

# Code on Social Security, 2020

The Code on Social Security, 2020 is one of the four consolidated labor codes enacted to extend social security coverage, simplify compliance, and modernize India's workforce protection framework.

- **Objective and Scope:** The Code aims to:
  - Universalize social security coverage
  - Include unorganized, gig, platform, and fixed-term workers
  - Simplify registrations, returns, and inspections
  - Ensure portability of social security benefits
  - Strengthen employer accountability

*Note: The Code applies to all establishments and employees, subject to notified thresholds.*

- **Laws Consolidated under the Code:** The Code subsumes the following legislations:
  - Employees' Provident Funds and Miscellaneous Provisions Act, 1952
  - Employees' State Insurance Act, 1948
  - Payment of Gratuity Act, 1972
  - Maternity Benefit Act, 1961
  - Employees' Compensation Act, 1923
  - Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996
  - Unorganized Workers' Social Security Act, 2008

## ➤ **Expanded Definitions and Coverage**

**Employee:** Covers persons employed on Regular, contractual, temporary, and fixed-term basis

### **Gig and Platform Workers (New Inclusion):**

- Gig Worker: Engaged outside traditional employer-employee relationships
- Platform Worker: Uses digital platforms for work (e.g., ride-hailing, delivery apps)

*Professional Significance: For the first time, gig and platform workers receive statutory social security recognition.*

- **Social Security Schemes under the Code:** The Code empowers governments to frame schemes relating to

**Provident Fund:** Retirement savings and withdrawal benefits

**Employees' State Insurance:** Medical, sickness, maternity, disablement, and dependent benefits

### **Gratuity:**

- Payable on termination after 5 years of service
- Fixed-term employees entitled on a pro-rata basis

**Maternity Benefit:** Paid maternity leave and related benefits

**Employee Compensation:** Compensation for employment-related injury or death

## **Social Security for Unorganised, Gig & Platform Workers:**

- Life and disability cover
- Health and maternity benefits
- Old age protection
- Accident insurance
- **Key Employer Obligations:** Employers must
  - Register establishment and employees on the unified portal
  - Deduct and deposit contributions within prescribed timelines
  - Maintain digital records and registers
  - Facilitate benefit access to employees
  - Provide information and documents to authorities
  - Comply with inspection and audit requirements
- **Fixed-Term Employment (Major Reform):** Fixed-term employees are entitled to
  - Same social security benefits as permanent employees
  - Gratuity on a pro-rata basis, even if service is less than five years

*Professional Insight: This significantly impacts workforce planning and cost structures.*
- **Portability and Digitisation**
  - Universal Account Numbers (UAN) for portability
  - Aadhaar-based identification
  - Centralized digital registration and benefit management
  - Electronic filing of returns and records

*Professional Insight: Enhances employee mobility and reduces administrative complexity.*
- **Inspector-cum-Facilitator Model**
  - Risk-based inspections
  - Advisory and facilitative approach
  - Reduced physical inspections
  - Web-based inspection allocation
- **Penalties and Offences:** Non-Compliance Consequences
  - Monetary penalties
  - Imprisonment for repeat or serious offences
  - Compounding of certain offences

*Enhanced Accountability : Liability extends to directors, partners, and officers-in-charge*
- **Transition from Old Laws**
  - Existing registrations deemed valid
  - Ongoing benefits continue without interruption
  - Employers must align policies and payroll systems to new definitions
- **Strategic Impact for Employers:** Employers should
  - Re-evaluate cost-to-company structures
  - Update HR policies and appointment letters

- Assess applicability for gig/platform workforce
- Strengthen payroll and compliance systems
- Conduct social security audits

➤ ***Current Status (Implementation)***

While enacted, the Code becomes fully operational upon notification of Central and State rules. Employers should use the transition period to prepare systems and documentation.

The Code on Social Security, 2020 marks a paradigm shift from fragmented social security legislation to a comprehensive, inclusive, and technology-enabled framework. By extending coverage to gig, platform, and fixed-term workers, it significantly reshapes employer obligations and workforce strategy. Proactive compliance planning is essential to mitigate risks and optimize workforce costs.