Code on Social Security 2020, Need, Provisions, Significance

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The **Code on Social Security, 2020** is **one of India's four Labour Codes** and **seeks to create a unified and wider social security framework for workers in the organised, unorganised, gig and platform sectors.** It **consolidates nine central social security laws into a single Code**, while introducing mechanisms for wider coverage, portability of benefits and simpler compliance.

About Code on Social Security, 2020

The **Code on Social Security, 2020** was enacted to rationalise India's fragmented social security laws and extend social protection to workers who were previously outside the formal system.

- The Code received Presidential assent on 28 September 2020.
- It contains 14 Chapters and 164 Sections dealing with provident fund, employees' state insurance, gratuity, maternity benefit, employee compensation and social security for unorganised workers.
- It is one of the four Labour Codes, along with the **Code on Wages, 2019**, **Industrial Relations Code, 2020 and Occupational Safety, Health and Working Conditions Code, 2020.**

- It **consolidates nine central laws** relating to social security into one legal framework.
- The major provisions of the Code came into force on 21 November 2025, along with the other Labour Codes.

Laws Consolidated under Code on Social Security, 2020

The Code on Social Security, 2020 replaces nine central laws:

- Employees' Compensation Act, 1923
- Employees' State Insurance Act, 1948
- Employees' Provident Funds and Miscellaneous Provisions Act, 1952
- Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959
- **Maternity Benefit Act, 1961**
- Payment of Gratuity Act, 1972
- Cine Workers Welfare Fund Act, 1981
- Building and Other Construction Workers' Welfare Cess Act, 1996
- Unorganised Workers' Social Security Act, 2008

Code on Social Security, 2020 Need

The Code on Social Security, 2020 was introduced to address the fragmentation and limited coverage of the earlier social security system.

- **Fragmented laws**: Different laws had separate definitions, authorities, procedures and eligibility conditions.
- **Limited coverage**: A large informal workforce remained outside formal social security arrangements.
- **Changing nature of work**: Earlier laws did not adequately recognise gig and platform work.
- **Portability concerns**: Migrant and informal workers often faced difficulties in carrying benefits across employers and States.
- **Compliance burden**: Multiple registrations, returns and procedures increased the burden on establishments.

Code on Social Security, 2020 Key Provisions

The Code on Social Security, 2020 combines traditional social security measures with provisions for emerging categories of workers.

Wider Social Security Coverage under the Code

- The Code formally **brings unorganised, gig and platform workers within the social-security framework** and enables the Government to frame schemes for life and disability insurance, health, maternity and old-age protection.
- It provides for **National and State Social Security Boards** to advise on schemes for these workers.
- Aggregators may be required to contribute 1-2% of annual turnover, subject to a ceiling of 5% of the amount paid to gig and platform workers.

- **Creation of a Social Security Fund based** on contributions from the Central & State Governments , collected from Corporate Social Responsibility, fines collected due to compounding etc. This fund will be used to provide benefits such as life insurance, disability cover, health and maternity benefits, and provident fund schemes for these workers.

Gratuity for Fixed-Term Employees

The Code on Social Security, 2020 changes the gratuity framework for fixed-term employees.

- **A fixed-term employee becomes eligible for gratuity after one year of continuous service**, instead of the conventional five-year requirement.
- Gratuity is payable on a proportionate basis, thereby providing greater social security to workers employed for a fixed period.

Expansion of EPF and ESIC Coverage

The Code on Social Security, 2020 seeks to widen the reach of provident fund and insurance-based social security.

- EPF provisions apply to establishments having 20 or more employees, subject to the Code and applicable rules.
- ESIC coverage is extended across the country rather than being restricted to specified areas.
- Establishments employing fewer than 10 persons may voluntarily opt for ESIC coverage subject to the prescribed conditions.
- For hazardous or life-threatening occupations, the minimum employee threshold can be removed, allowing coverage even where there is a single worker.
- Plantation establishments may also opt for ESIC coverage under the prescribed conditions.

National Registration and Portability

The Code on Social Security, 2020 provides for a national database of unorganised workers.

- Unorganised, gig and platform workers can register on a National Portal and receive a Unique Identification Number.
- The system is intended to improve identification and delivery of benefits, particularly for migrant workers.
- Portability can help workers retain access to social security when they move between States or workplaces.

Uniform Definition of Wages

The Code on Social Security, 2020 introduces a common definition of wages for social security purposes.

- Wages primarily include basic pay, dearness allowance and retaining allowance.
- Where specified allowances and other components exceed 50% of total remuneration, the excess is added back to wages.
- A higher wage base can increase benefits linked to wages, such as gratuity and provident fund-related benefits, subject to the applicable provisions.

Coverage of Commuting Accidents

The Code on Social Security, 2020 strengthens protection against employment-related accidents.

- An accident occurring while an employee is travelling between the place of residence and workplace can be treated as arising in the course of employment.
- This enables the employee or eligible dependants to claim the applicable compensation or social security benefits.

Women-Centric Provisions under Code on Social Security, 2020

The Code on Social Security, 2020 retains and consolidates important maternity and welfare protections while introducing greater flexibility for women workers.

- **Maternity benefit**: A woman who has worked for at least 80 days in the preceding 12 months is generally entitled to maternity benefit, subject to the Code.
- **26 weeks' maternity leave**: Eligible women can receive up to 26 weeks, with up to eight weeks before the expected delivery.
- **Adoptive and commissioning mothers**: A woman adopting a child below three months and a commissioning mother are entitled to 12 weeks of maternity benefit, subject to the prescribed conditions.
- **Work from home**: Work from home may be permitted after maternity leave through mutual agreement where the nature of work allows it.
- **Nursing breaks**: Two nursing breaks are available until the child attains 15 months of age.
- **Crèche facility**: Establishments with 50 or more employees are required to provide crèche facilities in accordance with prescribed requirements.
- **Medical bonus**: Where the employer does not provide prescribed pre-natal and post-natal care, the eligible woman may receive the prescribed medical bonus.

Ease of Doing Business under Code on Social Security, 2020

The Code on Social Security, 2020 also attempts to simplify compliance and make enforcement more transparent.

- **Digital compliance**: Records, registers and returns can be maintained electronically.
- **Inspector-cum-Facilitator**: The traditional inspection model is replaced by an Inspector-cum-Facilitator approach combining enforcement with compliance assistance.
- **Time-bound EPF inquiries**: The Code introduces limitations on initiating and completing certain EPF-related inquiries.
- **Reduced appeal deposit**: An employer challenging an EPFO order is required to deposit 25% of the amount determined, subject to the Code.
- **Self-assessment of cess**: Construction establishments can undertake self-assessment of construction cost and applicable cess.
- **Compounding**: Specified offences can be compounded by payment of prescribed penalties, reducing prolonged litigation.

- **Decriminalisation**: Several offences are shifted from imprisonment-based penalties towards monetary penalties, particularly for regulatory violations.

Code on Social Security, 2020 Significance

The Code on Social Security, 2020 is significant because it attempts to move India from fragmented and employment-linked protection towards a broader social security system.

- **Universalisation**: Brings unorganised, gig and platform workers within the statutory social security framework.
- **Formal recognition**: Gives legal recognition to new forms of employment such as gig and platform work.
- **Portability**: National registration can help migrant workers access benefits across locations.
- **Gender inclusion**: Strengthens maternity protection, nursing support and childcare provisions.
- **Simplification**: Replaces nine separate laws with one consolidated framework.
- **Ease of compliance**: Digital records, Inspector-cum-Facilitators and compounding reduce procedural burdens.
- **Social justice**: Advances the constitutional vision of protecting workers against economic and social vulnerabilities.

Code on Social Security, 2020 Challenges

Despite its wider coverage, effective implementation of the Code on Social Security, 2020 depends on institutional capacity and adequate financing.

- **Implementation gap**: Registering and providing benefits to India's vast informal workforce remains a major challenge.
- **Awareness deficit**: Eligible workers may not know about available schemes and registration mechanisms.
- **Funding concerns**: Adequate and sustainable financing is essential for extending meaningful benefits to gig and unorganised workers.
- **Digital exclusion**: Dependence on digital registration and authentication may exclude workers with limited digital access.
- **Centre-State coordination**: Since labour is in the Concurrent List, effective implementation requires coordination between Union and State Governments.

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