

**REPORT OF  
THE WORKING GROUP ON  
SOCIAL SECURITY**

**FOR  
THE TENTH FIVE YEAR PLAN  
(2002-2007)**

Government of India  
Planning Commission  
October- 2001

## Acknowledgements

Planning Commission had set up a Working Group to prepare the Xth Five Year Plan on Social Security under the Chairmanship of Shri Vinod Vaish, Secretary, Ministry of Labour, Govt. of India. The terms of reference assigned to the Working Group were dealt with by constituting three sub working groups dealing with the organised sector, the unorganised sector and review of implementation of some of the important Acts on area of social security.

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J.P. PATI  
Member Secretary

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## INTRODUCTION

1.1 India, being a welfare State, has taken upon itself the responsibilities of extending various benefits of Social Security and Social Assistance to its citizens. The social security legislations in India derive their strength and spirit from the Directive Principles of the State Policy as contained in the Constitution of India.

1.2 Although the Constitution of India is yet to recognise Social Security as a fundamental right it does require that the State should strive to promote the welfare of the people by securing and protecting, as effectively as it may, a social order in which justice social, economic and political shall inform all the institutions of national life. Specially, Article 41 of the Constitution requires that the State should within the limits of its economic capacity make effective provision for securing the right to work, to education and to public assistance in case of unemployment, old age, sickness and disablement. Article 42 requires that the State should make provision for securing just and humane conditions of work and for maternity relief. Article 47 requires that the State should raise the level of nutrition and the standard of living of its people and improvement of public health as among its primary duties. The obligations cast on the State in the above Articles constitute Social Security.

1.3 In India, out of an estimated work force of about 397 million, around 28 million workers are having the benefit of formal social security protection. Rest of the workers are in the unorganised sector. Several and successive attempts have been made in the past to address the multifarious problems faced by the workers in the unorganised sector through legislative as well as programme oriented measures. Even though these measures have not succeeded in achieving the desired object partly on account of the ignorance, illiteracy and lack of unionisation of workers on the one hand and the resource constraints of the State on the other, some of the programmes have provided a good setting through which the hopes and expectation of the workers in the unorganised sector have been considerably aroused.

1.4 A gigantic task of this nature would require a multi-dimensional, multi-level well integrated and efficiently delivered structural response would include legislation, its enforcement, enhancement of social awareness, involvement of voluntary organizations and committed individuals, while simultaneously improving the mobility, capability for better supervision and effectiveness of the enforcement machinery and of the schemes meant for the welfare of the unorganised labour.

1.5 In the initial years of development planning, it was believed that with the process of development, more and more workers would join the organized sector and eventually get covered by formal social security arrangements. However, experience has belied this hope. The opening up of the economy, under the regime of economic reforms, has only exacerbated the problem. There is now almost a stagnation of employment in the organized sector with the resultant increase in the inflow of workers into the informal economy.

1.6 The well designed social security system for the workers in the unorganised sector will help in improving productivity, contribute to the harmonious labour relations and thus to socio and economic development. It will encourage and propagate the social peace by reducing the frequency of industrial conflicts, increase the willingness to work, make it easier to meet delivery commitments and lead to improved quality product, a better investment climate and thereby enhancing the competitiveness of the economy.

1.7 The working group noted that the Second National Commission on Labour has been constituted by the Government to suggest rationalisation of existing laws relating to labour in the organised sector and suggest an umbrella legislation for ensuring a minimum level of protection to the workers in the un-organised sector.

1.8 Effective enforcement of Social Security Acts through institutional mechanisms would impact on the level of trust and confidence of the working class. There is a felt need to look at the delivery mechanism in implementation of the Acts like EPF & MP Act, the ESI Act, Minimum Wages Act, Maternity Act, Workmen Compensation Act and the Payment of Gratuity Act.

1.9 The wage policy for the unorganised sector secured mainly through the Minimum Wages Act, 1948 is oriented towards providing a 'Need-based Minimum Wages'. In the unorganised sector, the wages are fixed under the Minimum Wages Act, 1948. The fundamental objective of minimum wage fixation is to improve the standard of living of those sections of the working population in the sweated sector whose wages are very low and whose living and working conditions leave much scope for improvement. Under the Act both the State and the Central Governments are appropriate Governments for fixation/revision of minimum rates of wages in the scheduled employments falling in their respective jurisdiction.

1.10 In the context of preparation of the Tenth Five Year Plan, the Planning Commission had set up a Working Group on Social Security under the Chairmanship of Secretary, Ministry of Labour, Government of India vide their Order No. M-13015/9/2000-LEM/LP dated 27.4.2001.

Composition of the Working Group:-

1. Secretary (Labour) Government of India,	Chairman
2. Secretary, Ministry of Social Justice & Empowerment or his nominee	Member
3. Director General, Employees State Insurance Corporation	Member
4. Central Provident Fund Commissioner	Member
5. Secretary (Labour) Kerala	Member
6. Secretary (Labour) Uttar Pradesh	Member
7. Secretary (Labour) Punjab	Member
8. Secretary (Labour), Karnataka	Member
9. Secretary (Labour) Uttaranchal	Member
10. Shri Sharad Pathak Employers Federation of India	Member
11. Joint Secretary (Social Security)	Convener

### 1.11 **The terms of reference of the Working Group:**

- a. To suggest an accepted definition of social security and the minimum acceptable services to be covered under it
- b. To assess the existing social security measures, both in organised and unorganised sectors
- c. To suggest ways to extend the coverage of social security to a wider segment of work force
- d. To suggest division of responsibility for implementation of a wider social security system among Centre, State and Workers
- e. To review the implementation of Minimum Wages Act at the State level and recommend institutional mechanism and legislative measures that enable the minimum income to the most of the wage employed.
- f. To examine the functioning of the relevant Acts, which seek to extend social security to the workers, such as those concerning welfare of the workers, provident fund, workmen compensation, insurance against accident in the occupation, etc.
- g. To examine the feasibility of using existing institutions such as ESIC, EPFO, Welfare Boards, etc. to extend social security to bulk of the non-agricultural work force.
- h. To examine and recommend the measures to extend social security to agricultural workers.
- i. The Chairman of the Working Group may include additional terms (s) of reference in consultation with Member (LEM), Planning Commission, and the Chairman of the Steering Committee on Labour and Employment.

1.12 The Working Group met under the Chairmanship of Shri Vinod Vaish, Secretary (Labour) on 3<sup>rd</sup> July, 2001. After the preliminary discussion on the various terms of reference, it was decided to constitute four sub-working groups as indicated below :

- i. Organised Sector
- ii. Unorganised Sector,
- iii. Implementation of Social Security Acts
- iv. Gender concerns in implementation of different Schemes both in the organised and unorganised sectors.



1.13 The minutes of the meeting of the working group is at Annexure-I. The composition of the sub-working group may be seen at Annexure-II.

1.14 Subsequently, it was decided with approval of the Chairman that the sub-working group on gender concerns need not submit a separate report. The gender concerns will be taken care of in the recommendations of the working group cutting across all the sectors as social security is gender neutral.

1.15 The terms of reference of the sub-working groups were the same as that of the working group mentioned earlier. The sub-working groups had several meetings, deliberated on the concerned issues and submitted their Report to the Chairman of the working group between August-September, 2001. A draft report was prepared on the basis of the recommendations/ observations of the sub-working groups. The Working Group under the Chairmanship of Secretary (Labour) met on 26<sup>th</sup> September,2001 and finalised the report after detailed discussion.

## EXECUTIVE SUMMARY

1. Social Security is increasingly seen as an integral part of the development process. It helps to create a more positive attitude not just to structural and technological change but also the challenge of globalisation and to its potential benefits in terms of greater efficiency and higher productivity.

2. In the last five decades, considerable progress in extension of social security cover at both State and Central level has been made. However, a universal social security programme for the country remains a distant goal. Improved health care and resultant increase in longevity call for redoubled effort to plan for and put in place appropriate institutional mechanisms and programmes to cover a much wider population base.

3. The logical starting point is to begin with the segment which contributes most significantly to the country's GDP i.e. the labour force. Provisioning for social assistance to this group will enhance their ability to contribute to the nation. Providing the necessary material and emotional security will enhance efficiency and productivity. The cover will enable workers to tide over periods of unemployment, sickness, accident or death while in employment coupled with the promise of an assured monthly income to them and their family in old age.

4. The work-force in the country stands close to 400 million. The existing arrangements for social security cover only 35 million. A prime concern is the challenge of closing the existing coverage gap. This is about 90% of the work-force. The obvious strategy for the Tenth Five Year Plan will have to be built around the goal of closing the coverage gap to a significant extent.

5. The impact of globalisation and the national economic reform agenda have accelerated and forced the pace of change in the methods of production and distribution. A clearly visible trend is contractualisation and casualisation of labour. Relocating manufacturing bases, out-sourcing, non-core components of businesses have radically changed the way businesses have traditionally been run.

6. The development and implementation of an adequate response designed to mitigate hardship for the working class in the context of the radical changes is an overriding national imperative. Currently, social security policy makers and administrators are engaged in a global debate to redress similar problems in both the developed and developing countries.

7. This debate also has thrown up an argument of publicly managed social security schemes as opposed to privately managed schemes. There are strong arguments advanced for both sides. However, there is no standard blue print that can be adopted universally. Each country has to find an appropriate model in their respective national context. In the Indian context a privately managed scheme cannot be the primary vehicle for providing social security. It can at best be considered as a supplementary scheme or the second pillar after a first pillar mandatory scheme or schemes. In the context of no social security provisioning being available for an overwhelming majority of the work-force, this has to be the way forward in India.

8. An approach to the challenge of closing the coverage gap in social security provisions has to be developed at two levels. The first level is the re-tooling of the existing institutional arrangements for the organised sector in order to remove existing inefficiencies, redundancies and for greatly improving service turn around times and responsiveness to customer needs the expectations. This can be achieved by introducing re-engineering and radical change in business processes i.e. to improve functions of contribution collection, record-keeping and benefit delivery. Induction of existing and emerging Information and Communication technologies can improve handling capacity and revive delivery geometrically.

9. The second level is to create a legislative and administrative framework for significant penetration of social security cover in the unorganised sector. This issue can be addressed by partly using the existing institutional and delivery mechanism for social security after introducing appropriate flexibility in the legal and administrative framework and mainly through introduction of means tested schemes which are area specific, occupation specific or industry specific.

10. In the context of the globalisation and its impact on the labour force, it is necessary to put in place a National Policy on Social Security for all sectors.

11. During the Tenth Five Year Plan, the strategy should be focused on medical care, accident benefits and old age pension.

## **12. Organised Sector**

12.1 The delivery of services under the social security instruments in Provident Fund and ESIS should be improved by adopting information and communication technology in the overall interest of the workers.

12.2 The medical care system under ESIS would need drastic improvement. New strategies would be adopted to cover workers in the unorganised sector.

12.3 The Provident Fund and Employees State Insurance Scheme need to be extended to the unorganised sector in a big way.

12.4 Major restructuring of Employees State Insurance Scheme and Provident Fund Scheme should await the recommendations of the Second National Commission on Labour which has been asked to examine the recommendations of the Wadhawan Committee.

12.5 Establishment of a common nationally unique Social Security number to each worker.

## **13. Unorganised Sector**

13.1 Social Security cover for the unorganised sector which can take care of medical care, accident benefits and old age pension should receive priority attention. This Sector Comprises of near 92% work force of the country. It is essential to enhance the coverage under national social assistance programmes providing old age pension, maternity and other benefits to the workers in the unorganised sector.

13.2 A separate Pension Scheme, with state support may be formulated during the Tenth Five Year Plan, At present only the members of the provident fund are included in the Employees Pension Scheme, 1995. The Pension Scheme may be delinked from the Provident Fund Scheme as this would encourage workers in the unorganised sector to subscribe to Pension Scheme for old age security. Other

new approaches would be necessary to put in place pension schemes for the unorganised sector.

13.3 Medical care could be extended to the workers in the unorganised sector by charging a lump sum amount. ESIC may be entrusted with the responsibility to formulate scheme in this regard.

13.4 Convergence of social security programmes to cater to the social security needs of the workers in the unorganised sector in an integrated manner would be emphasised.

13.5 Community based and location specific social security measures will be encouraged through Self Help Groups, voluntary organizations, etc.

13.6 New Welfare Boards in the unorganised sector such as fish processing, taddytapper, salt worker etc. should be considered.

13.7 State Governments like Kerala, Tamil Nadu, West Bengal have introduced social security schemes providing insurance and other benefits to the certain occupational groups in the unorganised sector. Other states could be motivated and encouraged to formulate and implement such schemes and programmes as per their requirements.

13.8 Effective implementation of Social Security Acts would go a long way in providing social security cover to the workers. For these purpose, the enforcement machineries in the Central and State Governments should be strengthened. The overlapping benefits in the Acts would need to be rationalised.

13.9 The State can shape the social security systems and influence their effectiveness by adopting suitable fiscal policy. As investment in social security impacts on human resource development, it would be desirable to make a paradigm shift in funding the social security schemes from non-plan to plan.

13.10 The government has launched the Scheme Krishi Shramik Samajik Yojana 2001 with effect from 1<sup>st</sup> July, 2001. Under the scheme the workers will get

pension ranging Rs.100 to Rs.1900 per month depending upon the age of entry to the scheme on attaining the age of 60 years. The financial liabilities to cover one million agricultural workers over a span of three years in 50 districts in the country will be about Rs. 76 crore per annum. The extension of the scheme to other districts to cover 10 million agricultural labourers out of 74.6 million total landless agricultural labourers in the country may involve financial implication of Rs. 850 crore per annum. Depending upon the success of the scheme and extend in coverage, the plan support would be required.

## Chapter 1

### Social Security – A perspective

1.1 Social Security is both a concept as well as a system. It represents basically a system of protection of individuals who are in need of such protection by the State as an agent of the society. Such protection is relevant in contingencies such as retirement, resignation, retrenchment, death, disablement which are beyond the control of the individual members of the Society. Men are born differently, they think differently and act differently. State as an agent of the society has an important mandate to harmonise such differences through a protective cover to the poor, the weak, the deprived and the disadvantaged.

1.2 The concept of social security is now generally understood as meaning protection provided by the society to its members through a series of public measures against the economic and social distress that otherwise is caused by the stoppage or substantial reduction of earnings resulting from sickness, maternity, employment injury, occupational diseases, unemployment, invalidity, old age and death.

1.3 The ILO concept of social security is based on the recognition of the fundamental social right guaranteed by law to all human beings who live from their own labour and who find themselves unable to work temporarily or permanently for reasons beyond their control. At the international level, the preamble of the Constitution of ILO also referred to the need and protection of workers against sickness, disease and injury arising out of their employment, pension for old age, protection of the interests of the workers who were employed in countries other than their own. Thus, the right to Social Security was recognized officially for the first time. Subsequently, the UN General Assembly, while adopting the Universal Declaration of Human Rights also recognized the right to Social Security by stating that every member of the society has a right to social security.

1.4 “Social Security” has been recognised as an instrument for social transformation and progress and must be preserved, supported and developed as such. Furthermore, far from being an obstacle to economic progress as is often said, social security organised on a firm and sound basis will promote progress, since once men and women benefit from increased security and are free from anxiety, will become more productive.

1.5 There is considerable controversy about the social and economic effects of social security, and most of the current debate is focused on its supposedly negative effects. Social Security is said to discourage people from working and saving to reduce international competitiveness and employment creation, and to encourage people to withdraw from the labour market prematurely. On the other had, social security can also be seen to have a number of very positive economic effects. It can help to make people capable of earning an income and to increase their productive potential; it may help to maintain effective demand at the national level; and it may help create conditions in which a market economy can flourish, notably by encouraging workers to accept innovation and change.

1.6 A formal social security system presupposes the interventionist role of the State on redistribution grounds. Social security measures are generally income, maintenance measures intended to provide a minimum living to the people when they are deprived of the same due to invalidity, unemployment or old age. The two basic elements of social security are provision of a ‘ minimum living to those who are deprived of the same and ‘selective redistribution of income’ to a target group to reduce inequalities.

1.7 Social security to the workers would involve providing or framing such schemes or services or facilities and amenities, which can enable the workers to lead a decent minimum standard of life and having financial/ economic security to fall back upon in the event of losing job for whatsoever may be the reason in the circumstances beyond their control. The workers must be given the wages and other services, which will enable them and the members of their family to lead a decent life. Thus Social security is an instrument for social transformation and good governance.



1.8 According to the ILO- World Labour Report-2000, the total security expenditure in India as percentage of GDP in 1996 was 1.8 whereas for the corresponding period the Social Security expenditure in Sri Lanka was 4.7, Malaysia 2.9 and China 3.6. In Argentina, the social security expenditure for the same period as a percentage of GDP reached the level of 12.4 and in case of Brazil 12.2. In comparison to Argentina and Brazil, the expenditure on social security in India is much less. The expenditure on social security cannot be directly related alone to the economic development. Intervention of the State would be essential and a co-relationship may have to be established for faster economic development.

1.9 Social Security in India was traditionally the responsibility of the family/community in general. With the gradual process of industrialization/urbanization, break up of the joint family set up and weakening of family bondage, the need for institutionalized and State-cum-society regulated social security arrangement to address the problem in a planned manner in wider social/economic interest at national level has been felt necessary. Currently, ongoing measures towards transformation process for trade and industry, increasing role of market forces and increase in longevity, in general world over has added a new dimension to the issue and enhanced the requirement further towards a planned and regulated institutionalized measure in the form of social security in its common understanding.

# CHAPTER-II

## ORGANISED SECTOR

### EXISTING FRAME WORK OF SOCIAL SECURITY SCHEMES & THE CONSTRAINTS.

1.1 The social security schemes in India cover only a very small segment of the organised work force, which may be defined as workers who are having a direct regular employer-employee relationship within a organization. Out of an estimated work force of about 397 million, only 28 million are having the benefit of formal social security protection.

1.2 The Social Security Laws in India at present can be broadly divided into two categories, namely, the contributory and the non-contributory. The contributory laws are those which provide for financing of the social security programmes by contributions paid by workers and employers and in some cases supplemented by contributions/grants from the Government. The important contributory schemes include the Employees State Insurance Act, 1948 and the Provident Fund, Pension and Deposit Linked Insurance Schemes framed under the Employees' Provident Funds and Miscellaneous Provisions Act, 1948. The three major non-contributory laws are the Workmen's Compensation Act, 1923, the Maternity Benefit Act, 1961 and the Payment of Gratuity Act, 1972.

## **2. Workmen's Compensation Act, 1923**

2.1 The Workmen's Compensation Act is the oldest of the social security legislations intended for the welfare of workers. At present, the Act is applicable to workers employed in 50 hazardous employment/ occupations. When it was originally enacted there was a wage ceiling for coverage under the Act. However, it has been subsequently, removed and the provisions of this Act are now applicable to all the workers including casual workers employed in industries etc. mentioned in the Schedule. This Act takes care of two contingencies namely disablement due to employment injury and death due to employment injury. A lumpsum compensation amount is paid to the disabled worker or the dependants

as the case may be during both the contingencies. The maximum amount of compensation for disablement is Rs.5.48 lakhs and for death is Rs. 4.56 lakhs. In case of temporary disablement monthly payments are made @ 50% of wages upto 5 years.

2.2 It is an employer's liability scheme, which mainly relies upon the good behaviour of employers. Where the employers are enlightened or where there are powerful trade unions, the rights of the workers are protected and the compensations are paid as per the Act. In all other cases there is a tendency to pay a nominal compensation or even to deny it. In such cases the only remedy available to the workers or the dependants is to approach the State labour Department concerned and seek their intervention which goes upto arbitration which is a time consuming process. Even after arbitration there is no way by which the State authorities are in a position to enforce the payment of compensation. Very often, it is seen that small employers even with good intentions do not have adequate funds to discharge their liabilities.

2.3 The lump sum payment, which the worker or the dependant receives, does not provide real social security. In our social conditions there is a tendency to spend the money immediately even on non-essential items. As a result the lump sum amount paid is spent within a short time and the worker or the dependants are again in dire financial straits. Even in cases where they manage to retain the money, due to lack of knowledge about proper investment, they do not get adequate returns. With the cost of living going up year after year the standard of living deteriorates due to reduced availability of resources. In the case of periodical pensions, there is a system of indexing, which takes care of the adverse effect of increase in cost of living to a large extent. Such a provision is not available in the Workmen's Compensation Act.

The Workmen's Compensation Act is not applicable to those workers who are covered by the ESI Act.

**3. Maternity Benefit Act, 1961.**

3.1 This Act is applicable to every establishment being a factory, plantation or mine and to every shop or establishment in which 10 or more persons are employed. The State Governments may, with the approval of the Central Government, declare that all or, any of the provisions of the Act shall apply also to any other establishments or class of establishment, industrial, commercial, agricultural or otherwise.

3.2 Under this Act female workers are entitled for paid holidays not exceeding 12 weeks in the case of maternity and during this period they are eligible to receive full wages. There is also provision for pre-natal confinement and post-natal care free of charge failing which employer is liable to pay medical bonus of Rs.250/-. In the case of miscarriage, maternity leave is available for a period not exceeding six weeks. There is also provision for sick leave for a period not exceeding one month in case of sickness arising out of maternity.

3.4 This Act is also based on employer's liabilities. Like Workmen's Compensation Act, the actual implementation of the benefit provisions of this Act also depends largely upon the good will of the employer. Here also the implementation is not satisfactory. Where employers are enlightened or where there are powerful trade unions, the rights of the workers are protected and the compensations are paid as per the law. In all other cases, it is very difficult for the female workers to take advantage of the provisions of this Act. Not infrequently the female workers are discharged even well before their due date of confinement and they are not paid anything till they are fit enough to resume their duties.

#### **4. Payment of Gratuity Act, 1972**

4.1 Extending to whole of India, the Act applies to factories, mines, oil fields, plantations, ports, railway companies, and to shops and establishment employing ten or more persons. The Act came into force on 16 September 1972. Other establishments included by notification are Motor Transport, Clubs, Chambers of Commerce & Industry, Inland Water Transport, Local Bodies and Solicitors Office.

4.2 This Act provides for payment of lump sum gratuity to the employees. Under the Scheme Gratuity is payable @ 15 day' wages for every completed year of service subject to monetary ceiling of Rs.3.50 lakh. In case of seasonal establishments gratuity is payable @ 7 day's wages. The gratuity is payable in the contingency of superannuation, retirement, resignation, death or disablement due to accident or disease subject to completion of 5 years continuous service. The condition is however, not applicable in case of death or disablement. Like Workmen's Compensation Act and Maternity Benefit Act the Payment of Gratuity Act is also an employers' liability scheme. In the absence of proper enforcement, many of the provisions of this Act also are observed only in their breach. The financial constraints of small employers also add to the problems in proper enforcement.

#### **5. Employees' State Insurance Scheme**

5.1 The Employees' State Insurance Act, 1948 applies to non-seasonal power using factories employing 10 or more persons and non-power using factories and certain other specified establishments employing 20 or more persons for wages. Workers in factories/establishments covered under the Scheme and drawing wages up to Rs.6, 500/- per month are covered under the Scheme. At present, the Scheme covers 2.30 lakh factories and establishments 86 million employees at

655 centres across 22 State and Union Territories in the country. As of now, the total beneficiary population stands at about 34 million.

5.2 The Scheme is financed from contribution from employers and employees. Employees contribute @ 1.75% of their wages, while the employers contribute @ 4.75% of the wages of insurable workers. Low paid employees drawing wages up to Rs.40/- per day are not required to contribute. The State governments contribute a minimum of 1/8<sup>th</sup> share of the expenditure on medical care in their respective States.

5.3 The Scheme provides the following benefits:

- a. Sickness benefit including medical care.
- b. Disablement benefit (which includes temporary and permanent disablement)
- c. Maternity benefit.
- d. Dependants benefit in case of death due to employment injury.

5.4 Of the above contingencies, the first three occur during the working life of an insured person and due to the contingency there is either stoppage or reduction in the income of the Insured person due to sickness, maternity or disablement. In case of total disablement, the workers are sometimes not able to continue in service at all. Depending upon the contributory conditions, the worker is entitled to cash compensation for 91 days in a year when he becomes sick @ 50% of his wage. In case of 34 chronic and long term diseases an enhanced benefit @ about 70% of wage is available to the worker for a maximum period of 730 days subject to fulfilment of certain contributory conditions. This benefit is known as Extended Sickness Benefit and is available to workers who have been under ESI coverage for a period of two years. The Insured person and his family members

are entitled to full medical care from the day the Insured person enters into insurable employment.

5.5 In case of maternity, the insured woman is entitled to maternity benefit @ of full wage for 12 weeks which is extendable by further 30 days if she is unable to attend to her duties due to ailment arising out of maternity.

5.6 In case of disablement caused due to injuries sustained in the course of and out of employment, the Insured worker is entitled to receive wages @ about 70% of normal wages from the ESIC for the entire period during which he/she is undergoing treatment and is unable to attend to his or her duties. Unlike sickness benefit, there is no limitation for the period during which the benefit is payable. There are also no contributory conditions. In case the disablement results in permanent, partial or total disablement, the workers is provided periodical payments for life depending upon the extent of loss of earning capacity and his wage at the time of sustaining the injury. In case of death due to employment injury, dependants benefit is available in the form of periodical payments to eligible dependants @ about 70% of wage of the deceased employee.

5.7 The comprehensive medical care provided by ESIC to the workers and their family members is provided through a network of 138 ESI hospitals, 43 annexes, 1443 dispensaries and 3000 clinics of private medical practitioners in different parts of the country. The medical care comprises of OPD treatment, investigations, specialists services, indoor treatment and super-specialty care wherever required. In addition, drugs and dressings, appliances are also provided free of cost. There is no cap on expenditure incurred on medical care of an insured worker or members of his or her family. The treatment is provided through ESI dispensaries/hospitals and panel clinics of ESI Corporation. In cases,

where facilities are not available in ESIC Institutions, medical care is provided through tie-up arrangements with other Institutions run by public or private sector.

5.8 In the case of employees who have retired from insurable employment after having been covered under the ESI Scheme for not less than 5 years, a provision for voluntary coverage is available. Accordingly, the worker and his/her spouse may avail the full scale ESI medical benefit on payment of Rs.120/- per annum as contribution payable in advance every year. Like-wise, an incapacitated worker and his/her spouse, who has ceased to be in employment, can avail ESI medical care on the same conditions till the normal date of his/her retirement.

5.9 During the last five decades of its existence, the ESI Scheme has been extensively reviewed by a number of Committees such as ESIS Review Committee (1966), the Estimates Committee of Parliament (1969-70), the Committee on Perspective Planning (1972), the High Powered Committee on Amendments to the ESI Act (1978), the ESIS Review Committee (1982) and Committee on Perspective Planning (1993). While many of the recommendations of these committees were fully or partially implemented, a large number of recommendations still remained to be implemented. The main recommendations, which were not fully implemented mainly pertain to extension of the scope of coverage, restructuring of medical care system, organizational framework and granting functional autonomy to the ESI Corporation. Most of the Committees recommended substantial improvements in the scale and standard of medical care, accountability of State governments to the ESI Corporation, effective liaisoning between the State govt. and the Corporation, entrusting the administration of the Scheme to the Corporation and removing deficiencies in the panel system. The Committees also recommended phased extension of the Scheme to smaller



factories/establishments as also to other sectors not covered under the Scheme. The Committee also recommended making of provisions in the Act to frame modified schemes/truncated schemes having different contributions and benefit packages to suit the requirements of different sectors of workforce. It was also recommended that exemptions should be granted very rarely and the power to grant exemptions should be entrusted with the Central Govt. or the Corporation.

## **6. THE EMPLOYEES' PROVIDENT FUND**

6.1 The Employees' Provident Fund Act was passed in 1952 to provide for institution of provident fund for the employees of factories and other establishments. The Scheme came into force from 1<sup>st</sup> November 1952. The Scheme is presently applicable to 180 industries/class of establishments employing 20 or more persons. Coverage under the Scheme is restricted to employees drawing pay plus dearness allowance not exceeding Rs.6, 500/- per month.

At present 3.40 lakh establishments having 2.6 crore employees are covered under the EPF Scheme.

6.2 The Scheme is basically meant for security of workers after their retirement. It provides for lump sum payment of provident fund, monthly pension and deposit linked insurance. The basic rate of provident fund contribution is 10% of basic wage/salary and the higher rate is 12%. The basic rate of 10% applicable to 5 main industries namely, beedi, brick, jute, coir and guar gum for the rest it is 12%. Out of the employer share of contribution, a sum equal to 8.33% of wages is diverted to pension fund account while the balance of employers share of contribution and employees share of contribution in toto is credited to the provident fund account.

6.3 The accumulation in the provident fund account of a member becomes payable for final settlement under following situations:

- a. On retirement from service after attaining the age of 55 years.
- b. On retirement as a result of total and permanent disablement rendering the worker incapable of working.
- c. Immediately before migration from India for permanent settlement abroad for taking up employment abroad;
- d. Termination of service upon mass or individual retrenchment;
- e. Termination of service under a voluntary retirement scheme; and
- f. Termination of job and remaining unemployed for over two months or leaving the job from a covered establishment and joining an establishment not covered by P.F.

## 7. The Employees' Deposit Linked Insurance Scheme, 1976

7.1 The Central Government notified the Employee Deposit Linked Insurance Scheme, 1976 effective from 1<sup>st</sup> August 1976. The Scheme applies to the employees of all establishments covered under the EPF and MP Act, 1952, who have been enrolled to the membership of Employees Provident Fund Scheme, 1952, or any other Provident Fund Scheme which has been exempted under Section 17 of the Act or paragraph 27/27A of the Scheme there under.

7.2 The Scheme is financed with the contribution from the employer of the establishment @ 0.50% of the wages of the employees. Until 15.11.1995, the Central Government also used to contribute to the fund @0.25% of the wages. The employees are not required to make any contribution.

7.3 The Scheme provides for payment of assurance benefit, upon death of the member while in service; linked to the average balance in the provident fund account of the deceased member.

## 8. Family Pension

8.1 A Scheme of providing family pension in the event of pre-mature death of the employee was introduced from 1<sup>st</sup> March 1971 for the employees covered under the Act. The Scheme was financed by diverting out of contributions to the provident fund, the employees share of contribution @ 1.16% of their wage with an equal amount of employers share. The Central Govt. also contribute @ 1.16% of the wages of employee to the family pension fund. The benefit is payable to the widow or other dependants of the deceased member. The grant of family pension is subject to 3 months membership of family pension fund.

8.2 As this Scheme did not provide pension on retirement, superannuation or on death after service, the govt. framed a new pension scheme called the Employees Pension Scheme, 1995.

## 9. The Employees' Pension Scheme, 1995.

9.1 The Employees' Pension Scheme, 1995 was introduced w.e.f. 16.11.95, the pension scheme is compulsory for all members of the family pension scheme. It is also compulsory for persons who became members of provident fund from 16.11.95. Minimum 10 years membership of the fund is required for entitlement to pension.

9.2 Normal superannuation pension is payable on attaining the age of 58 years and at a proportionately reduced rate on attaining the age of 50 years. The

Scheme also provides for monthly pension in the contingency of death, total permanent disablement etc. The amount of monthly pension depends upon pensionable salary and pensionable service. On completion of 33 years contributory service, 50% of pay is payable as pension. The minimum pension for the widow is Rs.450/- per month and maximum may go up to Rs.2, 500/- per month payable as normal members pension on completion of 33 years service. Family Pension up to Rs.1, 750/- per month is also payable to the widow of the member who has contributed to the pension fund just for one month.

9.3 In addition to widow pension the family is also entitled to children pension @ 25% of widow pension payable up to two children till they attain the age of 25 years. The employees have the option to accept the admissible pension or 10% reduced pension with return of capital equivalent to 100 times of original pension.

9.4 The Scheme is financed by diverting employers share of PF contribution @ 8.33% of wage to the pension fund. Accumulation of the ceased family pension scheme constitutes the corpus of the new pension fund. The Central govt. also contributes to the pension fund @ 1.16% of the wage.

10. From the scope of coverage of the five major social security legislations detailed above, it is noted that there are constraints like wage ceiling limit, the threshold limit of employment strength of the establishment and schedule of industries restrictions in the EPF & MP Act. In case of Employees' State Insurance Scheme also, there is a wage ceiling limit as well as a cap on the threshold of employment strength. The expansion of ESI Scheme is dependent upon the willingness of the State Government to expand medical facilities to new

areas in their State under the Act, the State Governments have been given the statutory responsibility for delivery of medical care.

10.1 During the last 2-3 years, the membership of the Employees' State Insurance Scheme has almost been stagnant. Unlike the Provident Fund Scheme, where the beneficiaries continue after they cross the wage ceiling, in ESIC, the Insured Persons are excluded from the scheme, when they cross the wage ceiling.

10.2 In the approach paper of the Planning Commission on the 9<sup>th</sup> Five Year Plan it was stated that labour policy during the Ninth Five Year Plan will rationalize, simplify and integrate the labour laws to bring them in tune with the needs of the changing socio-economic scheme. At the same time, the existing legislative framework will be strengthened to protect the interests of the labour in the unorganized sector. It was, inter-alia, stated that social security will be provided to workers both in the organized and unorganized sectors. An integrated comprehensive scheme of social security will be evolved by having a single legislation covering all existing social security schemes. The Group noted that the recommendations of the Wadhawan Committee has been referred to the Second National Commission on Labour for an in-depth study. The recommendations of the Task Force would be considered for implementation as soon as the recommendations of the Labour Commission become available to the Government. In such circumstances the Group felt that any major restructuring of ESIC and EPFO should await the recommendations of the Labour Commission.

10.3 Under the ESI Act, the responsibility for providing medical care is vested in the respective State Government except in Delhi and NOIDA (UP) where the scheme is administered directly, by the ESI Corporation. However, the total expenditure incurred in administering the medical benefit in each State is shared

by the respective State Government and the Corporation in the ratio of 1:7. The Corporation has issued norms and guidelines both for staffing and equipping ESI hospitals under the Scheme. Under the above provisions it is the responsibility of the State Government to ensure availability of drugs, posting of specialists, medical officers and para-medical staff in the ESI Hospitals. Despite this, the health delivery system has not been found satisfactory. The State Governments have their own limitations in ensuring a reasonable medical care to the insured persons.

10.4 The Corporation, with a view to improving the health delivery system has set up a Revolving Fund. It has been also proposed to set up a model ESI hospital in each State. Under an action plan state government are being assisted in upgrading the facilities in the ESI hospitals. All these measure have not been able improve the health delivery system up to the desired level. There is need to further improve and simplify the health delivery system. Privatisation of health delivery system in selected hospitals may be required in the overall interest of the insured persons. Besides ensuing quality treatment, it would generate revenue for the Corporation which could be utilized for improving the services in hospitals and optimum utilizations of the existing infrastructure.

10.5 The Employees' Provident Fund Organisation has initiated a proposal for organization wide IT reforms. It is proposed to issue 'smartcards' to the PF subscribers and allot a unique number which would improve the Provident Fund delivery system in the organization. Considering the size of the subscribers in the PF, capacity building of the organization would need special attention in the coming years.

10.6 During the last 50 years, the Employees' Provident Fund Scheme and the Employees' State Insurance Scheme have been implemented to provide health, insurance, provident fund and pension for old age. These schemes were conceived immediately after independence, but did not fit into a clear policy frame work. In view of globalisation and the economic reforms, it is now necessary to have a clear national policy on the provision of social security to different groups of workers and employees in the country. The policy could address the following issues:

- (a) Whether social security is to be provided only to persons who are economically weak or should the social security cover be provided to other groups also? In most developed countries, social security is not confined to economically weaker groups alone.
- (b) The extend of social security to be provided may be clearly defined i.e. whether the social security cover will be provided only for medical care and health, for the productivity of workers and for old age or whether this will also extend to persons who are unemployed and or are retrenched.
- (c) The threshold for coverage under various schemes for social security and extent of coverage may have to be defined.
- (d) Other social assistance programmes for specific groups such as handloom weavers, artisans, rural etc. should be dovetailed with the national social security schemes. At present there is duplication in schemes.
- (e) The responsibility for implementation of various schemes for social security will also have to be spelt to avoid duplication of efforts at the

Centre and State level. The institutional framework for effective implementation and the coordinating role to be played at the level of Centre and the State should also be spelt out.

- (f) The strategy for implementation, whether a centralised or decentralized approach would be followed, should be formulated, for best use of resources.
- (g) Suitable legislative framework for effective implementation for accountability at each level should be developed. The Centre could consider developing some model legislation in this regard.
- (h) On the question of funding of security programmes, a consensus should be arrived at, keeping in view the long term sustainability of social security schemes. The question of what the Centre and the States can afford and what can be contributed by the beneficiaries and the private sector, should be worked out. Short populist schemes of social assistance may not offer a long term solution as social security addresses long term distress groups, during ill health, unemployment, old age. The possibility of levy of cess tax, incentives could be considered for funding.
- (i) Standard packages for different target groups should be available throughout the country, since there is large scale movement of workforce and population from one state to another.

10.8 Pending finalisation of the policy on social security, during the Tenth Five Year Plan, the strategy on social security could focus on

- (j) Pension (ii) Accident benefit and (iii) Medical care in both the organized as well as the unorganized sector.



## **11. EXTENSION TO NEW SECTORS OF EMPLOYMENT.**

11.1 A sizeable number of workers engaged by various contractors for the purpose of loading/unloading, running canteen facilities, doing cleaning and sweeping of the premises, rendering security services etc. have remained out of the ambit of the ESI Scheme on the ground that they are working in premises which are not covered by ESI Scheme such as Railway stations, harbours, port trusts, Airports and various Central Public Sector Units engaged in non manufacturing activities etc. Steps should be taken to assess their number and to implement the various social security schemes in such areas so that these contract workers are able to derive social security benefits especially since many of such workers are unskilled and have no security of employment.

11.2 As already mentioned, the coverage under Social Security is about 10% of the working population mostly in the organised sector. The vast majority of the workforce is in the unorganised sector, which includes agricultural labour, cultivators, small traders and hawkers, artisans and other self-employed persons, porters, auto-rickshaw drivers and other transport workers etc. Bringing them under formal social security coverage has been found difficult due to the following reasons:

- a) Seasonal and intermittent nature of work, leading to difficulties in meeting the qualifying conditions.
- b) Low level and irregular pattern of earnings and employment;
- c) Absence of employer-employee relationship leading to difficulties in determining the principal employer and in assessing and recovering contributions.
- d) Relatively weak administrative structure, particularly in rural areas.

Under the Employees State Insurance Scheme and Employees' Provident Fund Scheme a very small segment of workers in the unorganized sector are covered. The huge gap in coverage in the unorganized sector would call for a fresh strategy to extend coverage of both the schemes to the unorganized sector in the 10<sup>th</sup> Five Year Plan.

This may require plan support and marketing of specific social security programmes to cater to the needs of the workers in different occupations.

11.3 Recently, the Govt. of India has formulated a separate social security scheme for agricultural labour. According to the Scheme, if 20 or more persons come together to form a sort of group and volunteer to pay contribution to a social security scheme, matching contributions will be paid by the Govt. of India and certain benefits like health care, pensions etc. will be provided from the corpus. On the same analogy social security benefits like health care, accident benefits, maternity benefit, pensionary benefit etc. can be made available to groups of workers in the unorganised sectors who are willing to organize themselves into small societies and contribute towards a mandatory social security scheme. As there is no separate employer to contribute and the Govt. may not be able to fully subsidize the Scheme, it would be necessary to bring down the administrative cost to the barest minimum. It will be preferable if the administrative cost is borne by the Central Govt. by funding from the Plan or State Govt. and the Schemes are run under the supervision of State Governments actively involving these workers' societies in the day to day administration of the Scheme.

11.4 The State can shape the social security systems and influence their effectiveness by adopting suitable fiscal policy. As investment in social security impacts on human resource development, it would be desirable to make a paradigm shift in funding the social security schemes from non-plan to plan. The Central Government at present contributes @ 1.16 % of the wages of the worker to the Employees Pension Scheme, 95 and the expenditure is met from non-plan funds. During the year 2000-2001, expenditure has reached the level of the Rs. 600 crore. Since investment in social security leads to productivity and a contented work force, during the Tenth Five Year Plan, the State support to the pension scheme should be from the plan sector.

## **CHAPTER III**

### **Unorganised Sector**

#### **1. Magnitude of Workforce in the Unorganised Sector**

1.1 As per the survey carried out by National Sample Survey Organisation in the year 1999-2000, the total employment in both organized and unorganised sector in the country was of the order of 397 million. Out of this, about 28 million were in the organised sector and the balance 369 million in the unorganised sector. A similar survey carried out by the NSSO in the year 1993-94 had shown that the total employment in both the organized and unorganised sector was 335 million out of which around 27 million were in the organised sector and the balance 308 million in the unorganised sector. These estimates reveal that there has been almost no increase in the workforce in the organised sector but substantial increase in the unorganised sector has taken place over the period. The problem is further compounded due to the huge gap in coverage and lack of institutional frame work to implement the social security programmes in this sector.

#### **2. Characteristic of Unorganized Sector**

2.1 The unorganised workforce is characterised by scattered and fragmented areas of employment, seasonality of employment, lack of job security, low legislative protection because of their scattered and dispersed nature, lack of awareness and high unemployment levels, perceived mis-match between the training requirements and the training facilities available, low literacy levels, out-moded social customs like child marriage, excessive spending on ceremonial festivities leading to indebtedness and bondage, etc., primitive production technologies and feudal production relations are further impediments not facilitating these workers to imbibe and assimilate higher technologies and better production relations.

3. The unorganised Labour can be categorised broadly into four categories as follows:-

a) **Occupation** : Small and marginal farmers, landless agricultural labourers, share croppers, fishermen, those engaged in animal husbandry, in beedi rolling beedi labelling and beedi packing workers in building and construction, etc.

b) **Nature of Employment** : Attached agricultural labourers, bonded labourers migrant workers, contract and casual labourers come under this category.

c) **Specially distressed categories** : Toddy tappers, scavengers, carriers of head loads, drivers of animal driven vehicles, loaders and unloaders belong to this category.

e) **Service categories** : Midwives, domestic workers, fishermen and women, barbers, vegetable and fruit vendors, newspaper vendors etc. come under this category.

#### **4. Need for Social Security**

4.1 The unorganised nature of the workforce, dispersed nature of operational processes and lack of institutional back up reduces their bargaining power and their ability to take full benefits from the Acts and legislations enacted for their benefits. Further, low skill levels of this workforce provides little scope for them to move vertically in the occupational ladder to improve their financial situation. The growth of informal, unprotected work with shrinking formal employment compels the workers to bear an increasing direct burden of financing social needs, with adverse effects on their quality of life. That burden may also undermine the capacity of enterprises to compete with global economy.

#### **5. Social Security in the Unorganised Sector**

5.1 The existing social security arrangements in the unorganised sector can be broadly classified into four groups as follows:

- i) Centrally funded social assistance programmes;
- ii) Social insurance schemes;

- iii) Social assistance through welfare funds of Central and State Governments; and
- iv) Public initiatives.

## **6. Centrally Funded Social Assistance Programmes**

6.1 The centrally funded social assisted programmes include schemes for both rural and urban areas under the National Social Assistance Programme (NSAP), which has three components viz., National Old Age Pension Scheme (NOAPS), National Family Benefit Scheme (NFBS) & National Maternity Benefit Scheme (NMBS).

6.2 Under NOAPS, the destitute old age persons having little or no regular means of subsistence from his/her own source of income or through financial support from the family members or other sources is eligible to get old age pension @Rs.75 per month. In case of natural or accidental death of a primary bread winner member of the household qualifying to be below poverty line and contributing substantially to the total household income between the age group of 18 to 65, a sum of Rs.10,000/- is paid to the family of the deceased under NFBS.

6.3 Under the NMBS, cash assistance of Rs.500 is provided to the women of household below poverty line and 19 years of age and above, upto the first two live births. During 1999-2000, financial assistance of Rs.608.81 crore has been released under the National Social Assistance Programme to cover 65.41 lakh persons under different components of the programme.

6.4 In addition to NSAP, other important scheme implemented by the Govt. to ensure creation of adequate employment opportunities to provide social security to the people in the unorganised sector are :

### **(i) Employment Assurance Scheme (EAS)**

The Employment Assurance Scheme (EAS) launched on October, 1993 in some parts of the country was extended to all rural Panchayat Samities in 1997-98. It envisages to create additional wage employment opportunities at the time

of acute shortage of wage employment through manual work undertaken for creation of infrastructure by the rural poor living below the poverty line. It is a centrally sponsored scheme run on cost sharing basis between the centre and states in the ratio of 75:25. Under Employment Assurance Scheme, a sum of Rs.3357.8 crore was made available to the state governments during 1998-99 and it generated 4279.36 lakh wage days during the same period.

**(ii) Swaran Jayanti Gram Swarajgar Yojana (SGSY)**

SGSY was launched on 1.4.99 by amalgamating erstwhile, IRDP, DWCRA, TRYSEM, SITRA, GKY and MWS primarily to improve the family income of the rural poor. It covers all aspects of self employment and beneficiaries assisted through credit-cum-subsidy programme.

During the year 1999-2000, a total of Rs.959.86 crores was utilized by the States out of the allocations made by the Central Government (Rs.1105.0 crores) and State Governments (Rs.367.33 crores). A total of Rs.1056.46 crores was mobilized through credit under the scheme. The total number of swarozgaris assisted under the programme during the same period were 933868 of which 44.32% were SCs/STs, 44.62% women and 0.91% disabled.

**(iii) Jawahar Gram Smridhi Yojana (JGSY)**

JGSY was launched on 1.4.99 by restructuring the earlier JRY to ensure employment of rural infrastructure and generate wage employment for unemployed rural poor. During the year 1999-2000, out of the total financial assistance of Rs.2243.16 crores released by the Centre and the State Governments, 2683.08 lakh mandays were created with an expenditure of Rs.2035.27 crore. In addition to these programmes implemented through the Ministry of Rural Development & the Ministry of Urban Employment & Poverty Alleviation, the Ministry of Textiles also implements certain social security schemes for workers in the Handloom & Power loom sector.

## 7. Schemes for Handloom weavers and artisans

7.1 The office of Development Commissioner for Handlooms, Ministry of Textiles extends financial assistance under a central plan scheme, the workshed-cum-housing scheme which is having subsidy, loan and beneficiaries contribution components. The unit cost of Rs.35,000 of rural house-cum-workshed consist of subsidy of Rs.18,000, loan from HUDCO/financial institutions Rs.14,000 and weavers' contribution Rs.3000 whereas unit cost of urban house-cum-workshed Rs.45,000 consist of subsidy Rs.20,000, loan from HUDCO Rs.20,000 and weavers contribution of Rs.5000. During 1997-98 to 2000-01, financial assistance of Rs.53.05 crore was provided for construction of over 60,000 workshed-cum-housing units to the handloom weavers.

7.2 As a welfare measure, a centrally sponsored Thrift Fund Scheme is in operation for the benefit of handloom weavers. The member contributes 8 paise per rupee of wage earned and the Central and the State governments contribute 4 paise each to the fund. The benefits include temporary advance, partial and final withdrawals. The scheme is implemented through the Weavers' Cooperative Societies/Corporations etc. during 1997-98 to 2000-01, a sum of Rs.13.91 crore was provided to cover 6.9 lakh weavers under the Thrift Fund Scheme. The Health Package Scheme intends to ameliorate some of the health problems related to the profession of handloom weaving providing assistance for reimbursement of cost of medicine and treatment of diseases like T.B., Asthma, cost of testing of eyes and spectacles, supply of drinking water, maternity benefits and infrastructure for primary health care is in operation. A sum of Rs.14.26 crores to cover 2.37 lakh weavers under Health Package Scheme has been provided during the last four years. Two insurance schemes are in operation for the handloom weavers. The first one is a New Insurance Scheme implemented through United India Insurance Company for the benefit of handloom weavers wherein an annual premium of Rs.120 is shared by the central government, state government and the handloom weavers @ Rs.60, Rs.40 and Rs.20 respectively. The benefits include Rs.10,000 in case of loss dwelling due to natural calamities or fire, Rs. 1.00 lakh in case of accidental death, reimbursement of hospitalisation charges upto Rs. 2000/- and maternity benefits.. The second one is a Group Insurance Scheme wherein an annual premium of Rs.120 is shared equally by the central, state

government and the beneficiary and the sum assured is Rs 10,000/- only.. A sum of Rs.3.67 crore to cover 8.27 lakh handloom weavers has been provided to the state governments under both the insurance schemes during 1997-98 to 2000-01. Similarly, the Office of Development Commissioner for Handicrafts also implements Workshed-cum-Housing, Health Package and Group Insurance Scheme for Artisans. It also has a plan scheme to provide pension of Rs.1000/- per month at present to Master Crafts Persons unable to work due to old age. There is an insurance scheme for powerloom weavers also to cover the workers in the age group of 18 to 60 years, and earning Rs.700 per month. The annual premium of Rs.120 is equally shared by the central and state government. The insurance cover is Rs.10,000/- in case of natural death, Rs.20,000/- on accidental death in addition to the accumulated amount in the member's running account payable with the interest @ 11% per annum.

## 8. Social Insurance Schemes

8.1 The Social Insurance Schemes available to the unorganised sector are operated through the LIC such as Social Security Group Insurance Scheme- All persons in the age group of 18 to 60 years belonging to the 24 approved occupation groups i.e. Beedi Workers, Brick-Kiln Workers, Carpenters, Cobblers, Fishermen, Hamals, Handicraft Artisans, Handloom Weavers, Handloom & Khadi Weavers, Lady Tailors, Leather & Tannery Workers, Papad Workers attached to SEWA, Physically Handicapped Self-employed persons, Primary Milk Producers, Rickshaw Pullers/Auto Drivers, Safai Karmacharis, Salt Growers, Tendu Leaf Collectors, Urban Poor, Forest Workers, Sericulture, Toddy Tappers, Powerloom Workers, Women in Remote Rural Hilly Areas.

8.2 The premium under the Social Security Group Insurance Scheme is Rs.10 per thousand sum assured, of which 50% is paid out of Social Security Fund and rest 50% is paid by the beneficiaries or the nodal agency. The benefits available include payment of Rs.25,000 in case of death or permanent total disability or loss of limbs and Rs.12,500 in case of loss of one eye or one limb in an accident. During 1998-99, 1.28 lakh new lives were covered and renewed 47.72 lakh lives covered earlier under the Social Security Group Insurance Scheme.



### (i)Janashree Bima Yojana

The most important and comprehensive scheme that has been launched recently, is the Janashree Bima Yojana providing insurance cover of Rs.20,000 in case of natural death; Rs.50,000 in case of death or total permanent disability due to an accident and Rs.25,000 in case of partial disability. The premium for these benefits is Rs.200/- per beneficiary of which 50% of the premium i.e., Rs.100 is contributed from the “Social Security Fund” and 50% contributed by the beneficiary/state government/nodal agency.

Janashree Bima Yojana is available to persons in the age group of 18 to 60 years and living below or marginally above the poverty line. The scheme is extended to a group of 25 members or more. During 2000-01, the scheme covered 2.16 lakh persons. It has been observed that coverage under the scheme is very slow. Lack of awareness, problems in constituting workers into groups to take advantage of the scheme, non-availability of incentives to the agencies at the grass root level to organise the workers etc. are some of the reasons of low coverage under the scheme.

### (ii)Krishi Shramik Samajik Suraksha Yojana-2001

Ministry of Labour in consultation with Ministry of Finance launched a Krishi Shramik Samajik Suraksha Yojana – 2001 through the Life Insurance Corporation of India w.e.f. 1.7.2001. The scheme envisage to cover 20,000 agricultural labourers from each of the selected 50 blocks/districts, taking at least one from each state over a period of three years during the first phase. The agricultural labourers in the age group of 18 to 50 years are eligible to participate in the scheme. The beneficiary will contribute Rs.365/- per annum whereas the central government will provide Rs.730/- per annum per beneficiary from the ‘Social Security Fund’ for the year 2001-2002. The benefits available under the Scheme includes life-cum-accident insurance, money-back and the superannuation benefits. In case of natural death or permanent partial disability before the age of 60, beneficiary will get Rs.20,000/- and Rs.25,000/- respectively and Rs.50,000 in case of accidental death and permanent total disability. The

member will get pension ranging from Rs.100 to Rs.1900 per month depending upon the age of entry to the scheme on attaining the age of 60 years.

The financial implication to cover one million agricultural labourers over a span of three years in 50 districts is roughly Rs.76 crore per annum. The extension of the scheme to other districts to cover 10 million agricultural labourers out of 74.6 million total landless agricultural labourers in the country may involve financial implication of Rs.850 crore per annum. During the 10<sup>th</sup> Five Year Plan, possibility of extension of the scheme to other districts of the country would be explored in the light of experience of the first phase of the scheme and availability of funds.

## 9. National Policy for Older Persons

9.1 The Government has been increasingly concerned with the issues of ageing, health and income security during old age as well as its close links to the mental and emotional well being. The Poverty Alleviation Programmes directed at the aged alone cannot provide a solution to the income and social security problems of the elderly. Faced with such large numbers, it is imperative that the problem will have to be addressed through thrift and self-help, where people prepare for old age by saving accumulating through their decades in the labour force. The role that the Government can play in this enterprise is to create the necessary institutional infrastructure to enable and encourage each citizen to undertake this task. As a culmination of this growing concern the Ministry of Social Justice and Empowerment commissioned the National Project titled "OASIS" ( acronym for Old Age Social and Income Security) and nominated an 8 member Expert Committee headed by Dr. S.A.Dave, former Chairman of Unit Trust of India, to examine policy questions connected with old age income security in India.

9.2 As per the Report, a person will open a single Individual Retirement Account (IRA) with the pension system at as early a point in his life as possible. The account will provide the individual with a unique IRA number that will stay with the individual through life. The individual would save and accumulate assets into this account in his working life, subject to a minimum of Rs.100 per

contribution and Rs.500 in total accretions per year. Individuals would be free to decide the frequency of accretions into their accounts; there will be no pressure to make a fixed monthly contribution. The account would stay with the individual across job changes, spells of unemployment, and can be accessed at any location in India. The individual would always have access to an account balance statement showing his assets. Also, the individual would be empowered in having control of how his pension assets should be managed. Finally, upon retirement, the individual would be able to use his pension assets to buy annuities from annuity providers and obtain a monthly pension.

9.3 At age 60, an individual would be able to derive benefits from his retirement account. The pension system would require that the first Rs.2,00,000 of accumulations be used for buying an annuity and thus obtaining a monthly inflation-indexed pension of roughly Rs.1500- which is well above the poverty line. Beyond that, an individual would be free to decide how his assets should be deployed. This minimum mandatory annuitisation level (of Rs.2,00,000) should be periodically revised to keep pace with inflation. Premature cessation of accumulation (e.g. owing to retirement before age 60) would be possible only if 100% of the assets are annuitised. Other benefits include integration of a micro credit facility into the pension system whereby individuals can have access to the Funds in the form of a loan against their pension savings. The bank branches can disburse these loans upto Rs.5,000 provided the individual pension account has a balance in excess of Rs.10,000. The premature withdrawal would be permitted once an individual accumulate Rs.2 lakh in the Individual Retirement Account (IRA). Such withdrawals to a maximum of 30% of the accumulated balance above Rs.2 lakh shall be permitted for housing, medical, expenses for serious illness or other grounds specified by the Regulating Authority. However, the recommendations of the Report are still under examination.

9.4 A very fundamental handicap in the matter of registration and coverage of eligible categories of workers under social security schemes, whether being run by Central Government agencies or State Government agencies is the lack of a national enumeration for the workforce. Even amongst the workers who are covered by different schemes in operation under control of Central Government or State government, no nationally unique number is prevalent or available. Each

agency that registers such workers and delivers benefit allots its own separate number, none of which are nationally unique.

9.5 Given the context of the level of mobility in the country's work force of close to 400 million workers, it is critical that a worker must have a nationally unique number which is portable i.e. the worker carries the number permanently across locations, across work and across employment, whether in the formal or in the informal sector. Such number must have the appropriate algorithm and technical structure which will be able to detect a duplicate or identify a worker who files for registration a second time as a worker though he already has a social security number.

9.6 None of the Organizations that delivers social security benefit have a numbering system or a design structure that is even remotely adequate to meet the requirements of registering the workforce with a nationally unique number. The registering of the workforce is a key concern and a key pre-requisite for any social security or social assistance program where accounts have to be maintained, workers identified and benefits delivered to the appropriate person. The EPF, which has the largest coverage, is faced with the problem of the same worker having multiple numbers resulting from change in employment. Workers withdraw accumulated benefits entirely at the time of change in employment which defeats the very purpose of social security in the form of old-age income protection.

9.7 There is an even greater need to establish a nationally unique number for the informal sector where job changes and migration are far more frequent. The basic reason for lower participation and buy-in into the EPF programs from the migrant labour, the casual labour, the construction labour and other service sector labour is the lack of a nationally unique number and a single constant account for such member which is not linked to location or employment. Even the proposals proposed under the OASIS report presume the allotment of a nationally unique number to the worker before the commencement of even the first contribution from him.

9.8 Given the above ground situation, the Working Group is of the opinion that, as part of the Tenth Plan a key focus area should be to establish a single national enumeration in the form of a social security number for the workforce. This number should be used by all agencies of the Central and State Governments in the matter of delivery of social security benefits to workers. Apart from the direct benefits at the operational level in the matter of collection, accumulation and accounting of contributions and distribution of benefits, valuable strategic data will be generated indicating information relating to the mobility of the workforce, gender issues, seasonal movement in relation work, family status, income levels etc. in the work force which can be the basis for any future policy formulation at the strategic level.

## 10. Welfare Funds

10.1 The Central Government through the Ministry of Labour, also operates at present Five Welfare Funds for Beedi workers, Limestone & Dolomite Mine workers, Iron ore, Chrome ore & Manganese ore Mine workers, Mica Mine workers & Cine workers. Source of funding of these Funds is collection through cess on mica export, export of iron ore, internal consumption of iron ore, manganese ore and chrome ore as well as limestone and dolomite. The welfare fund for beedi workers is being financed by levy of cess @ Rs..2 per thousand manufactured beedis. Income under the Funds has reached the level of Rs.97.78 crore in 2000-01. Out of total collection of cess in 200-2001, share of cess collection on beedi has been 58%. These Funds are utilised to provide various kinds of welfare amenities to the workers in the field of health care, housing, educational assistance for children, drinking water supply etc. The medical assistance provided under the welfare fund includes purchase of spectacles to mine and beedi workers, reservation of beds in T.B. hospitals, treatment and subsistence allowance in case of tuberculosis, reimbursement of expenditure upto Rs.1.0 lakh for heart disease and kidney transplant, maternity benefits @ Rs.500/- for delivery to a female beedi worker for first two deliveries and assistance for family welfare.

## 10.2 Group Insurance Scheme for Beedi Workers

There are 45 million beedi workers in the country. The beedi workers are covered under Group Insurance Scheme providing Rs.3,000/- in case of natural death, Rs.25,000/- due to accidental death or total permanent disability and Rs.12,500 in case of partial permanent disability. The premium of Rs.18 per worker per annum is equally shared by the Beedi Worker Welfare Fund (BWFF) and 'Social Security Fund' of the Central Government.

## 10.3 Integrated Housing Scheme for beedi and mine workers

An Integrated Housing Scheme for Beedi/Iron ore/Manganese ore/Chrome ore workers, Limestone and Dolomite mine workers is in operation wherein subsidy of Rs.20,000 per worker or 50% of the actual cost of construction whichever is less is provided.

## 10.4 Welfare Fund for Building and Other Construction Workers

There is Building and Other Construction Workers Act, 1996 enacted by the Central Govt. Most of the state governments are in the process of constituting Welfare Funds, framing the rules etc. The Act has provision of levying a cess and to implement the Scheme through the welfare fund for the benefit and welfare of building and other construction workers. The implementation of this Act and Constitution of welfare fund in the long run will take care of social security needs of the workers engaged in construction activities in the unorganised sector. Further, Govt. is also examining the possibility of having a National Policy on Home Based Workers, which may provide broad framework to safeguard the interests of this category of workers in the unorganised sector.

## 10.5 Thrust Areas

An important thrust area identified by the Ministry of Labour, Government of India, is the social security of workers in the fish processing industry. These workers constitute an extremely vulnerable and exploited

category and are located in about 400 fish processing units in 9 coastal states of the country. The vast majority of these workers are migrant women in the age group of 16 to 35 years. A Task Force of the Ministry of Labour earlier investigated into their living and working conditions has recommended that steps may be taken for constituting a welfare fund for their benefit. This welfare fund would be used for providing various kinds of social security and welfare amenities to such workers. Similar welfare funds could be constituted for the workers for the Salt, Tendu, Taddytappers during the 10<sup>th</sup> Five Year Plan.

## 11. Experience of the States

11.1 In addition to the Central Government, a number of State Governments have also set up welfare funds for various categories of workers. The Govt. of Kerala have set up about 35 Welfare funds for different categories of occupations and sectors. These welfare funds cater to the needs of agricultural workers, auto rickshaw workers, cashew workers, coir workers, construction workers, fishermen and women, khadi workers, handloom workers etc. The Govt. of Assam have set up a statutory fund under Assam Plantation Employees Welfare Fund Act, 1959 for the benefit of the plantation workers. Similar funds have also been set up in Gujarat and Maharashtra under Bombay Labour Welfare Fund Act, 1953 and in Karnataka under Mysore (Karnataka) Labour Welfare Act, 1965 and in Punjab under the Labour Welfare Act, 1965. The State Governments of Andhra Pradesh and Uttar Pradesh have also set up Welfare Funds for various categories of workers. All these welfare funds however, cater to a very small segment of the total workforce.

11.2 In view of the change in the perception of the social security i.e. an essential input to the productivity rather than burden on exchequer, some state governments are making concerted efforts to extend social security to the workers in the unorganised sector. For instance, the Govt. of Karnataka is going to set up a Social Security Authority of Karnataka and create a Welfare Board to cater to the needs of the 66 identified occupational groups shortly. Further, occupational groups can be added to it as and when the need be. The Welfare Fund will be created by levying a cess from transport vehicles, employers contribution, workers and the state government when there is no employer. The Fund created

therein will be utilised to implement schemes and programmes covering pension, health, housing, insurance in case of death and disability aspects for the benefit of workers.

11.3 Recently, the Government of West Bengal introduced State Assisted Scheme of Provident Fund for Unorganised Workers (SASPFUW). The scheme covers all wage employed and self employed workers between the age of 18 to 55 years in the unorganised sector having an average family income of not more than Rs.3500 per month. Each subscriber worker contribute a sum of Rs.20 per month and equal matching amount contributed by the state government. The interest on the balance at credit of subscriber is also paid by the state government annually at the rate declared by the State Government. Total contribution along with interest has to be refunded to the worker on attainment of the age of 55 years. The scheme will have provision for loans and withdrawals from the fund as prescribed by the State government. The government of West Bengal had identified 50 industries in the unorganised sector and 16 self employed occupations, of which 13 unorganised industries and 7 self employed occupations are being covered in the first phase. These industries include tailoring shops, establishments having less than 20 workers, bakery, handloom, construction, earthen pottery, stone crushing, auto repairing, etc. The self employed occupations include cycle rickshaw, head load workers, railway/street hawkers, auto rickshaw operators, mason and cobblers.

11.4 The Department of Agriculture (Mandi Branch), Govt. of Punjab implements a scheme financed from the funds available with marketing Committees/Boards to provide financial assistance to the farmers and labourers in case of death or injury by operating the agricultural machinery/implements and undertaking other operations both at the level of farm or mandi since 1984. The scope of the scheme includes

- a) Death or disablement to any farmer or labourer (Farm and Mandi) working in the agricultural machinery implements or arising out of the use of the said machinery implements in the state of Punjab.



- b) Death or disablement to any farmer or labourer arising out of digging of tubewell in the state of Punjab or electric current while operating tubewell in the farm.
- c) Death or disablement to any farmer or labourer while using the insecticides or pesticides in the State of Punjab or due to snake biting while working in Mandi/Field or watering the field.
- d) Death or disablement to labourer employed in Mandi arising out of use of agricultural machinery implements. Mandi means principal and sub-yard including purchase centre declared by Punjab Govt. through Food & Supply Deptt., PUNSUP, MRKFED or F.C.I. within the State of Punjab.

The financial assistance provided under the scheme includes payment of Rs.75,000/- in case of death, Rs.30,000/- in case of partial disability such as loss of one leg, eye, arm or serious injury, Rs.45,000/- in case a farmer or labour lost both eyes, arms, leg, etc. Rs.7,500/- to Rs.22,500/- in case of loss of fingers and Rs.30,000/- in case of loss of four fingers which is treated as loss of one arm.

11.5 The Group was apprised of the free medical check up camps being organised by the Government of Punjab. Workers working in hazardous and dangerous process industries come in contact with various toxic substances and other chemicals from which they are likely to contact with occupational diseases. The Government of Punjab has decided to carry out free medical check up of such workers. Till date 165 medical check up camps have been organised in which 50,000 workers have been examined and medicines worth Rs. 18 lakhs were spent in these camps by the employers which generated a lot of goodwill. 3500 workers were referred to the ESI Hospitals for their blood test, chest X-rays, surgical operations, skin diseases, leprosy etc. This is a very welcome step in the right direction as it demonstrates the willingness of the State to share the burden in delivery of health services.

11.6 The Government of Tamil Nadu introduced Tamil Nadu Social Security and Welfare Scheme-2001. These schemes cover manual worker, Auto Rickshaws and Taxi Drivers, Washer-men, Hair-dressers, Tailoring workers, Handicraft workers and Palm tree workers. The State government is planning to

formulate scheme for handlooms and handloom silk-weaving workers, footwear and leather goods manufacturing and tannery workers and artists. State government has set up the goal and social security and welfare fund for the respective workers. Every worker registered under the scheme for two years initially has to pay a sum of Rs.100 and every employer 3% of the wages payable by him to the worker employed to the social security and welfare board. The fees for renewing the registration is Rs.10. The funds are to be utilised for paying premium towards insurance coverage having provision of compensation of Rs. One lakh in case of death or loss of both hands, feet, Rs.50,000 in case of loss of one hand or one foot and Rs.25,000 in case of permanent total disablement from injuries other than loss of limbs or death. The financial assistance is extended to the tune of Rs.10,000 to the nominee of the deceased worker in case of natural death and Rs.2,000 to meet the funeral expenses. Assistance of Rs.1,000 for the education of the son or daughters of the workers passing 10<sup>th</sup> Standard examination, Rs.1500 for passing plus two examination and studying in regular bachelor degree course and Rs.2,000 in case of post graduate course or professional course for every academic year is provided through the fund. A sum of Rs.2,000 is extended to the applicant or his son or daughter for marriage. Further, assistance is also extended for delivery or the miscarriage or pregnancy or the termination of pregnancy by a registered female worker to the extent of Rs.2,000.

## 12. Public Initiatives

12.1 In addition to Governmental efforts, several public institutions and agencies are also providing various kinds of social security benefits to selected groups of workers. Two of the outstanding examples are those of Self-Employed Women's Association (SEWA) and the Mathadi Workers Boards in Maharashtra.

12.2 The social security experiments of SEWA started in 1975 with a demand from members for a maternal protection scheme followed by health care and child care. This was followed by starting of an insurance programme in collaboration with insurance companies. The insurance scheme started by the SEWA Bank was based on a realistic estimate of the capacity of the members to pay the premium. An Integrated Insurance Scheme introduced by SEWA for its members, offers

several benefits for a consolidated premium of Rs.45/- per annum. While SEWA itself provides some of the benefits, it works as a nodal agency to get cover under various policies separately for specific benefits from different insurance companies. The risk covered includes health costs upto Rs.1000/-, maternity benefit of Rs.300/- and payment of varying amounts upto Rs.10,000/- in case of natural or accidental death including disablement of the member or her husband. The insurance scheme has turned out to be both popular and financially viable. The total coverage of SEWA social security scheme is about 50,000 women. The experience of SEWA reveals that in order to become effective, the social security scheme for the unorganised sector should be locally managed and controlled. Further, only such schemes will become viable which are need based and integrated with the economic activities of the local people. If poor people are supported through capacity building and necessary linkages are provided with their own economic activities the chances of success of social security efforts increased significantly. Further, it has demonstrated that, it is not only necessary to search new social security programmes but new social security organizations to run them.

12.3 A mathadi is a worker who carries a load on his head, back, neck or shoulders. Normally his work consists of loading, unloading, carrying, shifting, weighing, tapping, banding and stacking goods. In the State of Maharashtra, the Mathadi Labour Market is regulated by Mathadi Tripartite Boards set up since 1969. There are about 50,000 registered employers and 1,50,000 workers registered under 30 different Boards in the State. Each Board is headed by a Chairman appointed by the Government of Maharashtra and there are equal number of representatives from the unions and the employers associations.

12.4 The Mathadi Workers Boards, besides settling disputes between unions and employers, are actively involved in imparting social security benefits to their members by setting up of hospitals and dispensaries. At present there are two hospitals with an annual budget of Rs.2 crores which are run by six Mathadi Boards. In addition to this, there are 12 dispensaries. Each of the six Boards contributes 2% of their levy and each worker contributes Rs.20 per month. These hospitals provide diagnostic services such as radiology, pathology and sonography for around 40,000 workers and their families.

12.5 During the last few years, some of the Mathadi Boards have been able to get the workers registered with them insured against accident, injuries and death. For example, Mathadi Boards in Pune are paying Rs.152/- per annum as premium out of the Board's administrative account to cover workers for a benefit of Rs.25,000/- in case of injury and Rs.2,00,000 in case of death to each worker. This scheme has been worked out by the Mathadi Board with the General Insurance Corporation.

12.6 Organisations like Co-operative Development Foundation (CDF), SAMAKHYA, Trivandrum District Fishermen Federation (TDFF), the Association of Sarwa Sewa Farms (ASSF), the Society for Promotion of Area Resources Centre (SPARC), Voluntary Health Services (VHS) in Tamil Nadu and the Working Women's forum have experimented for providing social security to small groups of people. The VHS in Chennai, the SAMAKHYA in Andhra Pradesh and the Association for Health Welfare in Nilgiris (ASHWINI) in the tribal areas of Gudalur in Tamil Nadu have made efforts to provide medical care to very specific target groups. The approach of these agencies is based on collecting of contribution from the beneficiaries themselves for their future contingencies in line with the insurance principles.

### **13. STRATEGY FOR THE TENTH FIVE YEAR PLAN**

13.1 Over the period, emphasis would be on development of social protection systems which aim to relieve want and prevent destitution by restoring upto a reasonable level of income which is lost by reason of inability to work or to obtain remunerative work or by reason of the death of the bread winner. Financing social security arrangement in a populous country like India is not an easy task. Therefore, reorientation to the approach providing social security on self sustaining and self financing basis with least assistance from the Govt. in association with Self Help Groups, Non Govt. Organisations has to be encouraged. As strengthening of the social security cover generate confidence amongst the workers and enhance productivity, the entire range of social security concerns has to be addressed in the context of national development and economy.

13.2 The impact of globalisation and economic integration, casualisation of labor had affected the workers more in the unorganised sector. It is time to organise the workers in the unorganised sector and provide them minimum social security that cover food security, health and medical facilities and pension, housing, benefits apart from accident and death in accordance with the availability of resources and minimum involvement of government. The long run strategy may be to bring all workers in the unorganised sector under social security cover and assure them a minimum level of social security benefits in a phased manner particularly the -

- Old age pension
- Life insurance
- Maternity Benefits
- Disability benefits (accident compensation) and
- Minimum health care and sickness benefits

The 10<sup>th</sup> Plan approach could adopt a two pronged strategy.

- i) Extension of existing Acts/schemes and programmes to cater to the social security needs of the workers.
- ii) Introduction of new programmes on self finance and self sustaining basis by involving the local bodies and workers themselves.

Main focus during the 10<sup>th</sup> Plan would be on :

- The Cooperatives, Self Help Groups, Mutual Benefit Association set up, managed and financed by the occupational groups/workers themselves in the unorganised sectors would be encouraged to have voluntary health insurance and pension schemes.
- Identify the gaps, omissions, deficiencies in the existing social security arrangement and rectify the same.
- Encouragement to bottom up participatory approach.

- Identification of mechanism where employers have to contribute towards the social security programme of the workers.
- Alternative income generating activities with provision of credit arrangement for supply of raw materials etc.
- Convergence of schemes implemented by the various deptt. of the central/state government
- Organisation of awareness generation campaigns and dissemination of information to workers for the benefit of workers in the unorganised sector
- Improve efficiency of delivery mechanism of existing programmes to reach the workers in the unorganised sector.
- Emphasis to address educational, health and housing needs of the workers in the unorganised sector.
- Involvement of local institutions like civic bodies/municipalities and Panchayati Raj Institutions for the implementation and monitoring of social security programmes.

13.3 Considering the size of the massive workforce in the country a policy frame work at the National level is needed on the provision of social security in the unorganized sector. There are no ready made solutions for cent per cent coverage in the unorganized sector due to various reasons mentioned earlier in this report. At this point of time some of the approaches could be indicated. For the 10<sup>th</sup> Five Year Plan the strategy should be realistic and would focus on some minimum level of protection that could be translated into practice within the existing constraints. Therefore, the Social security could focus on Pension, Accident benefit and Medical care. The State should come forward with more plan assistance on this important matter of social concern as a welfare state it cannot delink itself from this important obligation.

13.4 It is crucial to build up social awareness as a compulsory measure to prevent exploitation of workers in the unorganized sector. Steps need to be initiated for inviting active participation from the voluntary organizations, trade unions and other committed individuals to build up such social awareness with the object of empowering workers who are currently vulnerable to exploitation of landlords, moneylenders and malfunctional and dysfunctional middlemen.

## CHAPTER IV

### 1. IMPLEMENTATION/ REVIEW OF SOCIAL SECURITY LAWS

1.1 The principal social security laws centrally enacted like the Workmen's Compensation Act, 1923, the Maternity Benefit Act, 1961, the Payment of Gratuity Act, 1972 and the Minimum Wages Act, 1948 have been relevant and appropriate in the context of State intervention through legislation as well as through administrative action. The effective implementation of these social legislations is of paramount importance to fulfil the legitimate expectation of the workers. In the unorganized sector these Acts have been pillars in social security and laid the foundation for improvement in standard of living of the workers.

1.2 The Task Force on Social Security under the Chairmanship of Shri S.K. Wadhawan (1999) had identified the shortcomings in implementation of Workmen Compensation (WC) Act, the Maternity Benefit (MB) Act and the Payment of Gratuity (PG) Act. The Task Force has suggested that the Workmen Compensation and maternity benefit should be a part of the scheme of social insurance of the ESIC. Gratuity should form a part of the EPF Scheme. The Group noted that the recommendations of the Wadhawan Committee has been referred to the Second National Commission on Labour for an in-depth study. Therefore, the Group was of the view that the recommendations of the Wadhawan Committee would be taken care of while processing the recommendations of the Labour Commission.

### 2. Difficulties in Administration of the Acts

2.1 So far as ESIC is concerned, identity cards are not given to all workers by the employers. As no photograph is affixed on the identity cards, impersonation is possible.

2.2 The benefits available under Employees' State Insurance Act and those available under Workmen Compensation Act for employment injury compensation and dependants' benefit as well as under Maternity Benefit Act are

virtually similar. The only major difference is in the scope of coverage and the fact that WC Act and MB Act are employer liability schemes whereas under ESI Act, ESIC assumes responsibility for paying the benefit.

2.3 Implementation of WC Act, MB Act and PG Act is very unsatisfactory as the primary responsibility for implementation of these Acts rests with employers and the process of getting redressal of grievances for the beneficiaries is too tortuous and time consuming. The Group was informed about the steps taken by the Govt. of Punjab regarding implementation of the Minimum Wages Act. It has been notified by the Govt. of Punjab that there will be no difference of wages between men and women wages and amongst adult, disabled and child employees. This approach would discourage employment of children below the permissible age. The Group felt that this policy could be emulated by other State Govts.

2.4 PG Act, 1972 has been amended w.e.f. 1.10.1987 and a new Section viz. Section 4(A) has been inserted to make it obligatory on the part of the employer to obtain an insurance against his liability for payment towards the gratuity under PG Act from the Life Insurance Corporation of India. The Section also stipulates that Government may frame rules for composition of the Board of Trustees of the approved gratuity fund and recovery by the Controlling Authority the amount of gratuity payable to an employee from the Life Insurance Corporation of India or any other insurance with whom an insurance has been taken. The provision has not been given effect by the appropriate government so far. It has been observed that many small employers become insolvent due to recurring losses, etc. and the workers do not get the gratuity. Similar provisions as under Section 4 (A) of the PG Act may be made in W.C. Act as well.

2.5 State Governments are responsible for enforcement of WC Act. It has been observed in case of many States that only a few Workmen Compensation Commissioners are appointed by them in big cities. As a result, workers in remote areas find it difficult to approach the Workmen's Compensation Commissioner.



2.6 It has been experienced that male inspectors find it difficult to get information from pregnant women workers about their pregnancy under the MB Act.

2.7 So far as the Minimum Wages (MW) Act is concerned, the penalties prescribed under the Act are very low, as a result of which the provisions of the Act are not taken seriously.

2.8 The problem in the MW Act is recovery of amounts from the employers. The Regional Labour Commissioner is the final authority in taking a decision and the role of Magistrate is confined only to the recovery of the amount. However, in most of the cases, the Magistrates initiate fresh enquiry because of which a large number of recovery cases are kept pending.

2.9 It is observed that employers hold on payment of benefits to workers under PG, WC, MB and MW Acts. A system has to be evolved to automatically take care of payment of benefits to workers.

2.10 The Group felt that effective implementation of the Social Security Acts are very crucial in the Tenth Five Year Plan. Concerted efforts should be made to rationalize the overlapping benefits in these Acts and for achieving better coordination between the Centre and States in implementation..

# **CHAPTER V**

## **SUMMARY OF RECOMMENDATIONS**

### **1. Common to both the sectors**

1.1 In the context of the globalisation and the ongoing economic reforms, it is necessary to have a National Policy on the provision of social security to different group of workers in different sectors.

1.2 During the Tenth Five Year Plan, the strategy should be focused on medical care, accident benefits and old age pension.

### **2. Sector Specific Recommendations-Organised Sector**

2.1 The delivery of services in social security instrument in Provident Fund and ESIS should be improved by adopting information and communication technology in the overall interest of the workers. It would help in reducing harassment to the workers and reduce corruption in the organization.

2.2 The health delivery system under ESIS would need considerable improvement. Different options should be explored to improve the services in respect of insured persons. Wherever, necessary collaboration with private sector for running the hospitals may be considered.

2.3 Provident Fund Scheme and Employees State Insurance Scheme should be extended to the workers in the unorganised sector in a substantial way by putting in place innovative approaches that would cater to the requirements of the workers in local conditions.

### **3. Unorganised Sector**

3.1 Social Security cover for the unorganised sector which can take care of medical care, accident benefits and old age pension should receive priority attention. This Sector Comprises of near 92% work force of the country. It is essential to enhance the coverage under national social assistance programmes

providing old age pension, maternity and other benefits to the workers in the unorganised sector.

3.2 A separate Pension Scheme, with State support may be formulated during the Tenth Five Year Plan. At present only the members of the provident fund are included in the Employees Pension Scheme, 1995. The Pension Scheme may be delinked from the Provident Fund Scheme as this would encourage workers in the unorganised sector to subscribe to Pension Scheme for old age security. Other new approaches would be necessary to put in place pension schemes for the unorganised sector.

3.3 Medical care facilities may be provided to the workers in the unorganized sector following a simple procedure. A lump sum amount may be charged from a compact group of workers who would be persuaded to form cooperative societies for this purpose.

3.4 Innovative schemes under the ESIS should be launched on experimental basis targeting groups like rickshaw pullers.

3.5 With a view to have a visible impact of social security measures taken through various schemes and programmes implemented by the central and state governments, the convergence of these programmes to cater to the social security needs of the workers in the unorganised sector in an integrated manner would need to be emphasised.

3.6 The requirements of the working population and resources that can be pooled from the workers, the employers and the state or national level institutions differ from place to place. Therefore, community based and location specific social security measures will be encouraged through Self Help Groups, voluntary organisations, etc.

3.7 The welfare board has been set up for beedi, mine and cine workers. Efforts should be made to constitute welfare boards for other segment of workers in the unorganised sector such as fish processing, taddytapper, salt worker, etc.

3.8 State Governments like Kerala, Tamil Nadu, West Bengal have introduced social security schemes providing insurance and other benefits to the certain occupational groups in the unorganised sector. Other states should be motivated and encouraged to formulate and implement such schemes and programmes as per their requirements.

3.9 Concerted efforts should be made to enhance the coverage under national social assistance programmes providing old age pension, maternity and other benefits to the workers in the unorganised sector.

3.10 It is crucial to build up awareness as compulsory measure to prevent exploitation of workers in the unorganised sector. Steps need to be initiated for inviting active participation from the voluntary organizations, trade unions and other committed individuals to build up such social awareness with the object of empowering workers who are currently vulnerable to exploitation

3.11 Plan support should be continued for the Krishi Shramik Samajik Yojana which has been launched from 1<sup>st</sup> July, 2001. The extension of the scheme to cover 10 million agricultural labourers would require substantial expenditure during the Tenth Five Year Plan.

#### 4. **Implementation of Labour Laws**

4.1 Section 4(A) of the Payment of Gratuity Act, 1972 which was added with effect from 01.10.1987 through an amendment of the Act makes obligatory on the part of the employer to obtain an insurance against his liability for payment towards the gratuity under the PG Act from LIC, may be given effect so that the payment of gratuity can be secured to workers of small establishments. At present Section 4(A) is not being given effect to by the appropriate Governments. Similar provisions as under Section 4(A) of PG Act may also be added in Workmens Compensation Act.

4.2 The Minimum Wages Act may be amended enhancing the penalty so that the violation of the provisions under the Act is made highly costly to the

employers. Section 26 of MW Act on power to grant exemption from payment of minimum wages needs to be reviewed in view of its possible misuse.

4.3 There are large inter-state variations in the minimum wages. Even for the same occupations variations in wages have been quite significant. Such disparities have to be minimised and a national policy on minimum wages needs to be evolved. Also, the gender discrimination in wages widely in vogue, though not permitted in the law, must go.

4.4 Differential rates of minimum wages fixed for adults, adolescents and children need to be modified to secure equal remuneration based on the equal work and not on the basis of age. In this connection, the policy being followed Government of Punjab where there is no difference between wages for men and women employees and amongst adult, disabled and child employees may be emulated by other State Governments.

4.5 The Minimum Wages Act operates only when the industry has minimum 1000 employees in the whole state. This requirement should be reviewed in the new economic perspective so as to widen the scope of MW Act.

4.6 Recovery of minimum wages be augmented by making suitable provisions in this Act in line with the provisions of EPF & ESI Acts where these organisations themselves effect recovery. Presently, under the Minimum Wages Act the Claim Authority has to approach the magistrate to recover the awarded amount from the delinquent employer. The Claim Authority should recover the amount by issuing a certificate to the District Collector or any other officer authorised on his behalf who shall proceed to recover it as arrears of land revenue.

4.7 It is necessary to establish a system of information about minimum wages. This should be disseminated widely through administrative network, involvement of Panchayati Raj Institutions (PRIs) and NGOs. This would prevent malpractices in the payment of wages.

4.8 For creation of awareness on minimum wages, the media network, PRIs and NGOs can play important role.

4.9 Awareness campaigns are required to be taken up in a massive way so that:

- workers both in organized and unorganized sectors are well aware of the various benefits under WC, MB, PG and MW Acts and also procedures to be followed in case of violations.
- employers are motivated to make available various benefits to workers as per provisions under these Acts.

4.10 The work of awareness creation may be vigorously undertaken by the Central Board for Workers Education (CBWE) through its wide network throughout the country. To achieve this objective, the CBWE may be strengthened.

4.11 The enforcement machineries in the Central and State Governments are limited, these need to be strengthened. Also, the involvement of NGOs, PRIs, Cooperatives, etc. may be encouraged.

## Annexure-I

### MINUTES OF THE MEETING OF THE WORKING GROUP ON SOCIAL SECURITY HELD UNDER THE CHAIRMANSHIP OF LABOUR SECRETARY ON 3.7.2001

1. The first meeting of the Working Group on Social Security in the context of the formulation of the Tenth Five year Plan was held under the Chairmanship of Labour Secretary at 10.00 AM on 3rd July, 2001 in Shram Shakti Bhawan, New Delhi. The list of participants is annexed.

1.1 Initiating the discussion, the Chairman mentioned that Social Security has been under discussion in various fora in the recent past. The matter came up for discussion in the Indian Labour Conference (ILC). The subject figured in the discussion in the International Labour Conference organised by ILO in which social security was discussed in the global context. The Second National Commission on Labour had also organised a Workshop recently which deliberated on the matter at length.

1.2 The Chairman mentioned that out of about 370 million workforce, roughly around 8 to 9% is covered in the organised sector and the rest of the workforce are in the unorganised sector. Taken together the different schemes/welfare funds including insurance schemes, hardly 40-45 million workers are covered in the unorganised sector. Thus, there is a very big gap in the coverage. It is in this backdrop and as a welfare State our approach should be to ensure maximum coverage of the workers in the unorganised sector. Recently, the Government have launched Krishi Shramik Suraksha Yojana 2001. The objective of this Scheme is to provide life insurance protection, periodical lump sum survival benefits and pension to the agricultural workers. Around Rs.150 crores are likely to be spent over a 3 year period for ensuring a coverage of about 1 million persons with recurring liability of about Rs. 75 crore annually in the subsequent period. Notwithstanding this, a large number of work force in the unorganised sector including agricultural workers would still remain uncovered.

1.3 The Second National Commission on Labour is likely to submit their report by October 2001. In view of the time schedule laid down by the Planning Commission, the Group would have to submit their recommendations without having the benefit of the recommendations of the National Commission on Labour.

1.4 Financing Social Security Scheme is not an easy task. There should be reorientation in the approach in which self-help groups, NGOs could be associated with least assistance from the Government. It was increasingly being recognized that a strengthening of the social security cover would generate confidence amongst the workers and enhance productivity. It is, in this perspective that the entire range of social security concerns need to be addressed in the contest of national development and economy. Employment is the key to social security. The unemployment situation would need to be studied in the global scenario where the number of workers unemployed in India is much more than the global average. In the recent International Labour Conference in Geneva the consensus was to extend social security to all those who do not have it at present. The impact of globalization has left its mark on the labour force and employment scenario. There is need to take new initiatives to extend the spread and reach of the existing social security schemes being administered by the Employees' State Insurance Corporation and Employees' Provident Fund Organisation. The Group should take into account all these developments and initiatives while formulating their approach and finalising the recommendations.

2. Shri Dharmendra Dev, Joint Secretary, Ministry of Social Justice and Employment mentioned that financing social security in our country is a gigantic task. The Dave Committee which was constituted by the Ministry of Social Justice and Empowerment has recommended setting up of a Pension Authority and Professional Management of Pension Funds to ensure high returns to the workers in the unorganised sector. He also mentioned about the initiatives/concessions being offered by the Railways and Indian Airlines. Concessions in Railways fares offered to senior citizens alone could be roughly about Rs. 150 crores per annum. These initiatives also should be taken note of along with the initiatives taken by different Ministries. Departments of Government of India in the area of social security. An assessment could be made



as to what extent social security is being extended to the persons who are below the poverty line and slightly above the poverty line.

2.1 Director General, ESIC mentioned that the social security should be clearly defined and the target groups identified accordingly. The social security should be broadly divided in respect of old age, health and unemployment. Given the mandate of the Working Group, a five year time frame could be kept in view while formulating the proposals. Special attention could be given to women workers. Who are the worst sufferers in the existing liberalisation process and are losing employment.

2.2 The Central Provident Fund commissioner mentioned that broadly the existing social security schemes could be divided into two categories i.e. mandatory schemes and voluntary schemes. The existing restrictions put in place through legislation by way of wage ceiling limits and threshold ceiling of minimum persons employed need to be removed. The benefits being offered by EPFO and ESIC could be viewed as a package in which old age security should also find an honourable place.

3. The Director General, Labour Welfare mentioned about the problems being encountered by workers in the unorganised sector. Even though the latest survey indicated around 370 million workers of which around 28 million were in the organised sector and the rest in the unorganised sector, the workforce in the unorganised sector is gradually growing. The impact of globalization and economic integration, casualisation of labour has affected the workers more in the unorganised sector. It is time that we organise the unorganised sector workers and provide them the minimum security that will cover food, provision for welfare fund and medical facilities. Perhaps, the best way to ensure viability of social security schemes for workers in unorganised sector without any contribution from the government. NGOs and voluntary groups like SEWA, the insurance sector could be associated in these initiatives. Taking into account the huge number of the workforce, it would be appropriate to condition our approach in accordance with the availability of resources.

3.1 Principal Security (Labour), Government of Karnataka informed that the Government of Karnataka has proposed to set up a Social Security Authority under the chairmanship of the Chief Minister. The Authority will decide the welfare goals, formulate schemes for workers in the unorganised sector which will cover health, pension and housing benefits apart from accident and death.

3.2 The Labour Secretary, Uttar Pradesh mentioned about dichotomy in management of hospitals under ESIC. he compared the standards of running the ESIC hospitals of NOIDA with that of Sahibabad and pointed out that the weaknesses in the scheme should be identified in view of the financial difficulties being faced by the State Governments.

3.3 The Assistant Labour Commissioner, Punjab who attended the meeting on behalf of the Labour Secretary, Government of Punjab suggested that the information furnished by the Government of Punjab in response to a questionnaire circulated by the Second National Commission on Labour could be usefully utilised by the Working Group.

3.4 Shri V. Parameshwaran, Director, Ministry of Labour mentioned that for enforcement of minimum wages the existing enforcement machinery is inadequate. Even though a Scheme was formulated and sent to the Planning Commission for their approval, the Commission did not approve the proposal. Certain amendments to the Minimum Wages Act are under consideration of the Government with a view to make the provisions worker friendly. Though the matter is being pursued with the State Governments/Union Territory Administrations, it would be worthwhile to explore the possibility of strengthening the enforcement machinery both at the Central and the State levels.

3.5 The representative of the Planning Commission mentioned that the existing delivery mechanism need to be improved so as to inculcate a sense of confidence in the workers.

4 The Chairman observed that social security in the organised as well as in the unorganised sector needs close attention. What has to be examined is to make an assessment of the service being rendered and how to improve its efficiency in

terms of service delivery by extending the reach and spread of the existing schemes. The manner in which the schemes are being administered would have to be looked into. Combining all the schemes being administered by different Ministries and Departments could pose administrative difficulties. Nevertheless, NGOs self-help groups and Ministries/Departments/State Governments could be associated as social partners in the overall interests of implementation of social security consistent with the resource position and economic development.

5 On the basis of the deliberations, the following Sub-Groups were constituted for achieving further progress for improving the reach and cover of the social security schemes and their manner of implementation in the short and medium terms.

(i) Organised Sector:-

Sub-Group under the Chairmanship of DG, ESIC with Central Provident Fund Commissioner and Secretary (Labour), Government of Uttar Pradesh will review the position in regard to organised sector and existing social security schemes including those run by ESI Corporation and EPF Organisation.

(ii) Unorganised Sector

Sub-Group under Director General (Labour Welfare), with Principal Labour Secretary, Government of Karnataka and Punjab will assess the existing social security schemes in operation in the unorganised sector and recommend the options for improving the social security cover in this sector.

(iii) Sub-Group under Shri G.S. Ram, LEA, Ministry of Labour would review the implementation of Minimum Wages Act, Gratuity Act, Maternity Act and the Workmen's Compensation Act and recommend the viable options in this regard.

(iv) Sub-Group under the Additional Secretary (Labour) would look into the gender concerns in implementation of different Schemes both in organised and unorganised sectors. Director General, NLI and representatives of SEWA may be associated.

6. It was decided that experts/professionals/representatives from the Insurance Sector could be associated in each Sub-Group.

7. The Sub-Groups will submit their report to the Chairman by 20<sup>th</sup> July, 2001.

8. The next meeting of the Working Group will be held during the first week of August, 2001.

The meeting ended with a vote of thanks to the Chair.

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List of participants who attended the meeting of the Working Group on Social Security held on 3<sup>rd</sup> July, 2001.

1. Smt. Uma Pillai, Additional Secretary Ministry of Labour
2. Shri Madhukar Dwivedi, Special Secretary (Labour), government of U.P.
3. Shri Charanjit Bhatia, Asstt. Labaour Commissioner, Govt. of Punjab.
4. Shri Naresh Kumar, S.R.O. LEM Planning Commission.
5. Smt Suman Swarup, Director General, ESIC
6. Shri Ajai Singh, Central Provident Fund Commissioner.
7. Shri Manohar Lal, Director General (Labour Welfare), Ministry of Labour, N. Delhi.
8. Shri A.D. Banga, Joint Director, DGLW Office.
9. Shri V. Parameswaran, Director, Ministry of Labour.
10. Shri Dharmendra Deo, Joint Secretary Ministry of Social Justice & Empowerment, N. Delhi.
11. Shri Bura Subba Rao, Principal Secretary, Labour Deptt. Karnataka.
12. Shri J.P. Pati (J.S. ) Social Security Ministry of Labour.
13. Shri M.C. Mittal, Deputy Secretary, Social Security Ministry of Labour.
14. Smt. Urmila Sharma, Under Secretary Social Security Ministry of Labour.

Composition of Sub-Working Groups:

**Organised Sector**

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|----|--|-------------|
| 1. | Smt Suman Swarup,<br>Director General, ESIC                              | Chairperson |
| 2. | Shri Ajai Singh,<br>Central Provident Fund Commissioner                  | Member      |
| 3. | Secretary (Labour)<br>Govt. of Uttar Pradesh                             | Member      |
| 4. | Sh. J.P.Pati,<br>Joint Secretary (Social Security)<br>Ministry of Labour | Member      |
| 5. | Shri S. Chandrasekharan<br>Insurance Commissioner                        | Member      |

**Unorganised Sector**

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|----|--|----------|
| 1. | Shri Manohar Lal<br>DGLW<br>Ministry of Labour                           | Chairman |
| 2. | Principal Secretary (Labour)<br>Govt. of Karnataka                       | Member   |
| 3. | Secretary (Labour)<br>Govt. of Punjab                                    | Member   |
| 4. | Sh. J.P. Pati<br>Joint Secretary (Social Security)<br>Ministry of Labour | Member   |

## **Implementation of Social Security Acts**

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|----|--|----------|
| 1. | Dr. G.S. Ram<br>Labour Employment Adviser<br>Ministry of Labour                          | Chairman |
| 2. | Shri J.P. Pati, Joint Secretary<br>Ministry of Labour                                    | Member   |
| 3. | Shri Subhash Sharma<br>Chief Labour Commissioner   | Member   |
| 4. | Shri S. Chandrashekhar, Insurance Commissioner<br>ESIC, New Delhi                        | Member   |
| 5. | Shri Narender Kumar, Labour Commissioner   | Member   |
| 6. | Dr. Alakh N. Sharma, Indian Society of Labour<br>Economics Research & Development Trust. | Member   |

## **Gender Concerns**

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|----|--|-------------|
| 1. | Smt. Uma Pillai,<br>Additional Secretary<br>Ministry of Labour                     | Chairperson |
| 2. | Shri K. Chandramouli,<br>Joint Secretary<br>Ministry of Labour                     | Member      |
| 3. | Shri Udai Kumar Verma,<br>Director<br>V.V.Giri National Labour Institute<br>Noida. | Member      |
| 4. | A representative of SEWA   | Member      |