artisans paid about Rs.2/- per reel (1500 metres) of lace work, now earn Rs.50/- to Rs.100/- per reel. Agarbathy workers getting Rs.1.50/- per 1000 sticks rolled now get Rs.30/- per 1000 sticks. However problems of poor working conditions, and living wages cropped up while working with the agricultural labourers, export workers, piece rate and contract labourers such as cigar, agarbathi and handicrafts, lace and weavers of textile industry.

During this time it is important to mention that the WWF's effort in organizing the rural workers was difficult. This was so as the women workers were unaware of the

existence of the legislation of Equal and Minimum Wages Act passed by Indian Parliament during the UN Women's Year (1975) and their impact.

### **3.5 Caste Barrier**

Another way of providing social protection to women was in the realm of the caste issue from the initial days of its establishment, until the mid-nineties. "I had to organize innumerable inter-caste marriages that played a pivotal role in the social integration process of bringing the women together. These inter-caste unions among the poor working class couple are nothing but live in arrangements or Common Law marriages. But this is an extremely vulnerable arrangement at the social level particularly for poor women, these alliances are more insecure, with social pressure of dowry, expensive weddings favoring men, and the male counterparts who often tend to desert these women even after birth of children". (Dr Arunachalam)

Earlier these marriages were not performed as socially acceptable functions due to economic reasons cited by parents of the girl or objections raised by the families of the boy. It was based on Dr. Arunachalam's strong will that she registered these weddings under different sections of Marriage Acts. Inviting Governors, Vice Presidents and people from high offices to solemnize these occasions used as a successful strategy to give a real social sanction to them. All these examples contributed to the feeling of well being, providing a sense security in many more ways than just the economic sense. The next section will specifically deal with the more economic aspect (though still very social) of micro-insurance as a way of social protection for women in the urban informal

sector. More subjective aspects of the economic process of insurance lending will be discussed Chapter 4.

#### **Chapter 4: Overview of Micro-Insurance**

Yet another way of social protection at the WWF is seen through its micro-insurance program. The structure of WWF revolves around providing security – both socially and economically to its members, and defines social security, as contributing to “empowerment”<sup>31</sup>. As discussed in the last chapter, insurance only provides to protect socially, and maybe meagerly economically, in the case of informal sector workers. The purely economic aspects of design, and marketing of insurance schemes by the private, and state insurers is not the subject of this chapter. Instead I would be looking at the subjective cost of insurance schemes, some basic data on how 200 women randomly sampled, and their perception of benefiting from the schemes. As the Indian Government, has been, and is the primary source of social protection, I thought it would be useful to conclude with how these schemes can be better suited to the women in the urban informal sector, by giving feedback to the current bill-NSSBOS that is in the process of getting passed.

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<sup>31</sup> Though there have been debates on what constitutes the term , the meaning that holds for the current study is one which includes credit facilities, leadership, health and skill training, retirement benefits, health care, disability coverage, child-care, unemployment benefits, business loss, maternity benefits, coverage for expenditure like marriage, education, house construction and repairs, loss due to natural calamities etc

#### **4.1 Why “credit isn’t enough”?**

Insurance protects households against those risks that they are unable to protect themselves through informal mechanisms, savings or credit. There is a degree of uncertainty among the various sources of vulnerability for low-income households, such as life cycle events, death, disability, loss of property, etc. Poor households may choose to withdraw from savings or manage the risk with a loan. Managing risk with a loan is a riskier proposition as (chapter 2) it is only temporally coping with the risk. Social insurance is about preventing risk as well. For most lifecycle events (especially for women), the amounts are negligible, but there are occasional events such as epidemics, serious natural disasters that are all considerably more risky than life cycle events.

Life cycle events are relatively predictable as compared to disability, illness or losses to property resulting from accidents, disasters, etc. Correspondingly, the resulting losses or costs for each of these sources of vulnerability can vary from small to very large, but as risks tend to get more and more uncertain, the losses increase and simple savings and loan activities may not be able to manage those losses. It was in the year 1980 that the WWF implemented the social security-insurance programme as part of occupational safety, which included maternity benefits, insurance for life, disability and disaster. Until, 1999 – 2000, it had collaborated with LIC by paying a fourth of every member’s premium, to the LIC under a scheme called the Differential rate of Interest (DRI) (1983). The Government brought out this scheme for the people who are registered as workers in any organization. This soon changed with the nationalization of the

insurance industry, as private insurance also came knocking on the doors of WWF keeping in tune with IRDA regulations (discussed in Chapter-2) to give 15% of their portfolio to social, and rural sectors.

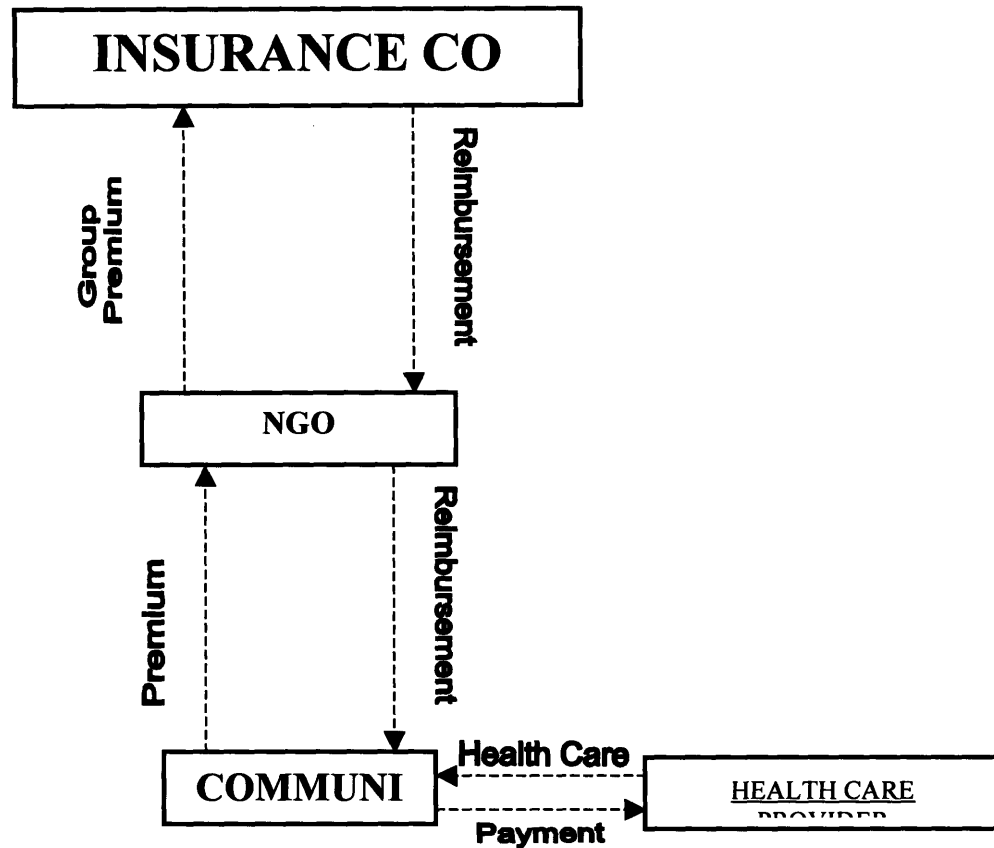
#### **4.2 Partner Agent Model**

WWF has a tie-up with Life Insurance Corporation of India (LIC)<sup>32</sup> and Royal Sundaram Alliance Pvt. Ltd (RSA)<sup>33</sup> for providing social security coverage for its members. This insurance cover to all the clients is being catered through the Indian Cooperative Network for Women (ICNW). The insurance programs are for life, accident, disability, and health. The health program also organizes preventive health check-up camps in all the services areas of WWF/ICNW operations. The model (partner agent model) followed is as follows:

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<sup>32</sup> Life Insurance Corporation of India (LIC), established in 1956, is a wholly-owned corporation of the Government of India.

<sup>33</sup> Royal Sundaram Alliance Pvt. Ltd is a joint venture between Sundaram Finance and Royal and SunAlliance of UK.



**Figure 2: Partner Agent Model of WWF**

The figure indicates that WWF plays an intermediary role in the social security model it offers to its members. It collects premiums on behalf of its members, (voluntarily or involuntarily), and deposits the premium with the insurance companies. In cases of claim, WWF verifies the supporting documents and submits it to the insurance company. The claims are received by WWF only after which it is handed over to the insured or the nominee, after verification. In case of hospitalization, the insured avails healthcare in hospitals or nursing homes fulfilling specified requirements, pays for health care, which is reimbursed by the insurance company to WWF who in turn reimburse the insured member within a week.

Over 6,00,000 women benefit through WWF LIC Program and nearly 17,000 women benefit through the RSA scheme (Annexure – I). The table shows that 89.09% of the policyholders belong to LIC Social Security Scheme, 8.26% of the policyholders belong to LIC-JBY scheme, 2.08% of the policy holders belong to Royal Sundaram Sakthi Security Scheme and 0.57% belong to the Royal Sundaram Health Insurance Scheme. While the highest number of policyholders belongs to the LIC Social Security Scheme, presumably due to its small premium and the involuntary nature of the scheme, the lowest number of policyholders belongs to the health insurance. Various Insurance options are available for members. Key among them: Health, Social Security, Disability (both total & partial), Life and Education for two children (already in school).

#### **4.2.1 LIC Social Security Scheme (LIC-SS)**

This scheme was started in the year 2000. This policy provides life and disability cover to all its members. The insured needs to be a member of ICNW. The annual premium is Rs.25/-. If the member does not pay the premium, it is automatically deducted from the savings account if a minimum balance of Rs. 50/- is available. The target group is women members between the ages 18-60 years. The premium is not deducted if the premium of Rs.100/- for the LIC Janashree BheemaYojana scheme is paid. The policyholder receives Rs.12,500 and Rs.25,000 in case of partial and complete disability respectively. The nominee or the legal heir of the policy holder receives Rs.5000 in case of natural death and Rs.25,000 in case of accidental death of the insured.

#### **4.2.2 LIC Janashree Bheema Yojana scheme (LIC-JBY)**

The JBY scheme was started in the year 2000. The annual premium is Rs.100. The benefits are more attractive than the social security scheme. In case of natural death of the member, the nominee gets Rs.20,000/- and Rs.50,000/- in case of accidental death. In case of partial disability, Rs.25,000/- will be paid and in case of total disability Rs.50,000 will be paid. The unique feature of this scheme is that scholarship benefits are offered for school-going children from grade 9 - 11. Each family will receive a scholarship amount for 2 children upto Rs.1200/- in a year. However, evidence of two premium payments should be produced and the beneficiary students should have an excellent academic record. LIC will release scholarship payouts based on their administrative norms.

#### **4.2.3 Royal Sundaram Health Insurance Scheme**

In order to address the health needs of the women members holistically, an insurance scheme in association with the Royal Sundaram Alliance Pvt Ltd was started in 2001. Members enrolled in the Health Insurance Scheme are entitled to hospitalization benefits for admission to a private hospital. In case of maternity Rs.3000/- can be claimed. Maternity benefits are allowed up to two children. In case of cataract surgery, a maximum of Rs.3000/- in a year can be claimed. For surgery and other illnesses, a



maximum of Rs.7000/- in a year, subject to a maximum of Rs. 5000/- for one admission, can be claimed<sup>34</sup>.

#### **4.2.4 Royal Sundaram Shakthi Security Shield (RSA-SSS)**

On a special request from WWF, Royal Sundaram Alliance Pvt. brought out a scheme exclusively for the benefit of poor women members in 2002. The annual premium is Rs. 34/- In case of accidental death of the insured or spouse or parents/guardian an amount of Rs.25,000 can be claimed. The member and her husband or parent/guardian dies accidentally, the legal heir/nominees of the deceased is entitled for the insurance amount of Rs.50,000. In case of total disability i.e. loss of two limbs, the insured gets a claim of Rs.25,000 whereas for a loss of one limb or one eye Rs.12,500 can be claimed.

The scheme also provides cash relief for the period when the insured is temporarily or totally disabled from engaging in any work. Under such circumstances, Rs.100 per week subject to a maximum of Rs.1500/- will be paid. The scheme also has a provision to reimburse hospitalization expenses arising out of an accident – up to a limit of Rs.1000. Also, compensation is provided for the loss of or damage to the insured's

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<sup>34</sup> Premium:

Up to 18 years premium is Rs.65/-

Between 18 – 45 years an amount of Rs.125/-

Between 45-60 years an amount of Rs.175/-

Between 60-75 years an amount of Rs.210/-

dwellings and household goods due to natural calamities – up to Rs.1000 for dwelling and Rs.500 for contents.

#### **4.3 Insurance Claims:**

The total number of beneficiaries upto December 2004 in the social security schemes were 4768. (Please refer to Annexure – I). The number of beneficiaries in LIC's JBY scheme was 571 (11.98%), under LIC's social security scheme were 2422 (50.80%) and under LIC's JBY scholarship scheme were 849 (17.81%). Beneficiaries under Royal Sundaram's Sakthi Health Scheme were 76 (1.58%) out of which 28 benefited under the Maternity scheme, 25 underwent Eye surgery and 23 benefited from other ailments. Under Royal Sundaram Sakthi Security Scheme 850 (17.83%) participants benefited, out of which 673 were flood victims, 107 fire victims, 39 were tsunami victims and 31 were other personal accident victims.

#### **4.4 Insurance Program: An Overview**

Periodic needs assessment survey (NAS) of WWF were conducted, and revealed that social security measures constituted the "life-line" of its members. These surveys, and statistics belong to an ongoing effort of the members of the WWF to get feedback from insurance policy holders. The 200 interview data is not statistically significant for a population of 8,00,000, and for more information, and full representation of the Micro-insurance programme (appendix can be viewed).

The objectives of the data collection (random sampling of 200 women) has been as follows:

- To assess the social security needs of the members
- To evaluate the factors which influence the purchase of social security
- To study the subjective benefits and costs of social security schemes
- To evaluate the limitation of the present social security schemes
- To assess the proposed 2005 Social Security Bill for the unorganized sector, and study the implications for the unorganized workers and civil society initiatives keeping in mind WWF experiences.

#### **4.4.1 Reasons for joining the Social Security Schemes**

| <b><u>Reasons</u></b>            | <b><u>% of Responses</u></b> |
|----------------------------------|------------------------------|
| Security for life                | 71%                          |
| WWF (I) Training Programs/Skills | 26%                          |
| Old-age Security                 | 21%                          |
| Savings for Future               | 38%                          |
| Scholarship for Education        | 50%                          |
| Well-being of children           | 12%                          |

**Source NAS: Table – 1 Reasons for joining WWF**

The survey revealed that security for life was the main reason for purchasing insurance. Seventy-one percent of the respondents pointed out that security for life was the reason, 26% attributed the reason to the training sessions and skill meetings of WWF, for 21% it

was the need for old-age pension, for 38% it was for future savings, 50% wanted scholarship and 12% said it was for the well-being of their children.

#### **4.4.2 Demographic Profile of the Worker**

The demographic profile of the members surveyed is as follows which help evaluate the factors influencing the purchase of social security:

| <b>Age (in years)</b> | <b>No. of Members</b> |
|-----------------------|-----------------------|
| 24 - 29               | 8                     |
| 30 - 39               | 80                    |
| 40 - 49               | 70                    |
| 50 - 59               | 16                    |
| 60 >                  | 2                     |
| Non Policy Holders    | 19                    |
| Missing               | 3                     |

**Source NAS: Table – 2 Age of Purchasers of Social Security**

40% of the policyholders belong to the age group of 30-39 years and 35% belong to the age group 40-49 years. Sixteen percent belong to the age group 50-59 years.

| <b>Marital Status</b> | <b>No. of Members</b> |
|-----------------------|-----------------------|
| Married               | 147                   |
| Single                | 1                     |
| Widowed               | 25                    |
| Deserted              | 4                     |
| Non policy holders    | 19                    |
| Missing               | 2                     |

**Source NAS: Table – 4 Marital Status of Purchasers of Social Security**

74% of the social security subscribers are married while 13% are widowed and 2% are deserted.

| No. of Family Members | No. of Members |
|-----------------------|----------------|
| 0 - 4                 | 83             |
| 5 - 6                 | 79             |
| 7 - 8                 | 10             |
| > 8                   | 5              |
| Non policy holders    | 19             |
| Missing               | 3              |

**Source NAS: Table – 4 Family Members of Purchasers of Social Security**

42% of the policyholders have up to 4 family members while 40% have family members between 5-6. Five percent have family members between 7-8 and 3% have more than 8 family members

| Education          | No. of Respondents |
|--------------------|--------------------|
| Upto V Grade       | 85                 |
| V – X Grade        | 78                 |
| XI – XII Grade     | 12                 |
| Non Policy Holders | 19                 |
| Missing            | 6                  |

**Source NAS: Table – 5 Educational level of Purchasers of Social Security**

43% of the policyholders have neither nil or primary education, 39% have education up to 10<sup>th</sup> standard and 6% up to 12<sup>th</sup> standard.

| <b>Membership (yrs) in WWF</b> | <b>No. of Respondents</b> |
|--------------------------------|---------------------------|
| < 5                            | 92                        |
| 6 - 10                         | 57                        |
| 11 - 15                        | 15                        |
| 16 - 20                        | 11                        |
| > 20                           | 1                         |
| Non policy Holders             | 19                        |
| Missing                        | 5                         |

**Source NAS: Table – 6 Membership in years at WWF**

47% percent of the policy holders have been members for < 5 years, twenty-nine percent have been members for 6-10 years, 15 percent have been members for 11-15 years, 11% for 16-20 years and 0.5% for more than 20 years.

#### **4.4.4 Subjective benefits and costs of insurance**

Purchasing insurance seems to have a positive impact on the respondents. The questionnaire also sought to find out the subjective benefits and costs. Seventy-two percent of the respondents felt a sense of protection and 56% of the respondents experienced a sense of well being with these schemes. On an analysis of the subjective costs, 16% of the respondents said there were frequent quarrels in the household and 10% of the respondents indicated too much time was spent on paying the insurance premium. The respondents revealed that the men folk in the household objected to the fact that even after paying an annual premium of Rs.100/-, there was no assurance of benefit when the

insured reaches the age of 60 years. Also, often disputes arose over the nominations of family members for the insurance policy<sup>35</sup>.

#### **4.5 Shortcomings of the social security schemes**

| <b>Sl. No.</b> | <b>Drawbacks</b>   | <b>% Responses</b> |
|----------------|--|--------------------|
| 1.             | Lack of coverage beyond 60 years   | 75%                |
| 2.             | Lack of coverage for expenses like Marriage, House Construction Repairs etc. | 35%                |
| 3.             | Lack of Coverage for Higher Education  | 24%                |
| 4.             | No lump sum amount after the age of 60 years                                 | 20%                |
| 5.             | Exclusion of adopted or grandchildren for scholarship                        | 20%                |
| 6.             | Delay in Settlement of Claims  | 11%                |
| 7.             | Lack of annuity after age of 60 years  | 12%                |
| 8.             | Lack of full family coverage   | 6%                 |
| 9.             | Lack of credit facilities for hospitalizations                               | 4%                 |

**Source NAS: Table – 8 Drawbacks of the Present Social Security Schemes of WWF (I)**

The respondents were also asked about the major shortcomings of the present schemes and their suggestions for improvement. The prominent weakness was that insurance coverage was only up to 60 years (75% of responses), followed by need for scholarship from 6<sup>th</sup> std onwards and for higher education (35% of responses), coverage for other expenses like marriage, house construction (and repairs), higher education (24%), need for lumpsum amount after the age of 60 years (20%), inclusion of adopted or grandchildren for the purpose of scholarship (20%), delay in settlement of claim (11%),

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<sup>35</sup> To avoid such discords, the women would hide the passbook from the other members of the family.

lack of annuity after the age of 60 years (12%), full family coverage 6% and credit for reimbursement of hospitalization expenses (4%)

### **Suggestions by the members themselves**

Among the suggestions offered by the respondents, the most immediate need was the extension of coverage after the age of 60 years, (72% of the responses), need for old-age pension (46% of the responses), need for scholarship from 6<sup>th</sup> standard onwards and for college education (32% of the responses), need for insurance schemes for major expenditure like marriage, house construction and repairs and higher education (29% of the responses), scholarship for grandchildren or adopted children (24% of the responses), the need for proxies to pay the insurance premium on behalf of the insured (17% of the responses), requirement for full family coverage (11% of the responses) and need for higher claim amount (9% of the responses). These following responses have been analyzed in the next chapter as to where the risks lie, and immediate need for intervention regarding what kind insurance provision will be, and how it can be done.

## **Chapter 5: Summing up**

Working Women's Forum (India) has been successful in providing insurance to Women in the urban informal sector in terms of both quality, and coverage in Karnataka, Tamilnadu, and Andhra Pradesh. The experience of WWF in these states has been mixed, and highlights a number of lessons about the potentials and constraints facing such organizations in provision of insurance. It traces the stages of WWF from the pre-reforms



period in India, and how the organization grew through the medium of credit, and expanding into other social protection strategies such as micro-insurance.

The study furnishes elementary data of micro-insurance operations of WWF, and examines the subjective costs of insurance by demographically profiling the insurance policy holders. It points out to some basic understanding of where exactly the risks lie, and some lessons that follow in this chapter. This chapter finally tries to answer what possibly could be the reasons for this kind of divergence in the outcome of insurance lending in the different States. It examines the level and type of occupations, worker, clarity of insurance schemes, followed by a more detailed analysis of the how the Social Security Bill for the Unorganized Sector can be suited to make the schemes more accountable.

## **5.1 Analysis**

One of the most important factors contributing to the success of the program was that it had adopted the Partner-Agent relationship model at a time when it was being favoured by the IRDA in 1999 - 2000. The IRDA favouring this model came as a criticism from various civil-society organizations saying that it wasn't helping expanding the frontiers of micro-insurance-innovative area based schemes-by selling fixed products (contained in the package of partner agent model). The partner agent model was best suited for delivery by organizations like WWF due to various reasons.

First it was a risk free proposition for WWF, because until the partner agent model was introduced in 2000, the WWF was committed to subsidizing a fourth of the cost of insurance provided to its members. This was a burdensome expenditure for them, considering they had also to check for moral hazard, adverse selection, and covariant risks (discussed in the following paragraphs), and the systems needed to keep all these checks required finances, and resources. The partner agent model facilitated the organization in diverting the resources (including finances) used for paying the premium in building infrastructure: training centers, recruiting more staff, and holding frequent meetings. Financial resources needed to be diverted to getting manpower, and building more infrastructure of training meetings, and reproductive health counseling.

It was also useful to look at how the organization controlled for a) moral hazard;, any behaviour on the part of the insured member or relatives to cause harm to the insured to get the claim. For example, a woman who is insured could commit suicide to get a claim for the family members, or harm insured livestock with the same intention. b) adverse selection, is when the insured and the uninsured end up paying the same premium belonging to different risk categories, i.e. a person who knows he is not healthy buys insurance only when he gets unwell. This increases the cost of claims to the insurer, and so the beneficiaries suffer.

This diversion of increased expenditure on training facilities, and reproductive healthcare helped in accomplishing two problems through long term and short terms measures. The long term solution lay in coping with risks which made the women aware

of the their own health, and plan check ups for health. Recruiting more staff for reproductive health training, and counseling was a big plus in this area. Secondly, frequent meetings, and required participation in most of these meetings also helped assess, and track, cursorily the condition of the member and spot something new incase of ill health. This went a long way in controlling for moral hazard, and adverse selection in cases of life coverage of insurance. However, as the members are all women, it is difficult to completely be sure as they carry many reproductive health problems that go undetected as well. The best way forward is through frequent medical health check ups through health camps in the neighbourhoods themselves.

Another factor that has helped this organization is its institutional strategy of credit on which the organization was founded. It helped in that the credit lending was used as a proxy for underwriting the insurance claims. This was “doable” as the credit that it lent in most cases was to strengthen a business that was already in operation. That is, it strengthened already existing traditional base of the micro-enterprise, rather than starting something new. The strong hold of the occupations were street vending, pavement hawking, to fisherwomen, dairywomen, rural landless, cigar workers, agarbathi rollers, lace artisans, women weavers, handicraft workers etcetera. A strengthened micro-business lent in checking adverse selection, in that, there was probably less of a risk involved.

One more aspect of the State is again re-iterated in the finding of this study which goes against the common view of it being unresponsive. There are four schemes (as

enlisted in the previous chapter) which provide insurance, two provided by the Government run LIC, and two provided by the Royal Sundaram a private company. As seen in the Table Below the highest number of policyholders belonging to LIC - Government run. While the highest number of policyholders belong to the LIC-SSS, and then the LIC-JBY. This could be presumably due to its small premium and the involuntary nature of the scheme. In fact one of the reasons is also that as many women give the reason of health as a major need for insurance, the LIC premium is low and insurance claim is high as compared to other private run schemes.

Only Government run programmes can boast of infrastructure of this size, and it's the channeling and disbursing that needs a grassroots level organization to manage. As education is given a high priority among the families, as noted in Chapter 4, the LIC becomes the right choice. This also clearly shows that the Private run schemes haven't had much of a run with the micro-insurance as compared to the Government. Whether one values traditional structures or the market, one must not forget the critical role that the public sector plays in laying the foundations, providing information, and creating the infrastructure and rules and regulations that will allow for the development of social protection mechanisms, such as micro-insurance.

In terms of coverage the organization (Appendix-II) has the largest coverage in Tamilnadu, followed by Karnataka, and Andha Pradesh respectively. The reason for higher coverage in Tamilnadu is also a factor of the organization having started in Tamilnadu originally, and hence having the largest number of credit groups among the

neighbouring States<sup>36</sup>. The mobilized numbers are also large because the initial ideology got infiltrated with close proximity to the leader of the organization in Tamilnadu. In Bangalore, there was set back in the initial stages of opening up a WWF branch, and the replicability wasn't quite as it happened in Tamilnadu. This is the reason the coverage in Karnataka is not as high as tamilnadu is due to the migrant labour-ethnic conflict in Karnataka. The difficulty faced in Karnataka was that women refused to cooperate and work cohesively with member migrants from Tamilnadu. It was the common fear of sharing of employment opportunities by the new migrant labour that wasn't acceptable to the *Kannadiga's*. Most of the slum dwellers in Karnataka are migrant labour from Tamilnadu border and were reluctant to integrate themselves in to one organization with the local *Kannadiga's* (natives of Karnataka).

The hostility between the local Kannadiga and Tamil migrants was compounded by the Government policy to support only Kannada workers neglecting the Tamil migrants. This policy needed domicile requirements for the workers to avail of any social benefits from the State. Tamil migrants were home-based producers and depended on exploitative merchant capitalists for raw materials, and the credit programme of the forum. Though the credit programme was started in 1983 (5 years after Tamilnadu in 1978) in Karnataka WWF, it could not start its credit bank until 1987 until the same number of members (as Tamils) joined the Forum. This couldn't be helped owing to the hostility of Tamil and Kannada ethnic groups.

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<sup>36</sup> As the credit groups are the mechanism through which insurance is made possible.

It was a great learning experience for the forum to understand how training programmes, and the Union went a long way in bridging these women on the basis of work. They took the cue soon after to cooperate, and the *agarpathi* (incense sticks) rollers in Bangalore (Karnataka) were able to fight for better wages with the employees. There were able to demand better facility for the hazardous nature of work where they were exposed to a lot of dust causing asthma, and other breathing problems. Similarly, the Chennapatna (Karnataka) workers were also facing similar hazardous situation, rid with allergies because of working with silk worms. A particular type of organizational structure need not be a necessary pre-condition for success or failure - same organizational forms can give rise to remarkable successes or failures depending upon structural and environmental factors (Tendler, 1988).

The social reform movements in Tamil Nadu were stronger than in Karnataka. This had something to do with the greater emphasis in Tamil Nadu on social policy in favour of the backward castes, women, children, and the poor and infirm (mid-day meals in schools, and old-age and widow pensions, for example) but better roads in Tamil Nadu gave more access to alternatives than in the other three States. The succeeding chapters analyze expenditure on social development at the State and district levels (in the study states). Tamil Nadu's emphasis on 'protective' social security measures (pensions etc.) was not backed by income generation programmes, Given the mass of data, large number of 'sectors', schemes, sources of funding, government agencies or departments, etc., and the up-and-down and often confusing changes over the period of the growth of the

organization, it is difficult to say that any clear trends or causal linkages to the economic reform process have been identified.

So keeping this in mind, social movements that work as a reaction to State “apathy” to the unprotected workers have had to alter their strategies during the course of their work. Contrary to my initial expectations, and popular wisdom, I found informal workers’ organizations are pulling the state into playing an even more central role than it did in formal workers’ movements, for one, by registering themselves as trade unions. To bring the state into their lives, informal workers have fought to secure welfare benefits, such as health and education, from the state, rather than claiming work benefits, such as minimum wages and job security, from employers (discussed in chapter – 3). Briefly elaborating this point, the registration as a Trade Union in itself signifies the importance of the state, and the need to be heard by the State, as it is believed to be the prime giver! What emerges is that government expenditure and facilities are important to the poor, but delivery and quality are not satisfactory.

## **5.2 Unorganized Workers’ Social Security Bill (Re-Worked)**

Finally it is useful to define the Social Security Bill for the unorganized workers, and see how it can be more accountable keeping the experiences of WWF in mind. This Bill will address part of the problem explained in the previous section—it will build a social security system for unorganized workers. The issues of income security, employment security and working conditions will have to be addressed through other

legislation<sup>37</sup>. This Bill builds on the earlier experience of social security for the unorganized sector, especially the many existing Welfare Boards and on other existing laws and schemes. It is an enabling legislation. It does the following: it redefines worker so as to include all types of workers, not only those who have a fixed employer. In so doing, it brings in all the self-employed workers as well as casual, contract, home-based etc.

According to this Bill an “Unorganized Sector Worker” means a person who works for wages or income; directly or through any agency or contractor; or who works on his own or her own account or is self-employed; in any place of work including his or her home, field or any public place; and who is not availing of benefits under the ESIC Act<sup>38</sup> and the P.F. Act<sup>39</sup>, individual insurance and pension schemes of LIC, private insurance companies, or other benefits as decided by the Authority from time to time”. As seen already, in India, over 92% --30 crores – work in the unorganized sector and are not eligible for coverage under any of the Worker’s Acts<sup>40</sup> for benefits. Though, these workers contribute over 60% of the country’s GDP they have no coverage for contingencies such as illness and children’s education and for old-age. This bill seeks to build a social security system for these unorganized workers.



### **5.3 Role of Facilitating Agencies in the proposed 2005 Social Security Bill**

The proposed Bill envisages a wider role for the Civil Society Initiatives known as “Facilitating Agencies”, these civil society initiatives would administer and supervise what is known as “Worker’s Facilitation Centers”. These Worker’s Facilitation Centers would provide direct service to the members by registering them, securing the contribution of members, and deliver the benefits to the members. The other functions would be to maintain a database of members, skill up-gradation, to maintain and provide information related to employment and marketing, to create public awareness about the social security schemes, to collect data of the unorganized workers and undertake such activities as prescribed by the National Social Security Authority.

A variety of social security benefits like health insurance, maternity benefits and pensions will be provided initially with children’s education, housing and skill building to be included later. The Union Government takes the responsibility of financing this scheme through various cess’ or an appropriate tax<sup>41</sup>. The initiative is commendable in that it provides recognition to the unorganized workers but the mechanism for the implementation of this Act is something that needs feedback from facilitating NGO’s. For instance, are there special provisions for women? How will the Government make sure that contribution is made by every employer or contractor, how will erring employers or contractors be checked? In such cases, will the worker suffer the

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<sup>41</sup> or create an appropriate mechanism for collection of contribution from individual employers (or their contractors) or a class of employers or an industry as a whole in order to partly finance the schemes or projects undertaken.

consequences? In case of self-employed or home-based workers, who will contribute?  
Will the medical insurance extend to the full family or be restricted to the member only?  
The details of contribution and payouts need to be made clear.

The chairman of the Commission *Dr. Arjun Sengupta* stated that they were exploring the possibility of working with WWF as it fell under one of the following capacities with which its committed to work:

1. Self Help Groups or their Associations
2. Post Offices
3. All types of Co-operative societies
4. Micro-Finance Institutions
5. Trade Unions
6. District Panchayat
7. Village Panchayat
8. Existing Welfare Boards
9. Urban local body
10. Other organization/agency dealing directly with unorganized workers (identified by the Central Social Security Authority<sup>42</sup>).

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<sup>42</sup> The Authority will have a Supervisory Board with representatives of Central and State Government, of unorganized workers and of professionals. It will be run by a managing director and two directors appointed directly by the Union Government. The authority will be responsible for managing the funds and implementing the provisions of the Act. It will appoint the Facilitating Agencies as the implementing agencies on its behalf.

#### **5.4 WWF experiences in making the bill more accountable:**

These experience focus on the nature of the enterprises, size, scope/magnitude of the unorganized labour force, constraints faced by small enterprises, lack of access to material, backward and forward linkages towards better facilitation to carry on such micro enterprises.

##### **5.4.1 Working Conditions:**

“Weaker section” (as stated in the bill) of the society is a relative term. What is meant by “weaker section” at the outset should be defined, as the working poor engaged as wage labourers, work for piece-rate contractors or home based workers. These categories include occupations like weaving, beedi/ agarbathi rolling, fish trade, handicraft making, agriculture etc. The sector would also include home-based workers, vendors and hawkers. The wages for each of these occupations and the working conditions are different. Therefore, these diverse occupations cannot be grouped under a single category. This becomes important for micro-insurance provision for them, as it will depend on the type of occupation to which the worker belongs (elaborated below).

##### **5.4.2. Occupational Safety**

For the purposes of provision of social security, one must divide occupations into agricultural/ non-agricultural, hazardous and non-hazardous, based on income levels and

the nature of working conditions. Social security has to be a part of occupational safety measures not only must it concentrate on the promotional aspect, which might be an incentive to workers, but it must also be a measure of protection to the worker and his family. When the worker dies, the family has to be taken care of, his children's education has to be looked after, in case both parents die, in calamities such as tsunami or HIV/AIDS, arrangements for adoption for these children have to be taken care of, as a protective measure. Such provisions must be made mandatory on the employer. This can be done through insurance benefits discussed below.

The coverage should be for life, disaster, partial or full disability and health. Pension provision is priority due to the fact that the workers in the unorganized sector do not retire at 60 years. Currently, all insurance outfits, whether government-owned corporations such as LIC or private corporations, do not insure beneficiaries beyond the age of 60 years. This has become a major problem, as it relates to the informal sector workers. It should provide coverage for periods of unemployment, too, both in rural and urban areas, and also for major expenditures like education, housing, loss due to natural calamities etc. This becomes all the more important since rural folk are employed for hardly three months a year which is not almost sure. Women do a lot of agricultural work that goes unaccounted.

#### **5.4.3 Maternity & Childcare:**

As 89% of workers in the unorganized sector are women, maternity, childcare and social security measures for specific health-related issues are best taken care of by

insurance than just loans. To be more gender-sensitive it is important to provide facility for women's specific demands, which is relevant to a large section of unorganized workers. Restrooms at factories should be provided, and reproductive health should be covered. In case of women workers, they are both a worker and a mother. The proposed insurance schemes should also be limited to only up to 2 children.

### **5.5 Final Considerations**

In the light of the experiences of WWF as facilitators for the present social security schemes, and as a feedback of such studies- it is felt that the present schemes are confusing and vague. For instance, the LIC-Social Security Scheme and LIC-Jana Shree Bheema Yojana schemes, both started in the year 2000, have many common characteristics. The only difference between the two schemes is that the benefits are higher in the latter, with a negligible difference in the premium amount. The existence of both these schemes tend to confuse the members. It would be wiser to have just one scheme that offers better benefits.

Second, the schemes should not result in discrimination among the beneficiaries. For example, the annual scholarship amount under the LIC-JBY scheme is based on the administrative norms of LIC, and the amount disbursed, each year, is invariably less than the amount claimed. This leads to unequal distribution of the benefits among beneficiaries, sometimes causing resentment among them.

Third, the benefits offered should be timely. The scholarship disbursed by LIC well after the school year has commenced puts the beneficiaries through a lot of financial hardship. It would help the beneficiaries if the scholarship amount were distributed well before the deadline for the payment of school fees.

Fourth, the schemes should be uniformly offered across the country. Under the present situation, schemes and premiums vary across regions. For example, in Dindigul, Bellary and Bidar branches of WWF the LIC Social Security Schemes are not offered at all. In Adiramapattinam, Narasapur and Bhimavaram branches, the premiums for the LIC-JBY schemes are much higher. It is Rs.167/- in Adiramapattinam, Rs.460/- in Narasapur and Rs.820/- in Bhimavaram and for the rest of the branches it is Rs. 100/-. Such un-standardized schemes are confounding to the NGO's. Lastly, would the present LIC social security schemes continue or would they be replaced by new schemes? This is not clearly mentioned in the proposed Bill.

The limitations vis-à-vis its micro-insurance schemes can be addressed through a larger legislative framework that is in the process of being put into place with the Social Security Bill for the Unorganised Sector, 2006. There has been a similar Bill in 2003 for the unorganized sector workers, and another Bill stating the distinction based on agricultural labourers and non agricultural in receiving benefits. There is skepticism arising out of too many bills floating around, and one too many to pass, causing concerns in their exact implementation plan. The effort by the Union Government has been commendable, and area's suggested in the light of WWF will only help in making the Bill more accountable " on the ground ". In conclusion it is important to reiterate, and

document the operation of an organization such as the WWF as it has proved to be a successful actor in the provision of social insurance for women the informal sector. It has been able to cover over 8,00,000 millions workers. This is a way forward, and is positive news!

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#### Appendix - I

#### Benefits Claimed Under Social Security Schemes of WWF(I) Branch Wise Upto December 2004

| Branch     | Number of Claims                  |                     |                            |  |                                       | Total Number of Claims |
|------------|-----------------------------------|---------------------|----------------------------|--|---------------------------------------|------------------------|
|            | LIC Janashree Bheema Yojana (JBY) | LIC JBY Scholarship | LIC Social Security Scheme | Royal Sundaram Health Insurance Scheme | Royal Sundaram Sakthi Security Shield |                        |
| Tamil Nadu |                                   |                     |                            |  |                                       |                        |

|                                |     |     |      |                 |      |        |
|--------------------------------|-----|-----|------|-----------------|------|--------|
| Madras (Central, South, North) | 195 | 319 | 1008 | 58 <sup>1</sup> | 850* | 2111   |
| Kancheepuram                   | 74  | 132 | 252  | -               | -    | 75 458 |
| Vellore                        | 63  | 104 | 214  | 9 <sup>2</sup>  | -    | 286    |
| Adiramanattinam                | 7   | 72  | 550  | -               | -    | 629    |

|                |     |     |      |                |     |      |
|----------------|-----|-----|------|----------------|-----|------|
| Andhra Pradesh |     |     |      |                |     |      |
| Narsapur       | 19  | 45  | 6    | -              | -   | 70   |
| Bhimavaram     | 34  | 2   | 8    | -              | -   | 44   |
| Palakol        | 5   | -   | 9    | -              | -   | 14   |
| Hyderabad      | 11  | -   | -    | 1 <sup>4</sup> | -   | 12   |
| Karnataka      |     |     |      |                |     |      |
| Bangalore      | 10  | 15  | 33   | 2 <sup>5</sup> | -   | 45   |
| Bidar          | 12  | -   | 5    | -              | -   | 17   |
| Bellary        | 15  | -   | -    | -              | -   | 15   |
| Chennapatna    | 17  | 8   | 91   | -              | -   | 116  |
| Total          | 571 | 849 | 2422 | 76             | 850 | 4768 |

<sup>1</sup> Madras - Maternity - 20, Eye Operation - 21, Other Surgeries - 17

<sup>2</sup> Vellore - Maternity - 3, Eye Operation - 3, Other Surgeries - 3

<sup>3</sup> Dindigul - Maternity - 4, Other Surgeries - 2

<sup>4</sup> Hyderabad - Maternity - 1

<sup>5</sup> Bangalore - Eye Operation - 1, Other Surgeries - 1

\* Flood - 673, Fire - 107, Tsunami - 39, Other Accidents - 31

## Appendix - II

### Distribution of WWF(I) Policy Holders Scheme Wise Upto December - 2004

| Branch     | Number of Policy Holders          |                            |  |                                       | Total No. of Policy Holders |
|------------|-----------------------------------|----------------------------|--|---------------------------------------|-----------------------------|
|            | LIC Janashree Bheema Yojana (JBY) | LIC Social Security Scheme | Royal Sundaram Health Insurance Scheme | Royal Sundaram Sakthi Security Shield |                             |
| Tamil Nadu |                                   |                            |  |                                       |                             |

|                                   |              |               |             |              |               |
|-----------------------------------|--------------|---------------|-------------|--------------|---------------|
| Madras (Central,<br>South, North) | 20416        | 203124        | 2911        | 8257         | 234708        |
| Kancheepuram                      | 6156         | 93441         | 32          | 1751         | 101380        |
| Vellore                           | 7831         | 45179         | 246         | 1067         | 54323         |
| Adirampattinam                    | 2701         | 121158        | N/A         | 452          | 124311        |
| Dindigul                          | 2442         | 59856         | 75          | 483          | 62856         |
| Dharmapuri                        | 1720         | 6553          | N/A         | N/A          | 8273          |
| <b>Andhra Pradesh</b>             |              |               |             |              |               |
| Narsapur                          | 2024         | 2484          | N/A         | 65           | 4573          |
| Bhimavaram                        | 1519         | 2575          | 61          | 41           | 4196          |
| Palakol                           | 1008         | 1811          | N/A         | 179          | 2998          |
| Hyderabad                         | 2524         | N/A           | 219         | 891          | 3634          |
| <b>Karnataka</b>                  |              |               |             |              |               |
| Bangalore                         | 1397         | 17894         | 91          | 64           | 19446         |
| Bidar                             | 339          | 2608          | N/A         | N/A          | 2947          |
| Bellary                           | 856          | N/A           | N/A         | N/A          | 856           |
| Chennapatna                       | 2148         | 15472         | 14          | 93           | 17727         |
| <b>Total</b>                      | <b>53081</b> | <b>572155</b> | <b>3649</b> | <b>13343</b> | <b>642228</b> |