

**Report of the Study Group**

**on**

**SOCIAL SECURITY**

**February 2002**

**NATIONAL COMMISSION ON LABOUR**

The views expressed in this report are solely that of the Study Group constituted by the National Commission on Labour and are not necessarily that of the Commission.

**NATIONAL COMMISSION ON LABOUR**  
**Report of the**  
**Study group on Social Security**

**Contents**

Chapter	1	Introduction
Chapter	2.	Conceptual Framework
Chapter	3	Structure of the Proposed System of social Security in India
Chapter	4	Social Assistance Programmes
Chapter	5	Social Security for Certain Vulnerable Sections of People
Chapter	6	Social Security against Natural Calamities
Chapter	7	Social Security for Workers in the Unorganised Sector
Chapter	8.	Social Security for workers in the Organised Sector
Chapter	9	Administration of Social Security
Chapter	10	Financing of Social Security
Chapter	11	Conclusion
Chapter	12	Summary of Conclusions and Recommendations

## Report of the Study Group on Social Security

The Study Group on Social Security of the National Commission on Labour was constituted in June 2002 with the following members.

Sri. R.K.A.Subrahmanya

Sri.M.G.Diwan

Prof. B.P.Guha

Dr.Mahendra Dev

Shri A.D. Nagpal

Shri Krishnaji

Dr. Atul Goswami

The following two members were added to the Study Group:

Ms Mirai Chatterjee

Sri B. L. Verma

Subsequently Sri Krishnaji, Dr. Mahendra Dev and Dr. Goswami withdrew from the Study Group for various reasons.

The Study Group was free to devise its own procedure and to report "in consonance with the terms of reference of the Commission as per Government Resolution d. 15.10.1999".

The Study Group held its first meeting on the 10<sup>th</sup> of October, 2000

The Study Group at its first meeting noted that the Office Memorandum constituting it did not specify its terms of reference separately and that it was left to the Study Group to frame its own terms within the framework of the broad terms of reference of the Commission itself. The Study Group deliberated on the issue and came to the conclusion that it should examine and report on

(a) the adequacy of the existing institutional framework of social security laws and schemes, feasibility of their extension or the need for introduction of new laws or schemes to provide minimum social protection to the workers. In the organised as well as unorganised sectors:  
and

(b) the effectiveness of the existing measures, whether it required improvement and if so how to improve the same.

The Study Group had altogether twelve meetings. They had discussions with the following:

Sri Parduman Singh, President, Social Security Association of India

Sri V. Krishnamurthy, the then Addl Chief Secretary, Government of Kerala

Sri G. Sundaramurthy, Joint Labour Commissioner, Tamilnadu

Sri T. S. Sankaran, Chairman, Study Group on Labor Laws

Sri Mukul G. Asher Association Professor Singapore University

Mr. John Woodall, Senior Specialist in Social Security ILO-SAAT

Officials of the ESIC

Officials of the EPFO

Representatives of the Mathadi Boards in Mumbai

Representatives of Security Guards Boards in Mumbai

Representatives of Maharashtra Labour Welfare Fund

Representatives of all insurance companies under the aegis of the IRDA and separately with the representative of the LIC and the GIC

The Study Group organised in collaboration with the Social Security Association of India and the ILO a National Consultation on Social Security. Representatives of all the Ministries and Departments of the Central Government concerned as well as the representatives of all Central Organisations of Employees and Workers and other experts were invited. More than 70 persons representing the various interests attended the meeting from different parts of the Country.

Finally Chairman of the Insurance Regulation and Development Authority convened a meeting of all insurance companies where the various options available to provide social security to the workers in the unorganised sector through the mechanism of various forms of insurance were discussed.

Summaries of the replies to the questionnaire issued by the Commission and the evidence tendered before the Commission at some of the State Capitals were made available to the Study Group

The Study Group also had the benefit of periodical meetings with the Chairman, NCL who provided a set of points to be covered in the study

Mr. John Woodall, Senior Specialist in Social Security, ILO-SAAT, attended most of the meetings of the Study Group at its invitation and helped in understanding the technical aspects of the subject.

The Study has drawn up its report with due regard to all the material placed before it and the comments and suggestions received from various sources.

Sri N. Sanyal, Member Secretary, NCL, made all the financial and administrative arrangements for the meetings of the Study Group .. Sri T. C. Girotra, Director, Dr. Rashmi Agarwal, Joint Director, Dr. R. S. Tewari, Dy Director and other staff of the NCL. Provided administrative support to the Study Group The Social Security Association of India provided the secretarial assistance to the Study Group.

The Study Group is thankful to all of them

# STUDY GROUP ON SOCIAL SECURITY OF THE NATIONAL COMMISSION ON LABOUR

## Chapter - 1

### INTRODUCTION

The onslaught of globalisation and privatisation has pushed to the background the concern for human welfare and the role of the State in promoting welfare. The apologists for the private sector and the market economy have been ridiculing welfarism as outmoded and are advocating the dismantling of the welfare system. Indeed there is an on going debate all over the world about the crisis of the welfare state which is said to be in liquidation or in retreat. This subject ranks high on the political agenda in many countries. But there has been no fundamental change in the welfare system in any country except perhaps the former socialist countries. Some adjustments have been made in the welfare schemes. To tide over immediate financial difficulties but the welfare system as such exists and there is reason to believe that it will continue to exist. At the General Assembly of the International Social Security Association, an association of social security institutions, held in 1992, it was noted that all over the world – in both developed and developing countries - there is a growing need for social protection, and nowhere is this need diminishing. <sup>1</sup> Modern social state is an extension of the liberal State based on the rule of law created as a reaction to undesirable conditions of society. <sup>2</sup> It has to continue so long as undesirable conditions persist in one form or the other

India is avowedly a Socialist State. Its aim is to eliminate inequality of income and status and standards of life. The basic framework of socialism is to provide a decent standard of life to the working people<sup>3</sup>. The new economic policy based on liberalisation has not renounced this social philosophy underlying the Constitution of India dictum. According to the former Prime Minister who initiated the new economic policy it was not meant to be discarded. He has explained the new policy as follows:

‘Five decades ago, India made a tryst with destiny. The most important ingredient of that tryst, taken from Mahatma Gandhi’s well-known Talisman, was simple: ‘when you wish to know if anything you want to do is good or not, imagine the face of the poorest man in the land and ask yourself whether your proposed act will be of any gain to him...Parliament endorsed the Talisman when the Lok Sabha declared: ‘The basic criterion for determining the lines of advance must not be private profit but social gain, and that the pattern of development and structure of socio-economic relations should be so planned that they result not only in appreciable increase in national income and employment but also in greater equality in incomes and wealth’ Neither Parliament itself nor any political party has said anything opposed to this dictum so far. Private profit may have since entered our calculations more but social gain has never been jettisoned.”<sup>4</sup>

The concept of social security has developed in the course of a historical process. A sense of insecurity is inherent in human condition as man is exposed to various kinds of risks and dangers. Initially, the dangers were perceived in the external environment by the threats posed by natural phenomena as civilization progressed man began to look upon his fellow beings as his enemies and to protect himself against them. Societies and States were formed and the institutions of the army and the police came into being. As civilisation progressed further social ills and economic dangers began to pose greater threat to human life. So social security was born to protect them against such risks

According to UNDP. "For most people, a feeling of insecurity arises more from worries about daily life than from the dread of a cataclysmic world event. Will they and their families have enough to eat? Will they lose their jobs? Will their streets and neighbourhoods be safe from crime? Will they be tortured by a repressive state? Will they become a victim of violence because of their gender? Will their religion or ethnic origin target them for prosecution?"

In the final analysis, human security is a child who did not die, a disease that did not spread, a job that was not cut, an ethnic tension that did not explode in violence, a dissident who was not silenced. Human security is not a concern with weapons; it is a concern with human life and dignity."<sup>5</sup>

"Human security can be said to have two main aspects. It means, first, safety from such chronic threats as hunger disease and repression. And second, it means protection from sudden and hurtful disruptions in the patterns of daily life – whether in homes, in jobs or in communities. Such threats can exist at all levels of national income and development.

"The loss of human security can be a slow, silent process – or an abrupt, loud emergency. It can be human made – due to wrong policy choices. It can stem from the forces of nature. Or it can be a combination of both-as is often the case when environmental degradation leads to a natural disaster, followed by human tragedy."<sup>6</sup>

How to ensure human security? In addressing this question we are mainly concerned with the dangers which affect the livelihood and the quality of life of the people and not with the physical dangers to life and property in the form of enemy action or anti social elements. There are different perceptions of the need for such security and the means of ensuring it. Initially, at the beginning of the industrial revolution "the philosophy of the day was that workers could and should make their own arrangements to counteract life's risks yet they were so absorbed in the day to day struggle for survival that it was unrealistic to expect them to anticipate or plan for possible or distant eventualities"<sup>7</sup> It gave rise to social insurance and social security. Social insurance and social security came into being. The world has since gone round the circle. The current thinking again is that every individual should make his or her arrangements for meeting the contingencies or risks of life so as to free the State and



the employers from the obligation to look after the people and the employees.

Self-reliance is undoubtedly laudable and necessary. This was one of the precepts taught by Gandhiji". The concept of human security stresses that people should be able to take care of themselves: all people should have the opportunity to meet their most essential needs and to earn their own living. This will set them free and help ensure that they can make a full contribution to development – their own development and that of their communities, their countries and the world. Human security is a critical ingredient of participatory development"<sup>8</sup>. But this philosophy may not hold good for all people in all circumstances, which necessitates public action.

The philosophy of self-protection is based on the efficiency of the market mechanism and the faith in the free play of the market forces. It is well known that though a free market provides the most efficient mechanism for the exchange of goods and services, the market is hardly free anywhere barriers stifle most markets. And they have tended to be unfriendly to people. Wherever markets are dominant there is inequality poverty and large-scale unemployment. They exercise no value judgements and have no concern for equity. The motivation for the market forces is private profit and not social good. In a sense it is antithetical to social good and it cannot safeguard the interests of the community. On the other hand it drains out the natural resources which the UNDP describes as "a continuing haemorrhage."

"Every country (therefore) needs to establish effective social safety nets to catch the victims of the competitive struggle – such as the temporarily unemployed – and to protect the lowest income groups, the young, the old and the disabled."

The economically developed countries have established such safety nets on which they are spending up to 40 % of their GDP Developing countries generally and India in particular, are lagging behind in this area as well. According to the World Labour Report, 2000, the public expenditure on social security in India is 1.8 % of GDP against 4.7 % in Sri Lanka and 3.6 % in China. It is one of the measures of human development these countries have achieved and the distance they have yet to travel. This report is designed to provide a guide map for better progress in this journey

## CONCEPTUAL FRAMEWORK

### 2.1. RIGHT TO SOCIAL SECURITY

**Right to social security is one of the basic human rights.** Although the Constitution of India does not recognise it as a fundamental right, the Supreme Court has ruled that the right to livelihood is inherent in the right to life which is a fundamental right. As the ultimate object of social security is to assure everyone the means of livelihood it follows that the right to social security is also inherent in the right to life.

#### 2.1.1 Fundamental Rights

India constitutionally is a Socialist State. According to the Supreme Court of India, the principal aim of socialism is to eliminate inequality of income and status and standards of life and to provide a decent standard of life to the working people. It is designed to secure to all its citizens justice-social, economic and political. Social justice is said to be the signature tune of the Indian Constitution. Inherent in the concept is the principle of solidarity or distributive justice. Social security is based on this principle. But the Constitution is silent about social security.

Although social security is universally declared as a basic human right the Constitution of India does not recognise it as a fundamental right. Suggestions have been made to amend the Constitution so as to include the right to social security as one of the fundamental rights. The opinion contrary to this suggestion is that unless the State has the capacity to enforce the right it should not be made a fundamental right.

The Study Group has considered this question. It feels that there are no objective criteria to decide whether or not the country has the capacity to make provision for and to enforce it as a fundamental right. It depends on the priority that is attached to the various functions activities and programmes of the Government and the allocation of resources thereto. In view of the fact that the right to social security is regarded as one of the basic human rights and the Government of India has recognised it as such by ratifying the Covenant on Social Economic and Cultural Rights the Study Group is of the opinion that it should be given the status of a Fundamental Right under the Constitution of India and necessary resources should be allocated to it. The Study Group accordingly suggests that the National Commission on Labour make a strong recommendation for amendment of the Constitution so as to make it a fundamental right

## **2.1.2 Directive Principles of State Policy**

Although the Constitution of India does not mention social security as such it has mandated the provision of social security through the Directive Principles of State Policy.

### **Article 38:**

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 the national life. The State should, in particular, strive to minimise the inequalities in income and endeavour to eliminate inequalities in status, facilities and opportunities.....

### **Article 39:**

The State should, in particular, direct its policy towards securing:

- (a) that the citizens, men and women equally, have the right to an adequate means of livelihood...
- (e) that the health and strength of workers, men and women and the tender age of children are not abused and that citizens are not forced by economic necessity, to enter avocations unsuited to their age and strength.
- (f) that children are given opportunities and facilities to develop in a healthy manner and in conditions of freedom and dignity and that childhood and youth are protected against exploitation and against moral and material degradation.

### **Article 41:**

The State should make effective provision for securing the right to work, to education and to public assistance in case of unemployment, old age, sickness and disablement and in other cases of undeserved want.

### **Article 42:**

The State should make provision for securing just and humane conditions of work and for maternity relief.

### **Article 43:**

The State should endeavour to secure to all workers agricultural, industrial or otherwise, work, a living wage, conditions of work ensuring a decent standard of life and full enjoyment of leisure and cultural opportunities.

### **Article 47:**

The State should regard the raising of the level of nutrition and the standard of living of its people and the improvement of public health as among its primary duties.

The Principle adumbrated in the Directive Principles that the State should secure the right to an adequate means of livelihood and that it should regard the raising of the standard of living of its people as among its primary duties is the foundation of social security programmes in India. The Directives that provision should be made for public assistance in case of unemployment, old age, sickness, disablement, maternity relief and improvement of public health echo the requirements of the Social Security (Minimum Standards) Convention of ILO.

These Directives are not enforceable in a court of law. They are nevertheless stated to be fundamental in the governance of the country. They therefore represent indirectly the Constitutional mandate for the establishment of a comprehensive social security programme in India.

The Study Group is however of the view that for better focus on social security a more direct approach is called for especially in the context of the commitment made to the United Nations by ratifying the Covenant of Social Economic and Cultural Rights. The Study Group therefore suggests that pending consideration of the suggestion to declare social security a fundamental right, the responsibility of the State to provide social security be included among the Directive Principles of State Policy specifically

## 2.2. SOCIAL SECURITY POLICY IN INDIA

Social security situation in India is characterised by lack of policy. There are a variety of schemes, namely, employers' liability schemes, social insurance schemes, social assistance schemes, provident fund schemes, welfare funds etc. which are not called social security schemes but providing social security types benefits or protection, and lacking any clearly articulated goals or objectives.. These schemes have been framed at various times at random and do not conform to any overall design. They do not represent a unified policy or plan. Indeed there is no plan for social security in India and the five Years Plans were, till the Ninth Five Year Plan, silent about it; they did not take cognisance of even the existing scheme. There is therefore an obvious need for a social security policy for India.<sup>9</sup>

Similar views have been expressed by the Working Group on Labour Policy set up by the Planning Commission for the Ninth Plan

" The schemes of social security, types of benefits or protection provided hereunder do not conform to any overall plan or design. There is, as a matter of fact, no policy on social security, no plan for social security and the Five Year Plans are practically silent about this important aspect."<sup>10</sup>

Another expert has said that "Social Security in India is inadequate, highly skewed, complex, and fragmented. Further effective access to it is severely constrained by a variety of factors"<sup>11</sup>

"Indian plan documents have been virtually silent on the topic. The implementation of such social security as is available in the country is fragmented between the Centre and the States and at each level among different Ministries, departments and agencies. There is little coherence in policy formulation, programme designing, implementation and monitoring. The data base is particularly poor."<sup>12</sup>

**Having regard to the foregoing facts, the Working Group on Labour Policy for the Ninth Plan had recommended that a national policy on social security should be announced with a view to ensuring compulsion and direction. The Study Group endorses the recommendation of the Working Group and suggests that while evolving the policy the Directive Principles of State Policy of the Constitution concerning social security should be kept in view.**

### **2.3. DEFINITION OF SOCIAL SECURITY**

There is no commonly accepted definition of social security. There are however a variety of definitions (a list of such definitions is given in Annexure I) a study of which would indicate that there are two streams of thought on the subject. According to one, represented by the ILO, the scope of social security is limited to maintenance of one's income against loss or diminution. This is called protective form of social security. According to the other view the object of social security is broader to enable a person to attain a decent standard of life and also to maintain it. It may be preventive or promotional as the case may be. It is said that in the Indian context social security policies and strategies would need to be addressed as a part of anti-poverty policies and that social security should include income support through promotional measures such as employment promotion, food subsidy and child nutrition and income maintenance through protective measures such as public assistance for old age, maternity, disability and death<sup>13</sup>

Lately certain new concepts have come into vogue such as social safety net, social protections social funds etc. There is no basic difference among them; difference, if any, lies in the scope of social security and the strategies for achieving the objective.

**The Study Group is of the opinion that in the Indian context the term social security should be used in its broadest sense. It may therefore be defined as consisting of all types of measures preventive, promotional or protective as the case may be designed to-**

- (a) prevent deprivation (preventive measures)
- (b) to assure everyone of a basic minimum income which would be adequate for meeting the basic needs of oneself and ones family or dependants (promotional measures )
- (c) to protect the income against loss or diminution due to the occurrence of any contingency including sickness (protective measures.)

The measures may be statutory non statutory, public or private.;

The term encompasses social insurance, social assistance , social protection social safety net and other such terms currently in vogue.

#### 2.4. APPROACH TO SOCIAL SECURITY

There are basically two approaches to social security: the community approach and the beneficiary approach. The schemes the benefit of which accrue to the community at large are said to be based on the community approach. The schemes the benefits of which accrue to an individual based on his or her constitutional, statutory or contractual rights are said to be based on the beneficiary approach.

Schemes drawn up under the Basic Common Services programs such as supply of food grains at concessional prices, drinking water etc are examples of schemes based on community approach. Workmen's compensation, maternity benefit, old age pension, etc. are examples of schemes based on beneficiary approach. Broadly speaking, preventive and promotional measures of social security are ordinarily based on the community approach and the protective measures are based on the beneficiary approach.

The Schemes drawn up under the beneficiary approach may also be of two kinds. They may be based on ones citizenship or residential status ( in the case of migrant workers) or they may be occupational (work based) in nature. Schemes the benefits of which accrue universally to all citizens subject to such eligibility criteria that may be prescribed, are of the former kind. The National Social Assistance Programme is of this kind. The schemes the benefits of which accrue to a person by virtue of his /her employment and the contribution he/ she makes are of the second kind.. For example the Employees Provident Fund Schemes is applicable to persons employed in the industries or classes of establishments to which it has been made applicable.

Dr. Amartya Sen and Jean Dreze have referred two other approaches as follows:  
“ ... it is possible in principle to distinguish two contrasting approaches to the removal of precarious living conditions. One approach is to promote economic growth and take the best possible advantage of the potentialities released by greater general affluence ,

including not only an expansion of private incomes but also an improved basis for public support.. This may be called the strategy of 'growth mediated security'. Another alternative is to resort directly to wide ranging public support in the domains such as employment provision, income redistribution, health care, education, and social assistance in order to remove destitution without waiting for a transformation in the level of general affluence. Here success may have to be based a discriminating use of national resources, the efficiency of public services , and a redistributive bias in their delivery. This may be called the strategy of 'support led security'"<sup>14</sup> Having examined the experience of the various countries which have adopted these approaches in terms of one of the indicators of success they have come to the conclusion that direct public support has been the driving force behind the success of some of the major countries like China and Cuba. while growth mediated security was an important part of the experiences of countries like Korea and Singapore .

**The Study group feels that ,in the Indian context, no single approach to the exclusion of the others would be adequate and the problem will have to be addressed by a multi pronged approach and all the approaches discussed above would be relevant in different contexts.**

## **2.5. DEMOGRAPHIC PROFILE**

Social security is for the people. The social security programmes vary according to their needs which in turn are dependent on their employment and income status. For a proper appreciation of social security in India it is, therefore, necessary to have a look at the demographic profile of the country.

India is a vast country in terms of area as well as population. It has a total area of 3288 thousand Sq. Km. and a population of nearly 950 million. (It was 936 million in 1995 and it was growing at the rate of 1.9 percent per annum). According to the 1991 census the ratio of the working population to non working population was 38:62. The total number of the working population at the time of the census was 279 million and it had grown to 398 millions by 1995. It comprises of 271 million males and 127 million females. 22% of the total labour force was stated to be unemployed or underemployed.

### ***Occupation wise distribution of employment :***

Agriculture	62%
Industry	11%
Service	27%

A characteristic feature of the employment situation in the country is that the percentage of workers employed in regular salaries employment is small. Bulk of the workforce is either self employed or employed in casual wage employment as shown below :

<i>Categories of employment</i>	:	%
Self Employment		53
Casual wage employment		31
Regular salaries employment		16

The per capita Net National Product at 1993-94 prices during the year 1999-2000 was Rs.10,204<sup>15</sup>.

The Ninth Five Year Plan recognises that a large number of people in India live in acute poverty. The consumer expenditure data of the 55<sup>th</sup> Round on a 30 day recall basis yields the poverty ratio for 1999-2000 of 27.09 percent in rural areas, 23.62 in urban areas and 26.1 percent for the country as a whole. The corresponding figures from the seven day recall period was 24.02 percent in rural areas, 21.59 percent in urban areas and 23.33 percent for the country as a whole.<sup>16</sup> According to the World Labour Report 2000 the percentage of persons with income under poverty line in 1994 was 35<sup>17</sup>.

The child population (0-14 years) as per the 1991 Census accounts for 319 million (37.8%) which include 153.85 million female children. Of the total child population, 18.9 million (5.9%) are below 1 year Infants, 38.1 million (11.9%) are in the age group 1-2 years (toddlers), 73 million (22.8%) are in the age group 3-5 years, (pre-school) and another 189.6 million (59.4%) are in the age group 6-14 years.<sup>18</sup>

According to the 1981 Census, the estimated figure of working children was 13.6 million. This figure rose to 17.02 million according to the estimates of the 43<sup>rd</sup> round of the NSS conducted in 1987-88. According to the 1991 Census the number of working children in the country was of the order of 11.28 million<sup>19</sup>.

It was, however, 100 million in 1994 as per Human Development in South Asia Report 1998.

According to the 1991 Census, India had an elderly population of 56 million of whom the old-old numbered 20 million. It was expected to go up to 71 million by 2001, 96.30 million by 2011, 133.31 million by 2021, 236.01 million by 2041 and 300.96 million by 2051. In terms of percentage it was 6.58 in 1991 and it was expected to go up to 7.1% in 2001, 8.2% in 2011, 9.9% in 2021, 11.39% in 2031, 14.5% in 2041, and 17.3% in 2051.<sup>20</sup>

According to the National Sample Surveys conducted in 1981 and 1991 there were 136.74 lakh disabled persons in 1981 and 163.02 lakh persons in 1991 who were having at least one other of the four types of disabilities, viz. Locomotive, visual, hearing and speech. The magnitude and the size of various disabilities as revealed by the latest survey are given below.



A sample survey conducted in 1991 showed that 3 % of the child population had mental retardation. Among the adults, 1 percent were suffering from various forms of mental disorders 10 to 15 percent were suffering from various mental health problems.<sup>21</sup>

The number of leprosy affected disabled persons was estimated to be about 4 million of whom about one fifth were children and above 15 to 20 percent were left with deformities. The prevalence was more than 5 per thousand in the 196 high endemic districts in the country.<sup>22</sup>

The National Sample Survey (1981) identified 12 million persons having one or the other disability constituting about 1.8% of the total population. It has gone up to 14.56 million or 1.9% of the population by 1991. About 10% of these physically handicapped were reported to have more than one type of disability. A more recent survey (1986-89) estimated 12 million blind persons. The number of mentally retarded people was estimated to be about 3 to 4% of the total population. <sup>23</sup>

**Social Security policy and plans and programmes would have to be tailored to the needs of the diverse vulnerable sections of the people, comprising the total population of India**

## **2.6. FORMAL AND INFORMAL SECTORS**

Indian economy is dualistic in nature consisting of two sectors, the organised and the unorganised sectors which are also called as formal and informal sectors.

### ***(i) Definition of the terms***

The sector where entry of employment is restricted, wages are comparatively high and the conditions of work and service better and in some sense or senses well protected by law or otherwise is regarded as the formal or the organized sector. It consists of establishments employing comparatively larger number of persons – ten or more, twenty or more, fifty or more hundred or more, as the case may be, Labour laws generally, social security laws in particular, are applicable to them. This sector includes the Government sector, public sector and the organised private sector.

On the other hand, the informal sector is equated with the unprotected segment of the labour market where entry is free owing to high labour turnover, wages are significantly lower, and the workers lack legal protection. This sector includes the self employed, home based workers, small and tiny industries employing small number of persons ranging from one to ten or twenty, fifty or hundred, as the case may be. This sector is divided into rural and urban sub-sectors and the former includes the agricultural sector.

There are again a variety of definitions of the terms "formal" and "informal" sectors. Having regard to the various definitions and descriptions, it may be said that the unorganised sector consists of tiny and small establishments employing less than twenty or ten, as the case may be, where there is either no employer –employee relationship, or where the relationship exists, it is extremely tenuous being casual, temporary intermittent, or discontinuous. The characteristic features of the unorganised sector are:

- (a) Lack of security of employment or income
- (b) Employment and conditions of service are unregulated
- (c) Wage rates are low
- (d) Lack of social security or welfare benefits, and .
- (e) Poverty

The basic point to be noted is that the informal sector is not a homogeneous group. There is a great diversity in this sector. Besides, it is a growing sector. Consequent on the current process of liberalisation the formal sector is shrinking and there is "continuous process of informalisation of the formal economy. "Besides the division between the formal and the informal sector is not watertight. There are strong linkages between the formal and the informal sectors of the economy No description or definition can capture the complexity fully. It does not lend itself to precise definition. In the circumstances it may be simpler to say that the entire workforce outside the organised sector is the unorganised sector.

#### ***(ii)Composition of Unorganised Sector***

The unorganised sector comprises of the following categories of people

- (a) Those who are employed on regular basis in establishments, employing less than twenty or ten persons as the case may be, which are outside the existing social security legislation
- (b) Those who are employed on casual or intermittent basis without any security of employment or income
- (c) Those who are self employed including those who work with family members or employ small number of employees part time or whole time and those who themselves work for wages part time
- (d) Those who are unemployed
- (e) Those who are unemployable

The first four categories constitute part of the working population; the last category would be outside the labour market

The first National Commission on Labour (1969) stated that unorganised labour was a "group of workers who cannot be identified by a definition but could be described as those who have not been able to organize in pursuit of a common objective because of constraints such as (a) casual nature of employment; (b) ignorance and illiteracy, (c) small size of establishments with low capital investment per person employed; (d) scattered nature of establishments; and (e) superior strength of the employer operating singly or in combination"<sup>24</sup>

The Commission had drawn up an illustrative list of unorganised workers comprising of the following:

- (i) contract labour including construction workers;
- (ii) casual labour;
- (iii) labour employed in small scale industry;
- (iv) hand loom /power loom workers;
- (v) beedi and cigar workers;
- (vi) employees in shops and establishments;
- (vii) sweepers and scavengers
- (viii) workers in tanneries'
- (ix) tribal labour, and
- (xi) other unprotected labour

Dr. L.D.Mishra former Secretary Ministry of Labour has drawn up a longer list of workers in the unorganised sector .It may perhaps be more appropriate to say that all the employments included in the schedule to the Minimum Wages Act are part of the unorganised sector ( The list of such employments vary from State to State)

### ***(iii) Size of unorganised labour***

As stated above the size of the unorganised labour has been growing because of shrinkage of employment in the organised sector. According to the latest assessment, it constitutes more than 90 percent of the labour force consisting mainly of agricultural labour construction labour, beedi workers, weavers fishermen etc.

## **2.7. SOCIAL SECURITY NEEDS**

Social security is required for meeting certain needs. arising out of a contingency, risk or danger. Basically all these needs are rooted in lack, loss or inadequacy of income or assets due to unemployment, enlargement of the family, sickness, accident, maternity, disability, old age, or death. They are called the core contingencies<sup>25</sup> These incidents may affect an individual or a community as a whole. Lord Beveridge described social security as an attack

on "want". The Indian Constitution calls it public assistance in cases of "undeserved want". The need for adequate and stable income is the cornerstone of all efforts to improve the social security of the poor as this would, in turn, through the link of income with basic needs, enable the poor to satisfy most of their other social security needs. .<sup>26</sup>

The needs for social security vary according to the definition of the term There are wide ranging lists of social security needs drawn up by different authorities.

**(a)According to Beveridge**

According to Lord Beveridge the primary needs for social security are of eight kinds, reckoning the composite needs of a married woman as one and including also the needs of childhood and the need for universal comprehensive medical treatment and rehabilitation. These needs are set out below:

" Unemployment: that is to say, inability to obtain employment by a person dependent on it and physically fit for it, met by unemployment benefit with removal and lodging grants; Disability: that is to say, inability of a person of working age, through illness or accident , to pursue a gainful occupation, met by disability benefit and industrial pension Loss of livelihood by person not dependent on paid employment, met by training benefit Retirement from occupation, paid or unpaid, through age, met by retirement pension Marriage needs of a woman met by Housewife's Policy Funeral expenses of self or any person for whom responsible , met by funeral grant Childhood, provided for by children's allowances if in full time education, till sixteen Physical disease or Incapacity met by medical treatment, domiciliary and institutional, for self and dependants in comprehensive health service and by post medical rehabilitation."<sup>27</sup>

**(b)According to ILO**

According to Recommendation No.67 of the ILO concerning Income Security, social security is required for meeting the following types of contingencies:

- Unemployment
- Sickness
- Employment Injury
- Maternity
- Invalidity
- Old age
- Death
- Emergency expenses

The Social Security ( Minimum Standards ) Convention 102 of the ILO added medical care and family benefits to the foregoing list and dropped Emergency Expenses

**(c) World Bank**

The World Bank has adopted a typology of risks which consists of the following:

Natural ( Disasters)

Health

Social

Gender

Economic

Political and Environmental<sup>28</sup>

**(d) I.P.Getubig**

According to I.P. Getubig however the social security needs of the poor are much broader. He has put it in a tabular form as follows

**Social Security Needs and Attendant contingencies of the Poor**

<b>Social Security Needs</b>	<b>Contingency Needing Protection/Coverage</b>
1. Adequate and stable income from Wage or self-employe	Unemployment Underemployment Loss of income due to acts of Nature or seasonal cycle of Production.
2. Basic needs :	
2.1 Health Care Services (including occupational health)	Sickness Disability Maternity Death
2.2 Nutrition	Under-nutrition Starvation
2.3 Shelter	Homelessness/inadequate housing
2.4 Education (basic education; skills training)	Illiteracy/lack of education Lack of marketable skills
2.5 Clean water supply	Lack of clean water supply
2.6 Sanitation facilities	Lack of sanitation facilities

Others :

3.1 Old age and child care	Senility/old age Childhood
3.2 Legal protection (especially for urban informal sector)	Abuse by authorities or powerful members of society
3.3 Protection against natural disasters or social disruption. <sup>29</sup>	Natural disasters/social disruption

In the view of the Study Group the root cause of the social insecurity in India is poverty and that is largely due to lack of adequate or productive employment opportunities. It is described as “chronic or structural social insecurity, a ‘first-order’ type of social insecurity arising from insufficient degree of overall economic development.” It is associated with the other insecurities, “emanating from conventional contingencies such as the loss of employment, disability, old age, death, etc.” which are called the “second-order” type of insecurities or conventional social insecurity. We have to address both.

Provision of adequate and stable income will enable the poor to satisfy their basic needs and thereby their other social security needs as well. . Till then the State has to assume the basic responsibility of providing social security , especially in respect of those contingencies which would be difficult for individuals to cover without assistance from the State. The State also has the responsibility to provide the means of livelihood to those who cannot work and earn their living due to early childhood, old age or other infirmities.

## 2. 8. STRATEGIES FOR PROVIDING SOCIAL SECURITY

Different authorities have advocated different strategies for providing social security or social protection

### *(a)World Bank*

According to the World Bank Social Risk Management Arrangements fall into three main categories : (a) informal arrangements, (b) market-based arrangements, and (c) public arrangements on a large scale. Each has relative strengths and limitations

The Bank says :“Risk management can take place at different moments —both before and after the risk occurs. The goal of ex ante measures is to prevent the risk from occurring or, if this cannot be done, to mitigate its effects. They are called preventive and mitigating strategies. If they do not succeed, there are strategies to cope with the risks. At face value, the best social risk management is to make sure that down-side risks never occur. The next most effective action is risk mitigation, as this reduces the negative effects of risks before they actually happen. Risk coping is essentially the residual strategy, if everything else has failed. However, since each of these strategies has both direct and opportunity costs, relying entirely on risk reduction or mitigation may not be either efficient or feasible. The experience of the formerly centrally planned economies has demonstrated that trying to eliminate all risks in advance through quantity planning, official price setting, and public ownership of productive means has serious costs in terms of lower economic growth.

At the other extreme, many of the current government interventions in developing countries particularly for poor people, concentrate on risk coping. However, a system that concentrates on helping poor people deal with a shock once it has occurred runs the risk of keeping them in a poverty trap and perpetuating the vicious cycle of low returns, low risk taking, and deep poverty. Moving toward a balance among coping, reduction, and mitigation strategies has the potential to trigger a virtuous cycle in which people can undertake activities with higher variability in returns, but also with higher absolute returns.”<sup>30</sup>

#### **(b) ILO**

ILO advocates mainly social insurance and social assistance

##### **(i) Social Insurance**

Initially, for a long time, protection against poverty and deprivation was provided in the form of assistance – public or private. Those who had the resources took to savings and private insurance. After the industrial revolution, a new class of workers emerged who lived on their wages but did not earn enough to save for emergencies. In this context social insurance was born.

Social insurance was first introduced in Germany about a hundred years ago. Credit for innovating the scheme is given to Bismark. It has since spread all over the world.

Social insurance is contributory in character. The scheme is financed by contributions usually made by employers and workers, in some cases, by the state as well. Employment injury schemes are usually financed entirely by contributions from the employers. Participation in the scheme is compulsory subject to grant of exemptions in exceptional cases. The contributions and the income earned by their investment are placed in a fund from which prescribed benefits are paid. The right to the benefits is acquired by virtue of the contributions one makes. Contributions and benefits are mostly related to the earnings of the

insured person. In countries where the schemes have been extended to cover the whole population, the entire citizenry makes contributions.

Under a social insurance scheme the right of the beneficiary to any benefit is acquired by making a contribution. It is in one sense a contractual right, not a social right. It follows that if social security has to be provided to all citizens as a basic human right social insurance cannot be the appropriate vehicle for it. It calls for a different approach.

In India the Employees' State Insurance Scheme framed under the Employees' State Insurance Act is a social insurance scheme.

#### **(ii) Social Assistance :**

The social assistance schemes are generally tax based. Under this approach the social security benefits are paid out of the general revenues of the State. The State may however levy special taxes to augment the revenues to meet the liabilities arising under the schemes. This approach originated in Scandinavia and the first groups to be covered were the elderly, the sick, invalids, survivors and unemployed in that order. The system was intended to replace the harsh and humiliating conditions under which poor relief was being given. In some countries social assistance has been replaced by contributory social insurance but in some other countries such as Australia and New Zealand all the social assistance schemes have been merged into a national social security system.

Even in those countries which rely mainly on social insurance, some groups of people who are not able to make contributions to the social insurance schemes are covered by social assistance.

The basic features of social assistance schemes are :

1. the entire cost is met from State funds
2. benefits are paid as a legal right
3. and the quantum of the benefits is calculated with the object of raising the applicant's total income to a minimum level.

In assessing the need for and the quantum of social assistance to be given to an individual a means or an income test is usually applied so that those who are above the prescribed income limit are excluded from the benefit/s. Some countries however provide social assistance for certain specified purpose without any income test so that all qualified residents would be entitled to the benefits. For example in some countries every resident is entitled to a basic minimum pension on attaining the prescribed age without regard to his resources and without any contribution. Some countries operate a national health service providing medical care to all residents without any contribution or means test meeting the cost wholly or mainly from the public funds subject however to cost sharing for certain purposes.



### **(c) Other Strategies**

The following other strategies are currently in vogue in different countries

#### **(i) Employer's liability :**

Under employer's liability schemes the employers are directly responsible for providing social security benefits to their employees. These schemes originated towards the end of the 19<sup>th</sup> century for payment of 'workmen's compensation' and providing medical care for occupational injuries. The employers could meet their liabilities under the schemes out of their own resources as and when the contingencies arose or insure their liabilities under a private insurance scheme.

In India the benefits payable under the Workmen's Compensation Act, the Maternity Benefit Act, the Payment of Gratuity Act and the Industrial Disputes Act are the exclusive liabilities of the employers.

The employers liability schemes have strengthened the position of workers vis-à-vis their employers in certain respects. However, as social security measures they suffer from several shortcomings. Of these, the most important shortcoming is the tendency on the part of the employers to avoid the liability by resort to litigation. The current trend is, therefore, to replace employers liability schemes by social insurance.

#### **(ii) National provident funds :**

National provident funds have been established in a number of English speaking developing countries. These are essentially savings schemes. Workers and their employers pay regular contributions into a central fund and those contributions are credited to the individual account of the member to which interest is added periodically. When a specified contingency occurs such as old age, invalidity or death, the total amount standing to the credit of the account is paid out to the worker or his survivor. Some funds permit earlier partial withdrawals.

While provident funds are playing a valuable part in promoting self help they are not social security schemes in the conventional sense geared to provide periodical payments when wages are interrupted. A provident fund benefit is in part a terminal pay with little relevance to age or the circumstances in which the employment ends and there is no pooling of risks. Further in an inflationary situation, contributions lose much of their value. Despite these shortcomings provident funds remain as the only sources of old age protection in approximately 20 developing countries throughout the world. Some also pay additional benefits including sickness and maternity benefits. Members of provident funds clearly prefer lump sum payments which they can utilize to meet their capital needs.

### **(iii) Mutual Benefit Societies :**

A mutual benefit society is an association of persons who join together to help each other in case of need and protect themselves against certain social risks such as sickness, accidents etc. The members of the society pay contributions periodically and meet the expenditure in providing the variety of benefits to the members from the fund built up out of such contributions. A mutual benefit society acquires legal status through registration as a society or as a cooperative under the normal laws governing the registration of such organizations or as a body registered under a specific legislation governing the formation of mutual benefit societies. In addition, cooperative societies set up with common economic objectives or associations of residents or employees of certain undertakings or persons belonging to particular avocations may also undertake provision of social security protection to their members without a fresh registration if their bye laws permit it.

Mutual benefit societies are common in some of the industrial as well as developing countries. The most common benefit granted by a mutual benefit society is assistance in case of sickness. This assistance can take the form of payment of money in a lump sum to the sick person, reimbursement of doctors bills and hospital and pharmaceutical expenses. Another traditional benefit is maternity assistance either in the form of a fixed grant or in the form of reimbursement of expenses. Another common benefit is assistance in case of death of the breadwinner. Apart from these benefits the mutual benefit societies also provide a wide range of services depending on their resources.

In Japan there are number of Mutual Aid Associations such as the national Government Employees' Mutual Aid Association providing wide ranging benefits and services. In India however mutual benefit societies have not made much progress.

### **(iv) Micro Insurance :**

Micro Insurance provides a complementary strategy to improve access to social security to the excluded people. It is based on the premise that groups of the population that are not covered, or are not adequately covered, by existing systems can define their own set of priority needs, that these needs can be insured and that the members of the groups are willing to pay for this insurance. (Dror and Jacquier, 1999). The group may be based on area of residence, on occupation, on ethnic affiliation or on gender. Micro insurance is not merely another form of insurance or healthy case financing. It is a form of social organization, based on the concepts of solidarity and risk pooling, which involves the active participation of the groups members. Typically, these groups are already organised, for example, to provide micro credit facilities to their members ; micro insurance is often therefore an extension of their activities. The organisation may use some of the surplus from their core activities to subsidise the insurance schemes. They may also obtain subsidies from the public authorities, form international aid agencies (in particular seed capital) and in certain cases from state owned insurance companies.

Participation by members is exercised in the following areas : defining priority needs, setting the insurance premiums, management and control of the scheme, health education, prevention and promotion, negotiation with the public authorities, with social security institutions and with health care providers, and in some cases partial co management of healthcare provision. The capacity of these groups to organise micro insurance schemes serves to mobilise additional resources for medical care, to create a viable demand for services to reduce costs, particularly transaction costs, and to achieve a better targeting of public subsidies to low income groups that would otherwise have little access to health care. Micro Insurance schemes are not however, designed to become the main pillar of a country's health care financing system.

The benefit package of a micro insurance scheme is defined by its members. They may cover high cost care which is needed relatively infrequently (catastrophic insurance) and/or low cost primary care services. In the absence of public subsidies the benefit package will depend entirely on the contributive capacity of members; public support makes it possible to design a broader package.

Many micro insurance schemes have been launched only recently. People have had an incentive to set up and to join these schemes particularly as the costs for patients using public healthcare facilities are often quite substantial, e.g., user fees, under the table payments to gain admission, the cost of prescribed drugs, and the cost of travelling to public health facilities which are often far from where people live, especially the rural poor. Public health service user fees have tended to increase in recent years as part of efforts to cut budget deficits and/or as a general policy. The countries in which they operate include Bangladesh, Benin, Burkina Faso, Cameroon, Cote d'Ivoire, Ghana, Guinea, India, Lebanon, Mali, Morocco, Nigeria, Philippines, Senegal, the United Republic of Tanzania, Togo, Tunisia, Uganda, and several countries in Latin America. Although they are grass root initiatives, they have in some countries joined together in a federative structure, for example, in Argentina, Mali, Senegal and Uruguay.

Micro insurance schemes can function as a self help activity since they require relatively little start up capital or infrastructure and can be launched with a relatively small nucleus of members. Benefit packages can be gradually enhanced as more resources become available. Governments can support and promote the development of micro insurance by improving the availability of quality health services for all in its primary health care centres and public hospitals and by creating an appropriate legal and fiscal framework for micro insurance schemes. Such a framework while not a precondition for the launching of such schemes does become important at a later stage in their development (ILO/STEP 1999; Atim 1998)<sup>31</sup>

**(v) Self Financed Social Insurance :**

Self Financed Social insurance schemes represent yet another way in which the social security needs of individuals are met through a community or group effort. The mechanism used is one of providing mutual support through pooling of resources on the principles of insurance help being extended to those in need within the overall frame work of certain basic regulator, conditions. This, in a sense, is the most basic of all social security systems, having its genesis in requirements that are common all members of a society and their own immediate collective response in fulfilling them. In this system, it is the group itself that decides about the size and the source of contributions that groups members are meant to make. The collection and management of contributions well as the disbursement of benefits are again matter for the group to consider and arrange.

There is a wide variety of self financed social insurance schemes, ranging from the totally informal and unwritten systems within a small group to the more formal ones catering to the needs of larger numbers and based on many complex arrangements. In addition, the initiative may originate from within the group or be motivated by non governmental and voluntary agencies. In India there is a wide variety of ventures promoted and successfully experimented with, in the areas of credit health care, education, employment and overall development. For the poor and lower income groups, the need for money exists universally and continuously almost by definition. Hence it is not surprising that most self help groups operate around credit requirements. These in turn are integrally related to contingencies such as death disability and disease old age, unemployment and destitution, the very area with which social security schemes are concerned.<sup>32</sup>

**(d) Strategy/ies developed in India**

In India the work force is divided into different sectors, namely, the government/public sector, private organized sector and the unorganised sector. No one strategy or method of social security suits all the sectors. Employers' liability will not be suitable to the unorganised sector consisting mostly of the self employed who have no employers and those employed on wages on jobs of intermittent nature where the employer – employee relations is discontinuous. Social insurance will not suit those who are below the poverty line presently constituting about 27 percent of the population. It may not be feasible to cover the entire workforce under social assistance program because of the magnitude of the resources required. There is therefore a combination of several types of schemes in India as shown below :

**(i) Government Sector**

Employees of the Central and State governments are governed mainly by employers' liability schemes whereby they are entitled to a variety of benefits at the cost of the State as the employer

(ii) Public Sector / Organised Private Sector

Employees of the Public Sector and the organised private sector are covered under the following social insurance as well as employers' liability schemes:

ESI Scheme

Schemes framed under the EPF Act

Workmen's Compensation Act, 1923

Maternity Benefit Act, 1961

Payment of Gratuity Act, 1971

Industrial Disputes Act, 1947

(iii) Unorganised sector

Employees of the unorganised sector are covered under a variety of schemes including social assistance, social insurance. Of these the following models have been developed newly in India: Welfare funds Group Insurance Subsidised insurance Micro Insurance, Self help groups etc..

Welfare funds

Welfare funds represent one of the models developed in India for providing social security to the workers in the unorganised sector. Under this model funds are raised by levying a cess on the production, sale or export of specified commodities or by collecting contributions from various sources mainly the employer, the employees as well as the government on an occupational basis and the funds placed in a Fund and eventually used for providing social security types of benefits to the beneficiaries.

The Government of India has set up welfare funds for mine workers beedi workers, cine workers and dock workers. Provision has been made for establishing welfare funds for building and construction workers. There is a proposal to set up similar funds for agricultural workers.

The Governments of Karnataka, Kerala, Maharashtra and Tamilnadu have also set up or are setting up welfare funds for certain categories of workers. Of these the most successful ones appear to be the Mathadi Boards set up by the Government of Maharashtra. and the Headload Workers Welfare Fund set up by the Government of Kerela.

The Union Finance Minister has announced in his recent Budget Speech the establishment of another Welfare Fund called Journalists Welfare Fund.

The Government of Karnataka has announced its intention to set up a welfare fund for anganwadi workers.

There are also separate welfare funds for Advocates.

### **Self Help Groups**

Micro credit has been recognised as one of the effective means of poverty eradication. It involves the grant of very small loans with a view to helping the poor. Start their own ventures. It opens the doors to those who are confined to a static conservative society to self actualisation and gives them self respect and social mobility. It has a great potential not only to alleviate poverty but also to promote self sufficiency and stimulating activity in some of the world's most destitute and disadvantaged communities. Micro credit is canalised through voluntary organisations. There are several institutions in the form of self help groups in India providing micro credit by mobilising small savings and borrowing funds from financial institutions like Rashtriya Mahila Kosh. Of these mention may be made of SEWA Working Women's Forum, and SPARC ( Society for Promotion of Area Resource Centres).

### **Subsidised Insurance**

An attempt has been made in India to utilise the nationalised insurance corporations to provide life insurance accident insurance ,crop insurance, and hut insurance for the poor with the premia being wholly or partly subsidised by the government. The Life Insurance Corporation operates a number of social security group insurance schemes in different States for a variety of low income occupational groups such as fishermen weavers, milk producers etc. The premia are subsidised to the extent of 50 percent The GIC provides a wholly subsidised. Personal Accident Social Security Scheme under which a lump sum survivor benefit is available to poor households on the death of the breadwinner. Insurance for crop loans taken by small and marginal farmers has been tried in selected area. Hut insurance is also available.

### ***(e) Appropriate Strategy/ies for India***

#### **(i) The Ninth Five Year Plan**

The Ninth Five Year Plan has set out the following strategies for providing social security in India.

"The present approach to providing social security to the population has been framed in the context of a low recorded unemployment (less than 3% of labour force) but high incidence of poverty (more than 30% of households). A large number of those employed are getting wages that do not provide them an acceptable minimum level of living. The attempts at

providing social security are targeted at the poor through special employment generation program's on the one hand and provision of free or heavily subsidized basic needs like health, nutrition, housing and education on the other. Though 20 per cent of the Plan and the non-Plan expenditure of the Governments at the Centre and the States is directed towards the creation and maintenance of social infrastructure, the gap between what is needed and what can be made available within the available resources of Governments is too large.

"The other effort of the Government to guarantee social security is through a set of laws, but such legal measures can tackle only the symptoms of a deeper malady underlying the economic and social situation, and that too, to the extent the measures are enforceable. The administrative and legal infrastructure can not secure for all those in the unorganised workforce what the laws seek to provide for them.

"Given the situation where the provision of social security encounters fiscal constraints and administrative limits to the enforcement of laws, the only feasible approach to reach social security to the population is by creating conditions wherein the "economically active" segment of population gets a reward for its labour, which affords a reasonable level of basic needs.

"The Government of Gujarat, Kerala, Karnataka and Madhya Pradesh have insurance schemes for the landless agricultural labourers. This needs to be extended for the entire country. The existing welfare schemes of the unorganised sector which are widely scattered and fragmented, will be integrated properly. Institutions and arrangements for providing group insurance to the rural poor across the country need to be made more effective and their coverage increased.

"Any scheme that has to benefit the working population in the unorganised sector has to be employer-friendly. Identification of a prospective beneficiary is possible only with the active involvement of the employer."

"The purpose of the National Scheme of Social Security is to explore the most appropriate institutional mechanism for distributing among the working population, what has been earned by its labour, rather than financing the full cost of social security."

"A scheme of social security to the working population at a particular location can be effective only if the number of people who are to be reached through the scheme is manageable. The benefits of a uniform country-wide scheme cannot reach effectively all the locations. 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. Thus, the design of the efforts for providing social security has to be promoted on a location-specific basis."

“Resources from the Plan can be used for demonstrating the viability of such efforts. Certain conditions need to be fulfilled. Resources should be raised primarily by the employees and employers. The Government can provide a token support but cannot meet the full expenditure incurred on social security. In the long run such location specific schemes should invest their resources in, and earn from, the capital market. The schemes will have to be operated and managed jointly by the employers, employees and representatives of the local authority. The support from the Government, in the initial, and for a specified number of, years can be on a matching basis to the resources pooled by the employers and the employees. The support from the Government needs to be shared by the State Government and the Central Government. The primary purpose is to test and demonstrate the viability of a location specific, and largely self financing, effort to provide social security at a rate that broadly matches the market wage rate of an average workers at that location.”

“Such a scheme, to be owned by the local beneficiaries, has to have a strong location specific character. The task of identification, in association with the employers, can be managed for a reasonable size of population unit. Hence, the formulation of location specific social security schemes for a unit size of 20,000 households or one lakh persons, under the supervision of local authority, will be encouraged.”

“The social security set up as it exists among industrial countries is not applicable for India. Firstly, nearly half of those employed are the self employed, which is a very small category in the industrial countries. Most of the self employed are in the informal sector, in contrast to the industrial countries, where formal sector employs bulk of the workforce. Secondly, the incidence of poverty is high here and persistent over time. It is rooted in several structural features of the economy. These include low wages, their irregular payments and irregular employment.”

“A few states in India, namely, Karnataka, Kerala and Tamil Nadu demonstrated the viability and potential of old age pension scheme. Some form of social assistance is also given to the “workers in the unorganised sector. This could be considered by the other States. However, social security must be targeted to particular vulnerable groups like informal urban workers, migrant workers, women and children etc. However, multiple social assistance schemes will not be effective. It will be meaningful to choose the most cost effective ones among them for application across the board. Formal social security system can not be exclusively relied upon in a developing country like India. It is necessary to reform and to extend their applications where and when appropriate. However, there is considerable scope for improvement in most of the promotional and protective social securities program in efficient utilization of funds through better administration.”

“An effort at providing social security to the poor was initiated in the Eighth Plan period in the form of a National Social Assistance Program (NSAP). The program comprises (i) Old Age



Pension, (ii) Maternity Benefit and (iii) Family Benefit for the girl child in particular. This has been implemented mainly as a program for the poor under the board head "Poverty Alleviation in Rural Areas". In the Ninth Plan, an effort will be made to extend the coverage of NSAP to the casual and the self employed workers in informal sector both in the rural and the urban areas. The objective will be to cover the economically active population outside the organized sector. To begin with, the beneficiaries will be those having income at a level below the average income. As discussed earlier, such a scheme will have to have requisite contribution by local authorities and the State Governments. Since the objective is to cover economically active population, the role of employers and the local authorities is crucial in identification of beneficiaries".

## **(ii) Recommendations of the ILO**

The ILO undertook a study of Social Protection of the Unorganised Sector in India under the Technical Support Services I of the UNDP in 1996. A report of the study was submitted to Government last year.. The report reviews the existing policies in three areas: the promotion of social insurance in the unorganised sector; social assistance for old age, survivors, maternity and invalidity; and extension of social insurance in the organized sector The report says:

"Social protection for the unorganised sector is rapidly becoming a top priority for governments in developing as well as developed countries. It was assumed that all workers would sooner or later end up in large enterprises or at least in the organized - or formal-sector. The experience in the developing countries – and more recently also in the developed countries, however , has shown quite the contrary. Today in India, in spite of high economic growth not more than 10 percent of workers are in the organized sector compared to more than 13 percent ten years ago. So the extension of formal social insurance cannot be the simple answer to the need for social protection, and therefore, other ways will also have to be tried. Social assistance –financed by Government revenue and targeted to the poor will have to be developed as well as social insurance schemes designed for unorganised workers.

"The challenge for India , as for many other developing countries, is to design social security schemes for the unorganised sector that are effective in protecting against poverty, and that at the same time promote productivity and employment. Workers are willing to contribute to social insurance if they feel that they get value of money, if the benefits correspond to their priority needs and if the system that administers the benefits is trustworthy

"Since about ten percent of the working population and their dependants are covered by formal sector social insurance, extension and reform of the formal social insurance system could reach roughly another five percent of the working population, i.e., most regular and

some casual wage workers in the unorganised sector. At the other side of the income scale are the 30 percent of poor households who can only be helped by tax financed social assistance. This leaves about 60 percent of the working population- above the poverty line but not eligible or not interested in formal insurance- who have some contributory power and are interested to contribute to social insurance programs that are tailored to their needs. So the main challenge of a comprehensive social security policy is to reach this majority of the working population.”.

One of the recommendations of the ILO is to develop area based schemes which corresponds to the concept of location specific schemes .

### **(iii) Late S.Guhan's Views**

According to late S.Guhan providing access to assets for the poor is a basic form social security . In the agricultural economy , land is the primary asset from a subsistence point of view. It provides food security, enables utilization of family labour and reduces vulnerability to labour and food markets. The example of China shows how access to land can provide the fundamental basis for social security in an agrarian economy . Ahmad and Hussein point out that in china 'land reform has been the most fundamental of the transformations in that it laid the foundations of the income –generating mechanism in farming and rural area generally. The shift back to family farming since 1979 has reversed collective farming but not the essential feature of the land reforms : guaranteeing all rural households. Access to land ;; (land reform) eliminated land less ness as a cause of destitution. Herein lies a crucial difference between the attributes of the rural poor in China and those in most other developing countries, where rural poverty and land less ness often go together’.

Learning from the example of China, land reforms must continue to have a high priority in the social security agenda; it cannot be relegated as a lost cause. In reformist states, the political pressure for land reforms must be maintained . to circumvent the opposition to it, it might also be possible to use the credit mechanism to facilitate land transfers from the rich to the poor. In this connection, Clive Bell has made the interesting proposal that the price of land could be brought down first by eliminating subsidies and tax exemptions that benefit the rich making it easier, when land prices have fallen, to put through schemes for compulsory purchase (at close to market value) cum redistribution, with acquisition and transfer being mediated by long term financing <sup>33</sup>. Voluntary transfer of land is also a natural process. With increasing urbanisation and industrialisation land owning households tend to move to towns and to convert landed assets into urban property and financial assets. At the same time, tenants, small farmers, and rural craftsmen tend to accumulate savings and if these could be supplemented with poor oriented credit for land purchases natural market processes could be redistributive.

Access to, land and to credit have other dimensions as well. The poor cope with seasonal and more serious adversities, such as prolonged drought largely by depleting their assets and through recourse to common property resource. In this process it is the women who are most affected. Mortgage finance can prevent divestiture of land and other assets (livestock, implements) playing an important safety net function. Concurrently, preservation and expansion of common property resources (land forests, grazing area, fisheries,) is an important aspect of social security.<sup>34</sup>

Guhan was of the view that assistance for creating assets, assurance of minimum wages, food security, subsidised insurance and social assistance for various purposes could provide social security to different target groups.

#### **(f) Conclusion**

**Having considered the various strategies discussed above the Study Group has come to the conclusion that in the Indian context no one strategy will be adequate in all circumstances. On the other hand the Study Group feels the preventive mitigating and coping strategies advocated by the World Bank as well as the various measures advocated by the ILO, the models developed in India and the measures recommended by Guhan all are relevant in the complex socio- economic conditions obtaining in India in different contexts and in relation to different target groups.**

## **2. 9 CLASSIFICATION OF PEOPLE**

In determining the appropriate strategy/ies and the appropriate schemes, it is necessary to classify the people according to their social Security needs. Certain classes of people such as women and children, need to have certain special provisions for meeting their special needs.

One of the fundamental principles underlying the plan put forward by Lord Beveridge was classification of the people. In relation to social security he had classified the population into four classes of working age and two other below and above working age. In the same way the population in India may first be classified into two classes, viz.,

Working population and  
Non working population.

The Working Population may again be divided into three categories:

Wage earners,  
Self employed,  
Unemployed.

Wage earners are again classified under the following categories:

Those who are employed in the Government sector  
Those who are employed in the organised sector, public or private and  
Those who are employed in the unorganised sector

The non working population consists of the old, the infirm and the young who are unemployed and unemployable.

**From the point of view of social security first priority has to be given to people of the last category, namely the old, the infirm and the young persons who are destitute and constitute the liability of the State and the first charge on the resources of the State. Admittedly social security for this class of people has necessarily to be provided by means of social assistance.**

**Above this class are the unemployed. The priority need of this class of people is employment and a source of income. The entire development plan is geared to meet this need by means of expanded economic activity and growth. This is however a long term goal. One cannot wait until this goal is reached. In the short term therefore in order to prevent starvation for want of purchasing power it will be necessary to undertake employment schemes, in the nature of public works to provide employment and income to the unemployed and the under employed.**

**Next above this class of people are the people who are employed on casual temporary or intermittent basis. They need continuity of employment. The various decasualisation measures would be relevant in this context.**

**The self employed persons also belong to the same class. They too need protection of their employment against the vagaries of nature and the market.**

**Above all these classes are the people who are in regular employment with assured income. They only need protection of their income against loss or diminution due to the occurrence of any contingency.**

**All the people irrespective of the class to which they belong need food security, health security, old age security, provision of clothing and shelter, if they are below the poverty line and cannot make their own provision therefor. These needs cut across all classification.**

**Women need maternity protection; they also need protection against widowhood, desertion and divorce. Special measures would have to be taken to increase their participation in gainful employment and to raise their economic status.**

**Children need care and nutrition.**

***Old people also need care especially when they are ill and emotional support.***

**Broadly speaking, social insurance types of schemes will be appropriate in respect of those for whom contributions may be made by the beneficiaries themselves or others; and in respect of those for whom no contributions can be recovered social security protection will have to be provided under social assistance schemes.**

**The social insurance schemes may be occupational or area wise. While occupational schemes may be appropriate in the case of well organised occupations, it may be necessary to adopt area based schemes in other cases.**

**Welfare funds may be of social insurance type or social assistance type. In either case they would be of occupational in nature.**

**As however there are numerous occupations in the unorganised sector for whom neither the conventional types of social insurance schemes can be applied nor can welfare funds set up the most appropriate strategy to provide them social security would appear to be by way of area based schemes.**

**The idea of area based insurance schemes appears to be analogous to the Plan recommended by Lord Beveridge in the U.K in 1942. The main feature of the Plan was a scheme of social insurance against interruption and destruction of earning power and for special expenditure arising at birth, marriage or death. The scheme embodied six fundamental principles: flat rate of subsistence benefit; flat rate of contribution; unification of administrative responsibility; adequacy of benefit; comprehensiveness and classification. Based on them and in combination with national assistance and voluntary insurance as subsidiary methods, the aim of the Plan was to make want under any circumstances unnecessary. This Plan was applicable to the whole nation on citizenship basis.**

In the current Indian context, it seems necessary to design similar area specific schemes applicable to the entire population of an area which may be a State a District of smaller formation which may , if necessary, be supplemented by special occupation based schemes.

## 2.10 Principles governing Social Security programmes

### (a) Lord Beveridge

Lord Beveridge had drawn up his plan for social security for the U.K. on the basis of six broad principles.

- (i) Flat rate of subsistence benefit
- (ii) Flat rate of contributions
- (iii) Unification of administrative responsibility,
- (iv) Adequacy of benefit
- (v) Comprehensiveness
- (vi) Classification

(b.) **WIEGO** ( Women in Informal Employment: Globalising and Organising ), a worldwide coalition of institutions and individuals concerned with improving the conditions and advancing the status of women in the informal sector of the world economy, has proposed that social security programmes should be based on the following principles.

*Gendered* : All initiatives should take into account the socially constructed position of women, including the specific risks and contingencies associated with the roles and responsibilities ascribed to them by the societies in which they live. Also, all initiatives should recognize the differential access of men and women to existing forms of social protection and should seek to extend all schemes to women rather than to build special programs for them.

*Institutional* : All initiatives should look at the institutional and regulatory environment in which people work and keep open the possibility for an active role for all institutional actors, including : the state, employer and worker organizations, large companies, private insurance companies, non-governmental organizations, community based organizations and international development agencies.

*Risk-Specific* : All initiatives should analyse the different sorts of risks posed to informal sector workers in different sub-sectors or industries, at different stages of the life cycle, in different seasons and geographic settings, and in different parts of the world.

*Context-Specific* : All Initiatives should analyse and address the capacities of different institutional players and the nature of the wider environment (demographic, regulatory, and cultural) in each context.

*Incremental* : All initiatives should seek to provide a minimum core set of provisions that can be incrementally improved on or expanded.

*Participatory* : All initiatives should involve the target group or beneficiaries in the design, implementation, and monitoring – not just the financing – of social protection schemes.

Finally, and perhaps most fundamentally, the approach should be :

*Equitable and Efficient* : All initiatives should pursue a pragmatic mix of equity and efficiency goals by distributing risk and financial obligations in a judicious way to different institutional players rather than downloading all risks and costs on informal sector workers.

**The Study Group suggests that the Social Security Policy/Plan for India may be based on the following principles:**

- (i) Classification**
- (ii) Participatory**
- (iii) Equity and efficiency**
- (iv) Occupation specific or area specific and need specific**
- (v) Gendered**
- (vi) Adequacy**
- (vii) Unified Administration**

**Basic social security should be provided by the State. It may be supplemented by other institutions.**

## CHAPTER - 3

### STRUCTURE OF THE PROPOSED SYSTEM OF SOCIAL SECURITY IN INDIA

#### 3.1 Working Group on Social Security

The Ministry of Labour had appointed a Working Group on Social Security for the Ninth Plan. The Working Group had made the following observations.

“Even though the Social Security Programs/Schemes have been on the ground for many years, the Social Security System in the country continues to suffer from several weaknesses which, inter-alia, include the following :

- (i) The Schemes of Social Security, types of benefits or protection provided thereunder do not conform to any overall plan or design. There is, as a matter of fact, no policy on social security, no plan for social security and the Five Year Plans are practically silent about this important aspect.
- (ii) There is no commonly accepted definition of the term ‘Social Security’ in India and it means different things to different people.
- (iii) The Social Security Schemes are limited in their scope of coverage which is decided with reference to wage ceilings, the number of workers employed in an establishment, the number of years for which an establishment has been in existence etc. Further there is no uniform criteria under various schemes for the purpose of coverage.
- (iv) Even though the schemes have been revised from time to time, majority of the Schemes continue to be applicable to the wage earning classes of people employed in comparatively stable employments. Workers in the un-organised sector which constitute over 90% of the work and whose incomes and employment are uncertain because of uncertainty of markets, the recession or boom of economies, the whims and caprice of the employment, the political situation and rapidly changing policies of government, continue to suffer from economic insecurity.
- (v) There are different organizations which are implementing various social security schemes and in many cases there is duplication of effort.”

Keeping in view the need for providing social security to workers both in the organized and un-organized sector, the need for simplification and cost effectiveness, the Working Group had recommended the following initiatives in the field of social security during the 9<sup>th</sup> Five Year Plan :



- (i) A National Policy on Social Security should be announced with a view to ensuring compulsion and direction. For this purpose the concept of social security should be clearly defined.
- (ii) The ILO Convention of Social Security (Minimum) Standard, 1952 should be examined and efforts be made to ratify the same during the 9<sup>th</sup> Five Year Plan.
- (iii) Social Security should be firmly and comprehensively integrated with the economic development and planning process and if necessary, the Central and State Governments should provide extra budgetary support for social security.
- (iv) It should be the endeavour of the Government to evolve an Integrated Comprehensive Scheme of social security by combining in a single legislation the provisions of all existing social security schemes. This would definitely result in increased coverage, reduced overhead costs and improvement in the content and quality of the program. If necessary, a separate department of social security within the Ministry of Labour should be set up with a strong Research and Development Wing to facilitate and accelerate the development process and achieve extension of social protection to all sections of the working population. This should also provide for introduction of contributory unemployment insurance scheme in the organized sector as because of restructuring of economy in the wake of liberalization, it may be necessary for many workers either to change jobs or to remain unemployed for some time.

### **3.2 Task Force on Social Security**

The recommendations of the Working Group were considered by the Planning Commission and the National Development Council and was subsequently included in the Approach Paper to the Ninth five Year Plan. In pursuance of these recommendations the Government of India constituted , in December 1997, a Task force on Social Security headed by Mr. S.K.Wadhawan.

The terms of reference of the Task Force were:

“to study the working of the ESI Corporation, Employees Provident fund and Employees Pension Schemes and other Central social security schemes and to recommend modifications or changes in the structure and organisation of ESIC and EPFO and to work out modalities for integration and unification so as to evolve an integrated Comprehensive Scheme of Social Security covering all the existing schemes.

The Task Force submitted its report in 1999 recommending inter alia administrative merger of the ESIC and the EPFO as a first step towards introduction of a single comprehensive legislation. The Task Force has also recommended integration of the Workmen's Compensation Act and the Maternity Benefit Act in the ESI component and the Payment of

**Gratuity Act** in the EPF component of the integrated scheme .The Task Force has further recommended:

- (a) ensuring uniformity of coverage of all the laws**
- (b) uniformity in the definition of common terms**
- (c) collection of a single contribution for all the schemes**
- (d) integration of the funds of the ESIC and the EPFO**
- (e) establishment of single Social Security Board for administration of the integrated scheme, with a Managing Committee and a Medical Benefit Council; and**
- (f) establishment of Regional Boards in each State**

The Study Group has considered the question of **Integration of social security in the light of these developments** . The Study Group is of the view that **integration of social security can be thought of at several levels as follows:**

**(a) Integration of the existing employers' liability schemes with the corresponding social insurance scheme: integration of Workmen's Compensation and Maternity Benefit Acts with the ESI Act; integration of the Payment of Gratuity Act with the EPF Act**

**(b) Integration of ESIC and the EPFO**

**(c) Integration of all Social Security organisations at the central level, namely, the ESIC, EPFO. the CMPF and the Seamen's Provident Fund**

**(d) Integration of all the social security schemes being administered by different Ministries of the Central Government such as the National Social Assistance program being administered by the Ministry of Rural Development, programs for the elderly the disabled and other vulnerable sections being administered by the Ministry of Social Justice, programmes for women and children being implemented by the Department of Women and Child Development etc. Midday meal scheme being implemented by the Ministry of Education, PDS being administered by the Ministry of Food, Housing schemes being administered by the Ministry of Urban Development etc.**

**(d) Integration of all social security schemes being administered by the Central as well as State governments.**

The **administrative arrangements for integration of the various social security schemes** is discussed in the chapter on Administration of Social Security. The Study Group is of the view that to begin with there should be a functional integration of the schemes. That issue is discussed in this chapter.

### **3.3 Symposium on the subject**

The question of evolving an integrated and comprehensive system of social security in India was discussed at a symposium organized by the Social Security Association of India a few years back. The consensus of opinion at that symposium was as follows:::

" There appeared to be a misunderstanding of the terms integration and comprehensiveness of social security in the Indian context. Integration did not mean doing away with all the existing schemes and introduction of a single scheme in their place. What was meant was that multiplicity should be reduced and duplication should be avoided . This object could be achieved by identifying the basic objectives of social security and designing one or more schemes to implement them. There could be three or four not fifty schemes. Similarly comprehensiveness should be considered in terms of what the people of the country need and not in terms of what other countries say. The economic and social conditions obtaining in India are different from those of other developed countries and the contingencies for which provision has to be made are also different. Those contingencies relate to bonded labour rural and unorganised labour having casual or temporary employment for just about 100 or 120 days in a year. They also relate to floods drought and other natural calamities which occur frequently in one part of the country or the other. The authorities who have the responsibility to evolve the system would have to consider what types of contingencies and what categories of people would have to be covered under it and when they do so that would constitute a comprehensive system."<sup>35</sup>

### **3.4 Observations of the DG ILO**

The current trend throughout the world is to have multi-tiered systems of social security cons. The Director General, ILO in his report to the 80<sup>th</sup> session of the International Labour Conference has put it this way:

#### **"Flexible Structures:**

"Although social protection systems should be designed in the light of specific socio-economic contexts, there are some basic themes which are common to all systems. Responsibility is ordinarily shared between the individual, the employer, the family and the State. Fulfilling this responsibility implies some reallocation of resources to support measures aimed at ensuring the continuity of an acceptable standard of living. This reallocation may involve resources controlled by the individual (savings or the purchase of medical insurance or a pension plan), the employer (wages, benefits and conditions of service), the family (income and savings), or the State. The extent of the reallocation will depend on both the resource capacity and perspective of all concerned, but should nevertheless include provision to ensure a basic standard of living, with such supplements as may be needed to minimize the consequences of adverse contingencies.

“One of the basic requirements of social protection policy is to preserve the delicate balance implied by this notion of shared responsibility. Thus, attention should also be paid to the encouragement of individual thrift and initiative, the traditional strength of family or community support, as well as the development of institutionalised schemes based on national or group solidarity. Similarly, private pension funds and insurance schemes may have an important supplementary role to play which should be recognised in a partnership with the public sector.

“Given the need for each country to find the appropriate blend of responsibility, and to match it with available resources in order to produce a social protection strategy which complements economic policy and human resource development, it is not possible to prescribe detailed structures which are applicable everywhere. Nevertheless, several aspects emerge from this notion of shared responsibility which, with due allowance for considerable flexibility, could result in the following tiers of protection :

#### **The basic tier :**

“A basic universal support system, financed from taxation and administered by government, would aim at providing services to meet basic needs, as well as a guaranteed minimum income, related to subsistence levels, on a means-tested basis. While this tier should be regarded as a basic component of social protection strategies, for most developing countries the provision of a realistic guaranteed minimum income would have to be a long-term objective, owing to their limited resources.

#### **The solidarity tier :**

“A compulsory defined benefit tier, financed from a public fund made up of contributions paid by employers and insured persons (or conceivably from taxation), would provide benefit, subject to qualifying conditions, in the form of periodic payments in respect prescribed contingencies, at least to the minimum level envisaged by ILO Conventions. The tier might consist solely of an earnings-related scheme with benefits and contributions based on a prescribed percentage of earnings.

Alternatively, there might also be provision for a minimum benefit or a separate flat-rate component which would have the effect of enhancing the solidarity based of the tier, and thus offset its otherwise regressive effect. The flat-rate component could cover long-term contingencies such as old age, invalidity, disablement and bereavement. By virtue of its simplicity and uniformity, it would facilitate coverage beyond the formal sector labour force.

The method of financing would require a flexible approach. Between the basic choices of pay-as-you-go or full funding there are a range of options based on partial funding, which would enable the financial system to be tailored to the circumstances, and to take into account such factors as the scope of the available capital market for investment, the

capacity for the payment of contributions and the desired level of resource transfers between generations.

### **The complementary tier**

“The desired division between public and individual responsibility would be reflected in the range of benefits not provided under the solidarity tier, thereby determining the need of complementary initiatives to be taken either by the individual, whether alone or in association with others, or by employers on behalf of employees, whether directly or through private pension funds or commercial insurance. The essence of this tier should always be to provide a supplementary component, tuned to the needs of the individual, which would build on the cornerstone of social protection based on solidarity without, however, detracting from it. Although such initiatives would essentially be open to individuals and/or their employers, it would be necessary to provide statutory controls to ensure that schemes comply with acceptable standards as regards investment practice, portability of rights, accountability and administration. In many developing countries, however, low incomes offer little scope for voluntary social protection; moreover, the history of public schemes does not inspire public confidence. Transparency, and the incentives associated with individual pension accounts may be needed to give this tier any chance of success.

“The importance of flexibility cannot be emphasized enough : indeed, the scope of these tiers and their articulation within a national social protection strategy should respond to national needs, constrains and possibilities. Nevertheless, the concept of solidarity should be a basic foundation of any such strategy.

“While it can be reasonably portrayed as the responsibility of government to provide access to adequate basic medical care from general taxation, the capacity to do so will depend on available resources relative to need. in many countries it will be necessary for this responsibility to be shared with individuals and their employers. Cost-recovery at the point of delivery is one option, but it offers limited scope since it imposes a potentially heavy burden on a beneficiary who has made no advance provision or is unable to do so. compulsory health insurance offers better prospects of raising additional finance while also providing guaranteed entitlement to adequate medical care; such schemes are based on social insurance principles and depend heavily on the same requirements administrative efficiency and access to a section of the population which can provide sufficient contributions. Particular attention must be given to controlling expenditure, for in this field neither those providing the medical care nor those receiving it have much incentive to do so themselves.”<sup>36</sup>

The ILO undertook a study of Social Protection of the Unorganised Sector in India under the Technical Support Services I of the UNDP in 1996. A report of the study was submitted to Government in 1999.. The report says:

"Since about ten percent of the working population and their dependants are covered by formal sector social insurance, extension and reform of the formal social insurance system could reach roughly another five percent of the working population, i.e., most regular and some casual wage workers in the unorganised sector. At the other side of the income scale are the 30 percent of poor households who can only be helped by tax financed social assistance. This leaves about 60 percent of the working population- above the poverty line but not eligible or not interested in formal insurance- who have some contributory power and are interested to contribute to social insurance programs that are tailored to their needs. So the main challenge of a comprehensive social security policy is to reach this majority of the working population."<sup>37</sup>

### **3.5 Conclusion**

Having regard to these views the Study Group feels that in considering the question of evolving an integrated and comprehensive system of social security in India one needs to have a broad vision and develop a structure which will encompass the whole population of diverse needs. It cannot be a single scheme but a combination of schemes catering to the needs of different target groups with different needs and different paying capacities. The Study Group is of the view that in India there is already a three tier system which can be expanded and consolidated. In the first tier there is the National Social Assistance Programme and other social assistance programmes. At the second tier there are the social insurance schemes namely; the ESI Scheme, the Schemes framed under the EPF Act, the employers' liability schemes and such others. At the next level are the numerous voluntary health insurance and old age pension schemes which are being run by LIC, GIC, the UTI and other financial institutions. Lately a new set of schemes have appeared on the scene and they are the welfare funds, subsidised insurance schemes, self help groups, micro credit, micro finance and micro insurance schemes etc. Each of these tiers needs to be expanded to cover the whole population

The system envisaged by the Study Group comprises of four tiers, namely:-

- (i) Social assistance programmes financed wholly tax based and financed from the exchequer
- (ii) Schemes which are partly contributory and partly subsidised by the State
- (iii) Wholly contributory social insurance schemes
- (iv) Voluntary Schemes

Destitutes and people below the poverty line who cannot make any contribution for their security may be covered under the tax based schemes in the first tier. Workers in the unorganised sector who have some contributory power but cannot be self sufficient may be covered under the subsidised schemes in the second tier. Those

who either by themselves or jointly with their employers can make adequate contribution to the schemes so as to be self sufficient may covered under the social insurance schemes in the third tier. Others who are comparatively affluent and can make their own provision for meeting the contingencies or risks as they arise may be covered under voluntary schemes which the new insurance companies can provide. The various recommendations made by the Study Group in the previous chapters conform to this pattern and the Study Group commends it for adoption.

## CHAPTER – 4

### SOCIAL ASSISTANCE PROGRAMMES

#### 4.1. NATIONAL SOCIAL ASSISTANCE PROGRAMME

The National Social Assistance Programme (NSAP) came into effect from 15<sup>th</sup> August, 1995. The programme aims at ensuring minimum national standard of social assistance in case of old age, death of primary breadwinner and maternity.

The NSAP has for the present three components viz.,

- (1) National Old Age Pension Scheme (NOAPS)
- (2) National Family Benefit Scheme (NFBS)
- (3) National Maternity Benefit Scheme (NMBS)

More such schemes may be added in future.

The NSAP is a Centrally Sponsored Programme under which 100 per cent Central assistance is extended to the States/UTs to provide specified benefits in accordance with the norms, guidelines and conditions laid down by the Central Government. The intention is to ensure that social protection to the eligible beneficiaries is uniformly available everywhere in the country without interruption. The Central Assistance is not intended to displace States' own expenditure on such schemes. States /UTs may expand the coverage and quanta of benefits of their own schemes wherever they like to do so. While some States have indeed expanded the scope of their schemes in the spirit of the NSAP many others have just replaced their schemes with the National Schemes.

The NSAP provides opportunities for linking the social assistance package to schemes for poverty alleviation and the provision of basic needs. Specifically, old age pensions can be linked to medical care and other benefits for the old and the poor. Assistance under SGSY etc. may be provided in addition to the family benefit for the families of poor households who suffer the loss of the breadwinner. Maternity assistance can be linked to maternal and child care programmes.

The NSAP is implemented by the Panchayats and Municipalities in the delivery of social assistance so as to make it responsive and cost-effective. In the process, the Panchayats and the Municipalities will be strengthened and it may be possible for them to mobilize local resources for supplementing benefits from the Government. Panchayats and Municipalities will be encouraged to involve voluntary agencies to the extent possible in taking these benefits to the poor households for whom they are intended. The responsibility for



implementation will, however, rest on the Panchayats and the Municipalities. While the proposal to implement the schemes through Panchayats and Municipalities is intended to decentralise the delivery mechanism it does not provide for peoples' or beneficiary participation in the implementation of the Schemes. There is also no evidence that voluntary agencies have been involved in the delivery of services.

The NSAP is implemented in the States/UTs in accordance with the General Conditions applicable to all the components of the NSAP as well as the Specific Conditions applicable to each component. The details of the Programme are given in Annexure II:

**The National Social Assistance Programme has undoubtedly served the long felt need for uniform national minimum standards for providing social assistance to the weaker sections of society. But the programme provides only a few benefits, namely, old age pension, maternity benefit and family benefit. It is however envisaged that more such benefits may be added in due course. There is an obvious need for expansion of the Programme.**

**Article 41 of the Constitution requires the State to make effective provision inter alia for "public assistance in cases of unemployment old age, sickness and disablement and in other cases of undeserved want" The NSAP is said to introduce a National Policy for such public assistance. However it falls short of this Article in so far as no provision has yet been made for unemployment, sickness and disablement, and other cases of undeserved want. The Programme needs to be expanded for fulfilling the Directive Principle enshrined in this Article.**

According to the Human Development Report an effective safety net should be designed "to catch the victims of the competitive struggle - such as the temporarily unemployed - and to protect the lowest income groups, the young, the old, and the disabled." (Human Development Report 1993).

**The program should ensure that all the people who are not able to work and earn their living have the necessary means of livelihood and that their basic needs such as food, clothing and shelter are met adequately.**

**Specifically, the program should be extended to other equally deserving categories of people such as physically and mentally handicapped persons and widows. The old age pensions in many States cover these categories but there is no uniformity in the eligibility criteria or the quantum of benefits. A national standard needs to be established for such benefits also.**

It is recognised that the assistance provided under the NSAP should be linked to other social assistance packages for poverty alleviation and the provision of basic needs so as to supplement the assistance provided but no such linkage seems to have been established.

Apart from the NSAP there are several schemes under which social assistance is provided for various purposes such as follows:

- (a) PDS including Annapurna and Antyodaya Anna Yojana Schemes
- (b) Schemes under which supplementary nutrition is provided to women and children including the Midday Meal Scheme
- (c) Housing schemes for economically weaker sections, including schemes for old age homes orphanages, homes for deserted women, beggars etc.
- (d) Schemes under which assistance is provided for self employment
- (e) Schemes under which cash assistance is given to the unemployed
- (f) Schemes under which old age, disability and death benefits are provided under subsidised insurance schemes

It is desirable to integrate all such programmes so as to assure every one of a minimum benefit and to avoid overlapping of the benefits provided under different programmes: The integrated National Social Assistance Programme should be placed on a statutory footing so as to make it binding on the Government/s

## **4.2 Pension Schemes**

### **4.2.1 Old age pension**

The rate of old age pension is Rs.75 per month . Considering that the floor level minimum wage fixed by the Central Government meant for three consumption units is around Rs.45 per day, the cost of subsistence of one consumption unit comes to Rs.15 per day or Rs. 450 per month. Granting that a pension may not exceed fifty percent of a wage the minimum pension should not be less than Rs.200 at current prices.

The current rate of pension is far below this level and needs to be enhanced. .

The rate of pension was fixed in 1995 Since then there has been a considerable rise in the consumer prices the real value of the pension has been reduced . There is however no mechanism to adjust the pension to the rise in the consumer price index.. It should either be linked to the index or revised periodically so as to maintain its real value.

There are broadly three criteria for eligibility to old age pension

(a) Before the introduction of the NSAP the age limit varied from 60 to 65 It has now been made uniform A suggestion has been made to reduce it to 60.

(b) Before the introduction of the NSAP in all States except Kerela and Gujarat only the destitute old were eligible for the pension "Destitutes" were defined as those without any source of income and no relatives to support them . In Gujarat, however, it was provided that eligible persons should not have an income exceeding Rs.300 per month individually or be a member of a family with an adult son the total income of which exceeds Rs.1200. . In Kerela the relatives who support the applicant were not have a monthly income of more than Rs.50 NSAP has allowed the States/ UTs to continue to follow the same income criteria for eligibility for old age pension under the programme but the Central Government have reserved the right to review and to revise the criteria . No such review appears to have been made. No such review appears to have been done .

**The Study Group suggests that the income criteria for eligibility for the pensions be reviewed and revised on a uniform basis.**

While destitution is the criterion for old age pension, poverty is the criterion for the other benefits. The Working group on Social Security of the Economic Administration Reforms Commission had recommended that person earning less than Rs.2500 per annum (50 percent of the poverty line at 1979-80 prices )should be entitled to old age pension. The Study Group feels that a similar criterion related to the poverty line should be adopted for the National Old age Pension Scheme. Assuming that the estimated income at the poverty line is Rs.16,000 per annum the income ceiling for eligibility for old age pension may be fixed at Rs.8000 per annum.

**In other words all old persons having an income of less than Rs.8000 per annum at the current level of prices should be entitled to old age pension under the Scheme.**

(c) Some States had certain domiciliary conditions for eligibility to old age pension under their schemes The NSAP is silent about this condition.

**As the old age pension is now admissible under a national scheme there is no justification to exclude any person from the benefit on grounds of domicile .**

A study of the implementation of the old age pension schemes at the instance of the ILO recently has revealed that the awareness of the scheme is low, the administrative procedures cumbersome, the eligibility criteria very onerous. There was no regularity in payment, there was no fixed pattern for disbursement of the pension, there were wide disparities in the percentage of old persons drawing the pension among the States ranging from 67. Percent in Haryana to 1.3 percent in UP. The most significant observation was that

all eligible persons were not being paid pension, availability of funds being the main consideration for fixing the number of beneficiaries at the State and therefore at the lower levels also

**When the benefits are subject to a means test, imposition of numerical and financial ceilings would appear to be discriminatory as they exclude from the benefits those who are eligible for the benefits but are denied the same for the reason that they are in excess of the ceilings. The ceilings should therefore be removed. The benefits should be paid to all the persons who qualify for them under the Scheme.**

The study has also pointed out that some States have prescribed that the claimants to old age pension should be Niradhar, without any one or a major son to support them. In this connection the study has raised a policy question "whether it is not desirable, if not necessary for old age care to be provided as far as possible within the family." It has suggested that "social assistance should not only target individuals (indigent old people) but also the families that takes care of them."

**It is therefore proposed that the eligibility criterion of having none to support the elderly should be removed for eligibility for the old age pension.**

As regards the selection of the persons qualified for the pension the study has made the following observations:

" The real and lasting solution to this question of prompt and proper selection seems to lie in entrusting this work and responsibility to the village or at the block level. It may not be possible to evolve a system that is fool proof but given the experience so far and considering the relevance of Panchayats at the level as organ of local Government selection of persons as beneficiaries under a given set of criteria is best left to be made by the Gram Sabha at an open meeting and to have the lists periodically revised, say twice a year or once a year. Perhaps, a variation of this system could be the preparation of provisional lists by the Panchayats in consultation with the village officials and to leave it to the Gram Sabha to make such changes to the list as it considers necessary. In addition, the identified beneficiaries should be registered at the village level and provided with identity cards (which can also be in the form of an additional colour card attached to the ration card). And if selection of beneficiaries and the revision of the list is to be at the Panchayat level, logic also demands that payment must also be at that level"

**The population of the elderly has been rising. The budget provision for the old age pension scheme should be increased from time to time corresponding to the increase in the population of the elderly. The selection of persons should be made by local authorities and all eligible persons should be paid pension as due by the local authorities.**

#### **4.2.2 Widows Pension.**

The afore mentioned study has commended the Gujarat Scheme of widow pension to be adopted as the national norm. In Gujarat widows' pension is available only for one year during which the widow is given training for acquiring a skill which she can, on completion of training, use to earn a livelihood. At the end of the training an equipment grant of Rs.1000 is given. Additionally the widows are paid Rs.80 per month per minor child for maintenance of their children subject to a maximum of two minor children each. Further during the period of training, the widow is also eligible to get a stipend of Rs.80 per month, though this is restricted to widows not belonging to the upper castes.

The Study has suggested that "if this scheme were to be adopted at the national level, it would have to be decided whether eligibility for continuous pension should be fixed at 50 or 55 years. In addition, the lower age eligibility criterion would have to be placed at 18 years being the legal marriageable age. For widows between 18 and 55 years old it would be recommendable to allow a pensionable period of two years. The idea of paying a small amount towards maintenance expenditure of minor children upto a maximum of two is sound and may be retained."

**The Study Group feels that a national scheme may be drawn on the foregoing lines with the following modifications:**

**(a)Widows may be entitled to old age pension at age 60 and above**

**(b)Widows between the age of 18 and 60 may be paid pension for a limited period of two years during which period they may be given training to enable them to take up employment.**

**(c)During this period they may also be paid a supplementary pension of Rs.80 per child for two children for their maintenance .**

**(d)At the end of the training they may be paid an equipment grant of Rs.5000**

**The Study Group does not feel the need for payment of a stipend during the period of training as they would already be drawing a pension**

**The Study Group however feels that the equipment grant of Rs.1000 is too low. The Study Group therefore suggests that it may be raised to Rs.5000**

#### **4.2.3 Pension for the Physically handicapped**

Several States have extended pension benefits to the physically handicapped persons who are below the age to qualify for old age pension. . No age limit or a lower age limit is prescribed for such pension. Degree of disability is however a relevant criterion for eligibility for the pension in some States.

The study of the old age pensions referred to above has suggested that, in general, a national scheme should be restricted to total disability and disability resulting in at least 70 percent loss of earning capacity and that to determine the extent of loss of earning capacity the provisions of the Workmen's Compensation Act and the ESI Act should be followed.

The Study Group agrees with these views and suggests that a national scheme may be drawn up for payment of a pension to all the physically disabled persons who are ab initio incapable of doing any work and earning their livelihood or who have lost their earning capacity by more than 70 percent due to any accident or disease. The rate of pension should be the same as suggested above for the elderly. The lack or loss of earning capacity may be assessed by the same procedure as is prescribed for workmen's compensation under the Workmen's compensation Act or disability benefit under the ESI Act.

#### **4.2.4 Other Pension Schemes**

Some States have special pension schemes for journalists, artists agricultural workers and others. It is suggested that all such schemes be integrated into a National Pension Scheme with standardised components comprising of an old age pension, invalidity pension or disability pension and a family pension including a widows pension, a children's pension or allowance .

#### **4. 2.5 National Pension Scheme**

If the recommendations concerning the integration of all pensions schemes are accepted it is further suggested that the National Old age Pension Scheme be renamed as National Pension Scheme and this Scheme may provide for payment of pension at a uniform rate of Rs.200 each linked to the cost of living index as follows;

- (a) All men and women of and above the age of 65 years and all widows of and above the age of 60 and all disabled persons with loss of 70 percent earning capacity above the age of 18 ( on the assumption that up to the age of 18 they will be looked after by their parents/guardians) subject to an income test related to the poverty line
- (b) All widows between the ages 18 and 60 for a period of two years during which time they should be given training to enable them to earn their livelihood; financial assistance for maintenance of minor children and an equipment grant of Rs.1000 each
- (c) Other indigent persons who cannot earn their livelihood as may be identified by the Government /s

### **4.3. Family Benefit Scheme**

The Family Benefit Scheme is in the nature of survivors' benefit. If a widows' pension with supplements for children is introduced on a national scale, as suggested above, the lump sum payment under the Family Benefit Scheme can be reduced, to say Rs.2500, for meeting the cost of funeral and associated expenses. It may be supplemented by the subsidised Group Insurance Scheme called the Janashree Bima Yojana which also provides for a survivors' benefit. This way the two schemes may be integrated.

### **4.4 Maternity Protection**

The Forum for Crèche and Child Care Services (FORCES) a coalition of organisations devoted to the cause of maternity protection and child care has been spearheading a movement for improving the existing laws and practices on the subject. This forum has suggested comprehensive law for maternity benefit should be enacted. The Act should cover all women whether they are gainfully employed or not. It should provide not only for maternity leave and cash benefits but should also cover the nutritional and health needs of women. The Act should provide for wage and employment security to women.

The organisation has submitted a memorandum to the Study Group with the request to include in its report the following recommendations among others :

- (a) The ILO Convention No.183 and Recommendation No.191 – concerning Maternity Protection should be ratified by the Government of India.
- (b) A six months leave period should be considered to enable exclusive breast feeding in view of the WHO Recommendation of the importance of the same.
- (c) The concept of maternity entitlement should be enlarged to include childcare and the two should be given the same status in law and policy. Health and well being of mother and infant require cash support through maternity as well as crèches and childcare services on work sites and labour camps etc. for the protection and survival of infants while women work.

The Study Group has considered these suggestions. It is felt that the responsibility of the State to provide social assistance for maternity benefit or otherwise should be limited to persons below the poverty line. Maternity protection of other women workers should be taken care of by the Maternity Benefit Act and the ESI Act. Other non workers should make their own provision through appropriate private insurance schemes.

In that view the National Maternity Benefit Scheme which is applicable to all women below the poverty line meets the purpose of the suggestions made by FORCES. to some extent. The quantum of benefit provided under the Scheme may however not be adequate to meet the cost of health care, provision of necessary supplementary nutrition in addition to sustaining the woman during the maternity period.

The Study Group therefore suggests that the quantum of benefit should be raised . In this connection the following facts are relevant. According to ILO Convention the rate of maternity benefit should not be less than 75 percent of the wages last drawn. Assuming the woman qualifying for the maternity benefit under the national Maternity Benefit Scheme is employed on minimum wages for which the Central Government has fixed a floor level of Rs.45 the maternity benefit may not be less than Rs.30 per day or Rs.900 per month. The period for which maternity benefit is normally paid being 12 weeks or three months the total amount of maternity benefit will come to Rs.2700 . To this may be added an additional provision of Rs.300 supplementary nutrition etc. Thus the total amount of cash benefit to be paid will come to Rs.3000 per child birth.

It is estimated that there are around 91 million working women; of these, approximately 90% are in the unorganised sector. These women toil hard and long, invariably outside their homes Most of these women are mothers. Usually, they have either to take their children to the places where they work with attendant risks or leave them in the care of elder siblings at home In either case the children lose out on their precious childhood. In the latter case, the enforced care of the little ones deprives the elderly girls who are called, upon to play an adult role, of their right to education. It has been recognised that in this context the provision of daycare service for children becomes essential. By helping to look after the children day care centres perform an invaluable service in ensuring that the children remain in a stable environment. The Central Government has therefore introduced a Crèche Scheme and a National Creche Fund. Children in the vulnerable age group of 0-5 and whose parents' total monthly income does not exceed Rs.1800 are given essential day care service under these scheme ✓

The estimated number of creches required is about 8 lakhs against which hardly 15000 crèches have been set up under these schemes. It is obvious that the number of crèches has to be increased

The Study Group therefore suggests that adequate arrangements be made by the Governments at the Central and State levels to provide day care services for children in the age group 0-5, in the form crèches or otherwise, complementary to the National Maternity Benefit Scheme, to enable all working women to leave their children under proper care in a safe environment removing the burden from the shoulders of their siblings.

#### **4. 5. Food Security**

Food Security is one of the major components of social security. It consists of ensuring that "food is available at all times , that all persons have means of access to it, that it is nutritionally adequate in terms of quantity quality and variety and that it is acceptable within the given culture" There are three elements in this definition, availability, access and



suitability. In recent years, nutrition is considered as part of food security so that it is called "Food and Nutrition Security"

According to the Human Development Report 1994, Food Security means that all people at all times have both physical and economic access to food- that they have entitlements to food, by growing it for themselves, by buying it or by taking advantage of a public distribution system. The availability of food is thus a necessary condition of security - but not a sufficient one. People can still starve even enough food is available - as has happened during many famines.

The overall availability of food in the world is not a problem. Even in developing countries per capita food production increased by 8% on an average in the 1980s . and there is enough food to offer everyone in the world around 2500 calories per day- 200 calories more than the basic minimum.

But this does not mean that every one has enough to eat. The problem often is the poor distribution of food and a lack of purchasing power.... In south Asia 30,% of babies born are underweight. The highest ratio for any region in the world and a sad indication of inadequate access to food, particularly for women who are often the last to eat in the household.

Access to food comes from access to assets, work and an assured income. And unless the question of assets, employment and income security is tackled the problem of food insecurity cannot be solved.

### **Starvation amidst plenty**

Famines are commonly thought of as nature's revenge on hapless humanity. Although nature can certainly create local food shortages, human beings turn these shortages into widespread famines. People go hungry not because food is unavailable but because they cannot afford it. The Bengal Famine of 1943 shows why between two to three million lives were lost , even though there was no overall shortage of food. In fact, the per capita supply of food grains in 1943 was 9% higher than in 1941.

A well organised public distribution system is one way to prevent such catastrophes.

"Given the link between subsistence and poverty, food security occupies a central place in improving entitlements and ensuring capabilities (health, labour power, productivity). Food security entails both adequate availability of food in the economy and the ability of the population to acquire it in normal times as well as in crisis situations. As such, the topic has very wide ramifications involving domestic and international policies and programmes relating to growth and poverty alleviation; output, trade and pricing in the agricultural sector ; domestic food management through buffer stocking and distribution systems ; food aid and other financing arrangements for food imports; and famine prevention. <sup>38</sup>

"In addition to generalised measures for increasing overall food availability, many developing countries have intervened in the food market through public distribution systems and food subsidies linked to them".<sup>39</sup>

In India the objective of the Government Food Security Policy is to ensure availability of food grains to the public at an affordable price. The Public Distribution System (PDS) has over the years become an important instrument of Government Policy for regulating the open market prices of essential commodities and for ensuring food security at the household level.

Under the PDS the Central Government has assumed responsibility for procurement and supply of essential commodities, viz. wheat, rice, levy sugar, imported edible oils, kerosene and soft coke to the State Governments and the Union Territories for distribution at almost uniform and affordable prices to the public. These commodities are made available to the States/UTs at fixed Central Issue Prices which are determined by the Central Government and generally involve subsidies borne by the Central Government. Some States/UTs also distribute additional items of main consumption through the P D S outlets.

The implementation of the P.D.S. is the joint responsibility of the Central and the State Government/UT Administrations. The Central Government is responsible for procuring the commodities, storing and transporting the P.D.S. items upto the Central go downs and making them available to the States. The responsibility for actual distribution to consumers and administration of the P.D.S. is entirely that of the State Government/UT Administrations.

The allocation of P.D.S. commodities among the States/UTs is decided on by a Committee headed by the Secretary of the Ministry of Food and Civil Supplies

The net work of fair price shops has been expanding over the years. Currently, there are about 4.61 lakh outlets or fair price shops through which P.D.S. commodities are supplied to the consumers. Of these, 3.71 lakhs are in rural areas and 0.92 lakhs in urban areas. Each F.P.S. is expected to serve a population of about 2000.

Upto 30.1.2001, 1779 lakh ration cards had been issued by the States/UTs to cover the entire population of the country. Different States have issued different types of cards like white cards, green cards, saffron cards, etc., to provide concessional food grains. Increased emphasis has been laid in the past few years on improving the reach of the P.D.S. to remote, far flung and inaccessible areas. Mobile fair price shops/vans are pressed into service in these areas.

### ***Targeted Public Distribution System***

The PDS as it operated earlier had been widely criticised for the failure to serve the population below the poverty line. Therefore, on the basis of the recommendations of the Chief Ministers Conference held in July 1996, an effort was made to streamline the PDS, through the introduction of the Targetted Public Distribution system in June 1997. This system follows a two tier subsidised pricing structure, for families Below Poverty Line (BPL) and for those Above Poverty Line. BPL population receive rice and wheat at a much lower price (hence highly subsidised) whereas APL population is supplied at a price which is much higher and closer to the economic cost. The identification of the poor under the scheme is done by the States as per the Statewise poverty estimates of Planning Commission based on the methodology of the Lakdawala Expert Group.

The allocation of foodgrains to the States/UTs is made on the basis of average consumption in the past, i.e., average annual off take of food grains under PDS during the past ten years. The quantum of foodgrains in excess of the requirement of BPL families @ 10 kg per family per month was provided to the States as transitory allocation for which a quantum of 103 lakh tonnes of food grains was earmarked annually. Keeping in view the consensus on increasing the allocation of food grains to BPL families and to better targetise food subsidy, the Government of India has increased the allocation of food grains to BPL families from 10 kg to 20 kg per family per month at 50% of economic cost with effect from 1.4.2000. The allocation for APL families has remained at the same level as at the time of introduction of TPDS.

### ***Antyodaya Anna Yojana***

A National Sample Survey pointed out that about 5 % of the total population in the country sleeps without two square meals a day. In order therefore to make the TPDS more focused and targeted towards the poor, a new scheme called the Antyodaya Anna Yojana was launched in December 2000. The schemes contemplates identification of 10 million poor families and providing them with 25 kg of food grains per family per month at a low price of Rs.2 per kg for wheat and Rs.3 per kg for rice. the estimated annual allocation of foodgrains for Antyodaya families would be 30lakh tonnes involving a subsidy of Rs.2315 crores.

### ***Annapurna :***

This scheme was launched with effect from April 2000. Under this scheme, 10 kg of food grains per person per month free of cost will be provided to indigent senior citizens who are eligible for old age pension but are not presently receiving the pension and whose chose children are not residing in the same village. Under the Scheme gram panchayats would identify and display a list of such person (indigent senior citizens) after giving wide publicity. The Ministry of Rural Development is the nodal Ministry for the Scheme. The Department

of Food and Public Distribution allocates food grains from the Central Pool as per requirements intimated by them .

Government has decided that from Nov. 2000 food grains will be allocated under the Annapurna Scheme to indigent old persons inclusive of those receiving old age pension from the State Governments. . The Department of Food and Public Distribution will henceforth issue food grains under the Scheme at BPL rates instead of economic cost.

The estimated cost of this scheme s Rs.330 Crores per annum

### ***Food Subsidies***

The gap between the economic cost incurred by the FCI towards procurement storage, distribution and wastage of food grains and its average realisation based on the issue prices under PDS is filled by the Central Government through the consumer subsidy. The consumer subsidy together with the buffer carrying cost constitute the food subsidy . The subsidy on food grains has been rising from year to year . It was Rs.4960 crores in 1995-96 and it went up to Rs.12075 crores in 1999-2000 (RE) . The budgetary outlay for 2000-2001 is Rs.13670 crores.

### **Assessment of the PDS**

Several studies have been conducted into the working of the PDS in India. The general conclusion appears to be that the PDS is highly differentiated across States and that its coverage is very limited except in Kerela and a few other States. In other words, PDS is not reaching the vast majority of the population. Madura Swmainthan has taken the extreme view that "PDS has failed in large parts of the country and that it needs to be restructured to be an effective tool of food security. Large numbers of poor are excluded from the PDS. The quantities supplied are generally inadequate and prices have risen rapidly in recent years. In many States there is large scale diversion of grains, wastage, low quality and unreliability of provisioning. "

It is however acknowledged that the system is working very well in the Southern States, especially Kerela. According to Madura Swaminathan Kerela has the most effective Public Distribution System in the country.

The National Commission on Rural labour had recommended that the PDS should be reoriented to target directly the poorer sections and that food items should be supplied through the PDS to hungry families only. Accordingly, a Targeted PDS was introduced.. Now a new Antyodaya Anna Yojana has been introduced targeting the very poor. But not all States have accepted this principle. While targeted populations are supplied specified quantities of food grains at specially subsidised prices, the benefit of the PDS has not been withdrawn for the other classes of people with the result the burden of food subsidy is growing.

The Annual Report of the Ministry of Consumer Affairs Food and PDS for the year 2000-2001 mentions a Study carried out by the Tata Economic Consultancy Services according to which the diversion of commodities supplied to the States under the PDS was of the following order:

Wheat	36 %
Rice	31%
Sugar	23%
Edible oil	55%

The Minister of Food and Public Distribution is reported to have attributed the poor off take from the PDS due to bad implementation of the scheme. He is reported to have said that "it was ironical that on the one hand the country had a surplus of food grains and on the other, there was concern about food security. the off take was never more than 50 percent in the below poverty line population . The Government was only providing 20 kgs to the BPL families per month as against 50 to 55 kgs. Still the lifting was poor and the nutritional level were inadequate.. Instead of food security what needs to be discussed is honesty, efficiency and work culture security." He said that "food security had a graver threat than national security. food security was not in competition with national security .But the latter has no relevance in the absence of the former."

The Minister is further reported to have said that the Government was reviewing the Targeted Public distribution system and would soon come up with a strategy to ensure implementation of the scheme so that the subsidised food grains reach the targeted groups.

In his Budget speech, the Union Finance Minister announced steep increase in the prices of rice and wheat supplied through fair price shops. This decision has come in for criticism on several grounds :

Under the existing PDS foodgrains are supplied to people at four different prices

- (i) Indigent Senior citizens are supplied 10kgs of food grains per month free of cost
- (ii) 10 million poor families are supplied 25kgs of food grains per family per month at Rs.2 per kg for rice and Rs.3 per kg for wheat
- (iii) The other people below the poverty line are supplied 20 kgs of foodgrains at fifty percent of the economic cost
- (iv) The people above the poverty line are supplied food grains at economic cost. It has since been decided to reduce this price also by 30 percent

Even so the off take from the PDS appears to be poor especially in some States like Bihar. It could be due to the fact that as the economic cost has been going up, the prices at which food grains are supplied to people below the poverty line are also going up and they cannot afford to buy them at those prices. It could also be due to

the poor quality of the foodgrains supplied through the PDS Besides the quantities supplied at subsidised prices do not suffice for sustenance of the whole family and the people have to supplement them by purchase from the open market. Thus the implementation of the PDS does not seem to be serving the purpose of making food grains available to people at affordable prices fully . The Study Group feels that the food security policy calls for a review and rationalisation.

#### **4.6 Distribution of Cloth**

In India, Food, Clothing and Shelter are regarded as the most basic of the human needs. Yet while there are many programmes for providing food security and housing security there are few schemes to provide clothing to the needy people except when calamities occur.. At one time there was a Janta Scheme for supply of cloth to poor people at prices affordable by them. That scheme seems to have been discontinued. There is at present no Central or Centrally Sponsored Scheme for distribution of cloth to the needy.

Some States however have supply of clothes free or at subsidised prices among the poor and the destitutes.

**The Study Group is of the opinion that the Central Government should devise a similar scheme for supply of cloth to destitutes free of cost and to the other persons below the poverty line at subsidised prices. The Study Group also suggests that the Janta Cloth scheme may be revived.**

Assuming that the total number of destitutes is 6 million ( same number as the number of persons entitled to old age pension under the National Old age Pension scheme) and the average cost of supply of cloth is Rs.150 per capita per annum total estimated cost of supplying cloth free of cost will be Rs.90crores.

#### **4. 7 Housing**

Shelter is one of the basic needs of people . There are millions of people without shelter in India Housing assistance to shelterless is therefore one of the Basic Minimum Services planned to be provided for improvement in the quality of life of the citizens. The Government has adopted a new Housing and Habitat Policy the ultimate object of which is to provide shelter for all within a specified period. While housing is essentially a private self help activity the policy has recognised that State intervention is necessary to meet the housing needs of the vulnerable sections of the people. The policy consists of two different types of programmes, one for the rural people and the other for the urban people.

Indira Awas Yojana is the most important rural housing scheme. It is a wholly subsidised scheme under which houses are constructed by the Governments and allotted to the people below the poverty line free of cost. This scheme is supplemented by other schemes under which sites are allotted to the people so that they may construct their own houses with loan assistance. There is also a scheme for upgradation of old and dilapidated existing houses.

The scheme for the Economically Weaker Sections (EWS) of people is designed to provide housing assistance to the urban poor. This appears to be a loan scheme with no subsidy element.

There are a few other schemes under which subsidy is given for construction of houses to persons belonging to certain occupational groups such as beedi workers.

**It is difficult to appreciate the discrimination between the rural and urban poor on the one hand and between members of different occupational groups on the other. In the matter of housing subsidy. The Study group suggests that a uniform policy be adopted in providing subsidy for housing.**

#### **4. 8.Economic Security**

Economic Security is one of the main components of human security. It constitutes the crux of social security in the conventional sense. Economic security requires employment and an assured source of a basic income adequate for meeting one's basic needs.

The Declaration of Rights of Man which served as the preamble to the French Constitution of 1793, which is said to be the origin of social security, proclaimed:

“Public assistance is a sacred duty. Society owes subsistence to unfortunate citizens either by procuring them work or by ensuring those who are unable to work the means of existence.”

It implied the right to work and the right to social security. The two rights are complementary to each other.

Article 41 of the Constitution also requires that the State should make effective provision for securing the right to work and to public assistance in cases of unemployment, old age, sickness, disablement and in other cases of undeserved want.

The right to work and the right to social security are parallel rights, of which the right to work has precedence. Society has an obligation to ensure that everyone who is able to work has

an employment whereby he can earn his living. Social security comes in only if one is unable to work for any reason.

The Ninth Five Year Plan document says:

“Productive work is not merely a means to the ultimate end of economic well-being. It should be seen as an end in itself. It is a basic source of human dignity and self-respect. It is also an integral element in nurturing national identity and social cohesion. Although rapid economic growth is the surest and most sustainable source of increasing work opportunities, market forces alone cannot be relied upon to provide gainful work for all. This is particularly true in a surplus-surplus economy like India. The congruence between the skill and spatial distribution of the labour force and the corresponding requirements of the economy may not be achieved through market-based mechanisms due to numerous distortions in the labour markets, information systems and infrastructural endowments that continue to persist in the country.

“A primary objective of state policy should be to generate greater productive work opportunities in the growth process itself by concentrating on sectors, sub-sectors and technologies which are more intensive-intensive, in regions characterised by higher rates of unemployment and underemployment. The experience of the last decade has been that relatively rapid growth does generate adequate employment opportunities. However, there is no cause for complacency. The magnitude of labour force growth in the coming decade is the highest it has ever been or is ever likely to be. The skill and geographical distribution of the emerging labour force reflect past trends in population growth and skill development, and cannot be changed significantly at this stage. Public intervention will be necessary to ensure not only that adequate work opportunities are created, but also that the labour force is able to access these opportunities.”

“Recognising the high incidence of underemployment and increasing casualisation of labour, there is need to enhance employment opportunities for the poor, particularly for those who are in seasonal occupation. The recent trend in lower labour force participation rates among women is partly a reflection of the inadequacy of appropriate work opportunities. In view of the observed relationship between women's participation in the labour force and fertility, this trend has disquieting portents regarding the pace of reduction in the growth rate of population. There is need therefore for public intervention in increasing work-opportunities which are sensitive to the seasonal and locational needs of the underemployed, particularly women. Such opportunities should be demand-driven to the extent possible. In this context, the effort to implement a National Employment Assurance Scheme is of considerable significance”.

In pursuance of this policy the Government have introduced several schemes to generate employment opportunities. Of these the following are important:



(a) Swarnajayanthi Gram Swarozgar Yojana: This programme is conceived as holistic programme of micro enterprises covering all aspects of self employment which includes organising the rural poor into Self Help Groups. The objective of SGSY is to bring the existing poor families above the poverty line by providing them income generating assets through a mix of bank credit and government subsidy and to ensure that an assisted family has a monthly net income of at least Rs.2000. Subsidy under SGSY is uniform at 30 percent of the project cost subject to a maximum of Rs. 7,500. In respect of SCs and STs it is 50 percent subject to a maximum of Rs.10,000. For groups the subsidy is 50 percent subject to a ceiling of Rs.1,25,000. There is no monetary limit for irrigation projects.. SGSY is funded by the Centre and States in the ratio of 75:25.

(b) Jawahar Gram Samridhi Yojana. The primary objective of this programme is creation of demand driven village infrastructure including durable assets at the village level to enable the rural poor to increase the opportunities for sustained employment. The secondary objective is generation of supplementary employment for the unemployed poor in the rural areas. The wage employment under the programme is given to Below the Poverty Line families.

(c) The Employment Assurance Scheme. The primary objective of this programme creation of additional wage employment opportunities during the period of acute shortage of wage employment through manual work for the rural poor living below the poverty line. The secondary objective is the creation of durable community social and economic assets to sustain future employment and development.

(d) Prime Minister's Rozgar Yojana . The objective of this Programme is to provide assistance for self employment to educated unemployed in urban areas.

(e) Swarna Jayanti Shahari Rozgar Yojana: The programme seeks to provide employment the urban unemployed or underemployed poor living below the poverty line and educated up to IX standard through encouraging the setting up of self employment ventures or provision of wage employment.

These programmes have been in existence for many years though under different names. The results of performance of the programmes have been mixed. In this connection it is important to note that average annual growth of employment has been declining continuously since 1972. These programmes do not seem to have had any significant impact on the employment situation.

The current employment situation is as follows:

- (i) Structural adjustment program which has encouraged multinational companies using sophisticated technology to enter the country freely has been displacing people engaged in traditional sectors. Workers occupied in the traditional processing sector suffer from competition from the large-scale industry. They face unemployment and destitution, as they cannot be absorbed in the new economy. The recent reports of mass suicides of weavers in AP bear witness to this phenomenon.
- (ii) The rate of growth in rural non-farm employment has slowed down,
- (iii) There is a growing casualisation of labour, especially among the educated work force,
- (iv) The stagnant (jobless growth) or declining The share of organizing sector in total employment levels in urban areas has been either declining or at best stagnant, particularly among females,
- (v) Rural real wages are declining .  
It is evident that the existing employment schemes have not been able to cope with these problems and the conditions of the unemployed and the underemployed people are deteriorating.

There can, however, be no doubt that special employment programs have a crucial role to play in providing short-term employment and preventing starvation. These programs coupled with the increase in food production and the P.D.S. have been able to successfully prevent famines in India. It seems necessary to supplement these programmes with an element of employment guarantee.

The Maharashtra Employment Guarantee Scheme is a prime example of such programmes. The World Bank has spoken highly about this Scheme:

“ Rural public employment schemes have two functions. The first is to maintain and create rural infrastructure – examples are road building, irrigation, soil conservation, and afforestation programs. The second, and the more important in this context, is to reduce poverty by providing employment to those in need. In this vital task, public employment schemes are often cost effective . Since poor people are willing to work for low wages , public employment programs can offer wages that screen out non poor so that resources can be used more effectively. In two large rural schemes in South Asia – the Maharashtra Employment Guarantee Scheme (EGS) in India and the Food for Work programme in Bangladesh- the proportion of participants with incomes below the poverty line was at least 90 percent. in the early 1980s . The schemes have attracted people who are often excluded from other programmes- for example, women, and members of scheduled castes in the case of Maharashtra Scheme.

"The EGS began in the early 1970s . Its objective is to provide on request employment at a stipulated wage, within fifteen days , and no more than five kilometres away from the participants' home villages. An unemployment allowance is paid when this is not possible. about three quarters of the EGS budge is spent on wages. The current scheme provides guaranteed employment year round . Political commitment to the program is firm and the effect on employment appears to be significant...rural unemployment rate has declined markedly in relation to that of other States. There is evidence that the proportion of poor has also declined faster than would have been expected on the basis of initial conditions and the growth of output."

Although the implementation of the Scheme has been subject to certain criticisms the scheme has been acclaimed for being result oriented and suggestions have been made to introduce such a scheme at national level.

**The Scheme aims at providing employment to the unemployed failing which to give an unemployment allowance. There are already several programmes designed to provide employment to the unemployed and the Government is already committed to incur bulk of the expenditure involved in such a scheme. The only additional feature of the guarantee scheme is to pay an unemployment allowance when the State is not able to provide jobs. Assuming that such an allowance would have to be paid only to the unemployed persons who are below the poverty line the burden of such an allowance may not exceed Rs. 350 crores. as pointed out in the chapter on Unemployment Relief The Study Group therefore feels that this is the kind of safety net that the country needs in these days of globalisation. It appears that this was also the view of the Planning Commission when they said that "the effort to implement a National Employment Assurance Scheme is of considerable importance " The Study Group is also of the opinion that such a scheme would not be infeasible and should be given a fair trial.**

**An attendant problem concerning wage employment relates to the quantum of wages. A recent study has revealed that in many States the rates of minimum wages fixed are very low and they do not take into consideration the minimum amount required for the subsistence of an average worker's family. The methodology adopted for fixing the rates of minimum wages vary and they do not conform to any scientific basis The wages actually paid are much lower than even the notified wages. The Supreme Court has laid down certain guidelines for fixing the minimum wages. at a subsistence plus level The Study group feels that these norms should be enforced and the level of minimum wages should be raised and more effective measures should be taken to ensure that no one pays wages below the minimum wages as that will constitute forced labour. While promoting wage employment, the States should adopt and enforce a rational minimum wage policy.**

#### **4.9 . Unemployment relief**

While the problem of unemployment and under employment has to be tackled mainly by means of programs which generate employment on short term or long term basis there will always be a number of persons unemployed or under employed. According to the Ninth Five Year Plan the sub stratum of the unemployed will be about 7 million till the year 2002 and it is likely to go down to 4.1 million by 2007. <sup>40</sup>

Many State Governments have introduced schemes for providing some relief to such unemployed persons.

**The study group feels that it is the responsibility of the State to provide subsistence by an appropriate social security measure to those who have no source of income. The Study Group therefore feels that the Central Government should consider introducing a National Scheme of Unemployment Relief to the unemployed persons subject to a means test.**

**The need for unemployment relief has been accentuated by the recent spate of death due to suicide of persons who are unemployed or thrown out of employment or who have suffered loss of income due to the impact of globalisation. Recently reports have appeared in newspapers of death by suicide of weavers in AP., maize cultivators in Karnataka, coconut producers in Kerela and rice producers in the Punjab . Reports also appear in newspapers frequently of death due to starvation in Orissa. In February 1998, the National Human Rights Commission had taken cognisance of such deaths and had made a series of interim recommendations to be implemented by the Central and State Governments within a period of two years including old age pension, disability pensions , employment generation, ecological security, soil conservation etc. The Commission had issued specific direction to the Central Government to release funds for an emergency programme of providing one meal a day to the starving people until the final recommendations were made. The Supreme Court had directed the Governments to comply with the directions of the NHRC**

A.P. and Karnataka Governments have also taken similar measures to provide relief to weavers and maize producers .

The problem is of continuing nature and it cannot be solved by such one time measures. It is necessary to institutionalise the arrangements . for preventing starvation.

The programmes to generate wage employment and to promote self employment are undoubtedly designed to alleviate poverty but considering the incidence of destitution

resulting in such tragic events it would be obvious that these programmes are not reaching the most needy and they need to be supplemented by an unemployment relief measure.

Assuming that the total number of the unemployed is about 7 million and 25 percent of them belong to families below the poverty line about 1.75 million people will require such relief.

The rate of unemployment relief varies from State to State.. Whatever relief is provided should be adequate for ones subsistence. On the basis of the floor level minimum wage fixed by the Ministry of Labour (Rs.45 for three consumption units) the amount required for subsistence at that level will be around Rs.15 per day. In order that the unemployed do not choose to be on dole in preference to employment, the rate of the unemployment relief will have to be less than the minimum wage. It may therefore be fixed at Rs.7.50 per day. or Rs.200 per month ( Rs.2400 per annum), the same amount suggested for old age pension.

The estimated cost of such a scheme will be Rs.420 crores per annum.

#### 4. 10. Land Reforms:

According to the Human Development Report 1997, the defining challenge of poverty alleviation is to strengthen people's ability to cope with the adversities- to build resistance and resilience, to seize opportunities for escape. People's assets reduce vulnerability and build resilience against poverty. The more assets they have, the less their vulnerability and the greater their ability to cope with poverty, to resist and to escape it. But any erosion of their assets increases their vulnerability and insecurity. Building people's assets, empowering them to fight poverty, should be the centrepiece of poverty eradication. The State has a responsibility to address structural inequalities in the distribution of assets, especially land, credit housing and social services.

In economic terms, an asset usually refers to capital, whether physical or financial, from which people may derive a future stream of income. But the assets used to resist poverty encompasses a broader range of tangible and non-tangible resources classified broadly as economic, social, environmental and personal.

Economic assets include land, livestock, housing, labour and financial capital that provide bases for generating income and production.

Land is critical for rural people- and for three-quarters of the world's income poor who depend on agriculture for their livelihood. About a quarter of the rural labour in developing countries are landless or do not have adequate security of tenure or title. And even those who have land often have holdings too small or unproductive to provide a secure livelihood. Institutions and policy reforms are needed to give better access and secure rights to all the critical assets that are unevenly distributed.

The National Commission on Rural Labour has stated that there is an immediate need to strengthen the land base of the rural poor for raising their income as well as for improving their status and strengthening their bargaining power. The measures include tenancy reforms, distribution of land, development of common property resources, access of land to women, updating land records and vigorous implementation of agrarian reform laws. All these together will have a favourable impact on rural wages tilting the socio-economic structure in favour of rural poor and raising living standards. This will also result in change of the power structure in Panchayat Raj institutions.

Land reforms are therefore regarded as an important social protection measure.

The Commission reviewed the performance of land reform measures in various States and observed that land reforms have not been carried out uniformly in all the States. The Commission further concluded that whatsoever may have been the implementation of land

reforms, they had not helped the rural poor to obtain secure and equitable access to land nor has an enduring improvement in their economic status been brought about. The Commission had therefore made several recommendations for better implementation of the reforms. There is however no evidence that they have been implemented so far. Indeed there is no mention of the recommendations or the action taken thereon in the Annual Reports of the Ministries concerned.

The Study Group would only like to draw attention to the fact that access to the use of productive resources by the lowest income groups is among the prerequisites for social development in an agrarian society like India. Providing access to assets for the poor is said to be a basic form of social security. In an agricultural economy land is the primary asset from a subsistence point of view.<sup>41</sup> Possession of land may therefore be viewed as the basic form social security for the poor agriculturists. Agrarian Reforms have therefore been included as a core issue in the National Agenda for Rural Reconstruction as a means of ensuring social justice to actual tillers and the landless rural poor, thereby creating a sustainable base for the overall growth of the industrial and tertiary sectors of the economy.

**Generating greater access of landless rural poor to land is considered an important component of the effort aimed at poverty alleviation. It is therefore necessary to ensure better implementation of the programme. As however land reforms is a State Subject, the Central Government can only advice and monitor the progress . The Study group suggests that this function may at least be executed diligently.**

#### **4. 11. Health Security**

##### ***Introduction***

Health security is one of the major components of human development. Good health is not only an end product of development but also a necessary condition for economic development. Improved health contributes to economic growth by reducing production losses due to illness of workers . There is a significant association between income growth and health.

Health care is one of the functions of the State.. According to the Directive Principles of State Policy laid down in the Constitution "raising the level of nutrition, and the standard of living and the improvement of public health are among the primary duties of the State".

India was one of the pioneers in health service planning with a focus on primary health care. In 1946, the Health Survey and Development Committee, headed by Sir Joseph Bhore recommended establishment of a well structured and comprehensive health service with a sound primary health care infrastructure. This report not only provided a historical landmark in the development of the public health system but also laid down the blueprint of subsequent health planning and development in independent India.

Improvement in the health status of the population has been one of the major thrust areas for the social development programme of the country. This was to be achieved through improving the access to and utilisation of Health, Family Welfare and Nutrition Services with special focus on under- served and under- privileged segment of population. Main responsibility of infrastructure and manpower building rests with the State Governments supplemented by funds from the Central Government and external assistance. Major disease control programmes and the Family Welfare Programmes are funded by the Centre (some with assistance from external agencies) and are implemented through the State infrastructure. The food supplementation programmes for mothers and children are funded by the State and implemented through the ICDS infrastructure funded by the Central Government. Safe drinking water and environmental sanitation are essential pre-requisites for health.

### ***Primary health care***

The World Health Assembly held in 1977 adopted a resolution that the main social target in the coming decades should be attainment by the citizens of the world by the year 2000 of a level of health that will permit them to lead a socially and economically productive life. Subsequently, the Conference on Primary Health Care held at Alma Ata declared that primary health care is the key to attaining this target as part of development in the spirit of social justice. Since then many countries have adopted primary health care as the strategy for social security. India has also adopted primary health care as the main instrument for achieving the goal of "health for all". Accordingly a vast net work of institutions at primary secondary and tertiary levels have been established.

Provision of primary health care services constitute one of the seven Basic Minimum Services included in the national agenda.

The primary health care infrastructure is intended to provide an integrated promotive, curative and rehabilitative services to the population close to their residence. It is estimated that over 80 percent of the health care needs of the population can be met by the primary health care infrastructure; only the rest may require referral to the secondary or tertiary health care institutions .

The basic infrastructure of primary health care for rural areas was evolved during the Sixth Plan to consist of sub centres, primary health centres and community health centres. The national norm for a sub- centre vary between 3000-5000 population depending upon terrain and location; on similar considerations the norm for a primary health care is 20,000 –30,000;



for four PHCs there should be a Community Health Centre. In accordance with these norms, the number of health centres required and existing in 1991 were as follows:

	No required	Existing:
Sub Centres	1,34,108	1,32,730
PHCs	22,349	21,854
CHCs	5,587	2,424

The gaps were to be filled during the Ninth Five Year Plan.

Nearly 30 percent of India's population live in urban areas. Due to urban migration and massive inflow of population to the towns and cities, the health status of urban slum dwellers is at times worse than that of the rural population. There had not been any well planned and organised effort to provide primary health care services to the urban population within 2-3 kms of their residence and to link primary, secondary and tertiary care institutions in geographically defined areas. As a result there was either a non availability or at times under utilisation of available facilities and consequent overcrowding in the secondary and tertiary care centres. Government has since decided to create a well structured organisation of urban primary health care aimed at providing basic health and family welfare services to the population within one –two kms of their dwellings. Accordingly, by June 1996, 871 urban health and family welfare posts and 1083 health and family welfare centres had been established.. The additional number of posts and centres required were to be established by end of the Ninth Plan.

The services provided in these centres have however not been satisfactory. It is said: "Although the Government of India declares that all its citizens would have universal free health care through government facilities, in fact, the public sector provision is underfunded, sometimes inaccessible, and often poor in quality. Consequently, in many States, the rural population seek their outpatient services from private providers. Approximately 75 % of out patient visits were provided by private practitioners.

" Moreover the services provided by government providers are not free. Often, government clinics and hospitals have a shortage of drugs and patients have to purchase drugs from chemists and also pay "unofficial fees" to government providers. In fact, patients out of pocket payments for government services are quite close to those in the private sector. One survey found that patients pay an average of Rs.125 per episode of illness to government providers compared to Rs.164 in the private sector.

The burden of out of pocket payments falls disproportionately on the poor. One survey found health spending accounted for 3.7% of the total household expenditures for low income households while it accounted for only 2.5% of household expenditure for the highest income class."<sup>42</sup>

The Planning Commission itself has admitted that the Primary Health Care System is facing the following problems :

- Persistent gaps in manpower and infrastructure especially at the primary health care level.
- Suboptimal functioning of the infrastructure; poor referral services.
- Plethora of hospitals not having appropriate manpower, diagnostic and therapeutic services and drugs, in Govt., voluntary and private sector.
- Massive inter state/inter district differences in performance as assessed by health and demographic indices; availability and utilisation of services are poorest in the most needy states/districts.
- Sub-optimal inter sectoral coordination.
- Increasing dual disease burden of communicable and non-communicable diseases because of ongoing demographic, lifestyle and environmental transitions.
- Technological advances which widen the spectrum of possible interventions.
- Increasing awareness and expectations of the population regarding health care services.
- Escalating costs of health care, ever widening gaps between what is possible and what the individual or the country can afford.

In spite of these deficiencies primary health care is regarded as the most appropriate strategy for attaining the goal of health for all within a reasonable time frame.

The Alma Ata International Conference , USSR , 1978, adopted the following definition of primary health care.

“ Primary Health Care is essential health care based on practical, scientifically sound, and socially acceptable methods and technology made universally accessible to individuals and families in the community through their full participation and at a cost that the community and country can afford to maintain at every stage of their development in the spirit of self reliance and self determination. It forms an integral part both of the country's health system , of which it is the central function and the main focus and of the overall social and economic development of the community.”

The concept of primary health care is based on the recognition that the physical and social environment and the behaviour of the individual and the community in which he/she lives have a greater bearing on the state of one's health and it seeks to remedy root causes of ill health by taking appropriate measures to promote health instead of trying to intervene when the loss of health occurs.

According to this concept people will enjoy good health if their basic needs are effectively and adequately met. The basic needs include certain minimum individual and family consumption requirement (food, housing, clothing, etc) and essential community services (drinking water, basic sanitation, public transport, education, and health) Basic needs also include employment and the resulting income, which in turn –in theory at least – provides the means of achieving the essential conditions for well being ; in other words, for the satisfaction of the basic needs.

Certain policy analysts of the World Bank have commented that public health financing in India is characterised by an emphasis on hospitals rather than primary care; urban not rural population; medical officers rather than para medics (again with urban bias); services that have larger private rather than social returns; and family planning and child health to the exclusion of wider aspects of female health. They have observed that this pattern is not conducive to provision of benefits to the community at large especially the poorest section of the population. They have recommended that public health spending should be targeted to programmes with greater countrywide health impacts.

A World Bank sponsored study says: "Numerous appraisers (from both India and outside agencies) have emphasised that the evolution of the urban health system has been hospital centred with a particular focus on large tertiary institutions. The urban public system has not invested adequately in primary care and preventive services. It has thereby failed the patients who have a very limited ability to pay. But who should be the main beneficiaries of the system. The overcrowding of public referral hospitals is unquestionably linked in part to a lack of, break downs in, and the by passing of existing primary and secondary care capacity.

"We agree with the Ninth Five Year Plan's emphasis on the expansion and upgrading of urban health centres and sub centres ( Planning Commission , Working Group on Health Care Delivery 1995), and view this as a potential area for Bank lending. However, we question whether these centres should be run directly by State Health Services. A related policy issue is the development of integrative arrangements that the primary care facilities to neighbouring hospitals. As suggested earlier, the option would be for governments to provide grants to NGOs or quasi autonomous public hospitals that would mandate the development and management of primary care facilities and standardised and transparent reporting on the success of such initiatives."

In the circumstances the solution seems clear that the health care system in India needs to be reoriented giving greater importance to development of primary health care than to secondary and tertiary level treatment of diseases. The Study Group has therefore come to the conclusion that the basic health security for the people should be provided by the State through its primary health care infrastructure by strengthening it adequately and improving the quality of its services.

### ***Health Care under Social Security***

Health care is also an important component of social security. Indeed medical care is widely regarded as the primary branch of social security since health is of concern to all age groups and all categories of employees all comprehensive social security programmes therefore make provision for medical care.. The ILO Convention no, 130 and Recommendation no.69 contain guidelines for provision of medical care under social security. In this connection the following question arises:

When the State is committed to a policy of health for all and has built up or is building up a huge health infrastructure to achieve that objective is it necessary or desirable to set up a parallel system of health care under social security; if not what is the role of social security in the field of health care?.

Speaking at the second Regional Technical Consultation on Strategies for the Development of Social Security Health Programme held in Colombia in 1985 Mr. Carlyle de Macedo, the head of the Pan American Health Organisation is reported <sup>43</sup>to have stressed the vital need for the efforts and resources devoted to health under social security systems to be brought together and to be integrated with the resources of the other institutions which had traditionally shared the responsibility for promoting and looking after the health of the population as a whole. He recognised that social security and public health had historically developed independently which had led to the existence of different operational practices and models, centres of interest and pressure groups. To overcome the obstacles that might be created by the vested interests a consensus should be achieved on two fundamental principles applicable to health policy; the principle of equity and that of efficiency.

The need for equity was based on the fact that health could not be considered exclusively as an individual phenomenon but was a social problem. The first natural consequence resulting from this was the idea of a universal right to health for each member of the population. The persistence of this concept of individual rights for each of the groups comprising society was an obstacle to the idea of equity and to process of co-ordination between the social security and health subsectors. These obstacles were even less tolerable when the concept of the particular rights of individual groups could not really be backed up by the argument that these groups were paying to obtain this particular right. Except for the workers' contributions, all the other forms of financing the special insurance schemes in practice involved payment by society as a whole. Taking into account the regressive nature of the tax systems which the governments relied on it was the majority sectors of the population, in particular the poorest, who paid proportionately more for the particular health rights of some of the groups——. The basic idea of equity carried with it the need to work towards the universal provision of health benefits in equal conditions or, in other words, the real universality of social security for all members of society. This must be the philosophy and the ultimate concrete and real justification of a proper system of social security.

As regards the second principle of efficiency, Mr. Macedo recalled that everybody was aware of the alarming inadequacy of the resources in the health field in the face of growing unsatisfied needs; but many forgot that at the same time there was enormous waste in the use of the resources that were available. He identified four causes of waste: The way in which the services were organised with duplication, gaps, loss of efficiency, etc. the administrative defects, provision of unnecessary services which did not reflect true health needs. Then the technological factor which affected the others. The health services had come to adopt sophisticated unnecessary and costly technology whilst a national approach would have been to choose techniques of providing basic health services for the large masses of the population.

These observations are as relevant in the Indian context as elsewhere. It should be obvious that if a separate system of health care were to be established for providing medical care to the unorganised sector which covers practically the whole population except for the small number of persons in the organised sector it will be more or less parallel to existing system of public medical service and amounts to complete duplication. There is hardly any justification for it. Considering however that the public medical service has not been satisfactory it is equally obvious that there cannot be a total reliance on that system. It has to be supplemented by other measures. This is the rationale for a variety of health insurance schemes that have come up or coming up. The ESI Scheme, the CGHS and the Mediclaim policies of the GIC are the most well known among the health insurance schemes. In addition, there have been a number of initiatives by groups of people, voluntary agencies, doctors and other medical staff, etc., to provide health services, often using elements of insurance. Some of these groups are directly providing the services to the target groups, some have concentrated only on the financing of primary health services, while others have acted as intermediaries to make available health insurance under the schemes of the GIC. The ILO has given a brief description of such schemes (see Annexure III) and discussed some of the options for the future as follows.

#### **“Some options for the future”**

It is evident from the above review that there is both a need and a vast scope for extension of health insurance (Jain, 1995a): both for raising additional finances so as to increase access to medical services and for enhancing their quality. The need is for optimal utilisation of private and public resources and facilities. The question as to which strategies may be adopted in this direction and which benefits may be provided through what kind of administrative and financial arrangements remain to be answered. Although the 1983 National Health Policy reform encouraged health insurance services, there has been only a limited extension of such insurance through GIC-sponsored schemes since that time.

From the available evidence, it is not clear what are the health insurance priorities for workers from the unorganised sector. Hsiao and Sen(1995) claim that most of them are more interested in ensuring the provision of primary and some secondary health services than to insure themselves against (much less frequently occurring) hospitalisation costs. This is in a way corroborated by the experience of the AHA which found that health insurance membership declined sharply when outpatient treatment facilities were no longer available.

If workers prefer to contribute to *primary and some secondary health services*, one could use the new concept of managing and financing of health care, particularly in rural areas, as recently developed and proposed by Hsiao and Sen (1995). Under the CHC scheme, the provision and financing of health care will be undertaken by communities characterised by strong social bonds and mutual trust. The CHC would provide preventive services, immunisation, health promotion, family planning, maternal and child care, and outpatient services to all its members, including drugs, for which a co-payment would be levied. Each community of about 1,000 people would have a health post serviced by one health worker paid by CHC and a stock of generic drugs specified in the WHO essential drug list. The CHC would also establish a primary health centre for a population of about 15,000 people, staffed by a doctor, a mid-wife, a clinical nurse, a primary care practitioner, a pharmacist, and an assistant. These centres would refer patients to the regional centres for tertiary care, possibly on the basis of a packaged fee or a capitation payment. Patients have the choice of obtaining free health services at the health posts and primary health centres or from private practitioners. When the service is obtained from a private practitioner, the CHC will only reimburse the patient 50 per cent of its costs. This new organisation would mean a significant improvement over services currently provided by the government, which finances one sub-centre for a minimum of only 5,000 people and one primary health centre for 30,000 people.

Estimating the package on conservative basis would lead to an average annual per capita cost of about Rs.100. According to four large household interview surveys in the early 1990s the approximate per capita cost for primary care and acute services paid by patients out of pocket ranged from Rs.115 to Rs. 200. The economic benefits to the CHC members could even be much larger if the government is willing to channel to the CHCs a large part of the savings resulting from the reduction of its costs for supporting the full range of existing government sub centres, primary health care centres and family planning programmes. More empirical information is needed to assess whether CHCs are viable and can produce more benefits than other alternative ways of financing and organising health care for its rural population. If these studies find that CHC is viable in rural India then demonstrations projects should be developed to test the organisational form and management that would be most suitable..

If the preference of workers is for insurance to counter the cost of hospitalisation then it may be advisable to follow the model developed by SEWA. It appears from their experience that the extension of worthwhile health coverage should be possible at affordable premium levels. In SEWA'S reckoning a satisfaction level of 50 percent could be achieved towards reimbursement of a member's health expenses against a small annual premium of rs.15. Taking this as a broad indicator premium amounts would need to be enhanced if the health of entire families is to be protected, as it must be, and the scope of the coverage is to be enlarged by removing the exclusion which have proved to be an irksome feature. On the other hand, there would seem to be a fair possibility of reducing the premium through an enlargement of the group ( it may be recalled that GIC offers a group discount of 66.7 % for group policies covering more than 50,000 members and a family discount of 0 percent) . Moreover, to the extent of government support, relief would also become available to the insured and, commensurably, their premium amounts would reduce.

As for the level of benefits, stipulation of certain ceilings on the amount of expenditure that may be incurred per insured family would seem to be essential.. Such ceilings would of course be expected to take into account the nature of illness besides having reference to the contribution. In addition, GIC or NGOs could offer a choice from few graded benefit packages related to different contribution rates."<sup>44</sup>

There are also many other suggestions

Late Sri T.N.Krishnan had made a suggestion for introduction of Hospitalisation Insurance for the rural poor. His proposal briefly was to provide insurance protection of Rs.5000 per family per annum for hospitalisation at a modest cost of Rs.30 per person which would work out to Rs.900 crores for 300 million people. This should be provided by the Government as part of the antipoverty programme

Having regard to these observations and recommendations the Study Group has come to the conclusion that while basic health security has to be provided by the primary health care infra structure it may be supplemented by one or more of the various options indicated above. Considering the size and diversity of the population in India no one model would be adequate. It may be necessary to have a combination of schemes . As most of these schemes will be voluntary development of such schemes may be left to the initiative of the people to form groups and to organise them according to their felt needs and solutions.

The Study Group however feels that the health insurance scheme of the ESI has an important role to play in supplementing the public medical service. It is therefore necessary to take all possible measures to improve its working and its expansion

#### **4. 12. Nutrition Support**

Nutrition Support is one of the Basic Minimum Services included in the National Agenda

There are two major programmes which provide food supplements to the vulnerable segments of the population; these are the Supplementary Nutrition Programme and the Midday Meal programme.

Special Nutrition Programme is one of the important components of the Integrated Child Development Services programme. The target group receiving food supplementation are children between the age of 6 months and 6 years and pregnant and lactating mothers. Efforts are made to provide 300 calories and 10 grams of proteins per child , 500 calories and 15-20 grams of protein for pregnant /nursing women and 600 calories and 20 grams of proteins to severely malnourished children as food supplements at prevailing prices. The beneficiaries receive the supplements through ICDS infrastructure which is funded by the Department of Women and Child Development

The cost of food supplements is met by the State Governments and UTs through the State plan budgets. As of 1996, there were 4200 ICDS blocks with 5,92,571 anganwadis in the country; 426.65 lakh beneficiaries were covered. By 2002 it is planned to operationalise ICDS programme in 5614 blocks with 804671 anganwadis, 579.36 lakhs beneficiaries can be covered by these. Funds for covering all these beneficiaries under SNP in the period 1997-2002 is Rs.6792.29crore

The Programme of Nutritional Support to Primary Education popularly known as Midday Meal Scheme was launched in 1995 as a fully funded Centrally Sponsored Scheme. Under this scheme, all school children in the primary schools in government and Government aided schools are to be covered. Ideally, a hot meal is provided to the children at school but for 10 months in a year. The food grains are delivered directly at the district level by the food corporation of India under instructions from the Department of education in the government of India. so far, the Scheme has not been universalised but once it is done the annual expenditure would be of the order of Rs.2226 crores in 1997-98 going up each year on account of the increase in cost.

**The Study Group has heard of some complaints about the working of the Midday Meal Scheme. It suggests that these complaints be looked into and the programmes made more effective.**



## CHAPTER – 5

### SOCIAL SECURITY FOR CERTAIN VULNERABLE SECTIONS OF PEOPLE

#### 5. 1. Social Protection Schemes for Women

Women, though they make up half the world's population, constitute the largest group which is excluded from the benefits of development. In many industrial countries, female development is around 80 % of that of males. Women's participation in employment is less and their earnings lesser than those of men. The situation in developing countries is worse. In many of these countries women are excluded from participation in political as well as economic activities due to tradition, discriminatory laws or lack of education. The development index of women is therefore less than 60 % of that of men in these countries.

In India, the work participation rate of women is less than half that of men.: Annual rate of growth of employment has been rising but it is not enough to bridge the huge gap. This is because much of the work women do, especially at home is not regarded as economic activity and therefore omitted from statistics.

Women play multiple roles in society. They are principally home makers, child bearers and rearers. They are also earners of income. Their function as home makers and child bearers/rearers come in the way of their participation in the productive work. There is therefore a growing demand that the responsibility of women in housekeeping and child rearing should be shared by men so that they may be able to devote more time for economic activities.

Women constitute a substantial part of the agriculture labour force. But they have no access to the resources which are necessary to make them independent. They play a subordinate role. The vast majority of rural women in the unorganised sector is landless; they work in the fields, they look after the animals, they are actively involved in food production, food processing and forestry. In spite of their role in agricultural production, the land reform measures have not benefited them because land has rarely been in the name of women.

The Working Group on Labour Policy for the Ninth Five Year Plan in the report has stated: "Notwithstanding laudable pronouncements in the Constitution backed by several laws of the land such as Protection of Civil Rights Act, Equal Remuneration Act, etc., women of all ages, classes and individuals in general and those belonging to SC community in particular have for generations been subjected to varying degrees of exploitation at home as well as at the place of work. The stratified structure of society, the sexual division of labour and control over women's sexuality have all combined to assign women the traditional role of mother and wife and have also made women as receivers of these roles for generations. The culture of

acquiescence has led to a state of helplessness for women and is responsible for many of the aberrations which afflict society such as child marriage, unlimited family size, absence of leisure, freedom and relaxation leading to a drudgeries existence and denial of the basic dignity, equality and respect to which every woman is entitled. The twin problems of invisibility ( of poor women in rural areas) and insensitivity (of bureaucracy at all levels) have been tellingly brought out by the National Commission on Self Employed Women and women in the informal sector”.

The Eighth Five Year Plan laid emphasis on efforts to ensure that the fruits of development do not bypass women, on building greater gender sensitivity into the development process and on severing special complementary programs which can improve the status and condition of women. The flow of benefits to women in the three core sectors of education, health and employment were to be monitored as they together could contribute a great deal towards mainstreaming women into the national developmental process. Employment and income generation activities including self employment along with necessary training for skill upgradation would constitute the most important intervention for raising the status of women.

In pursuance of these objectives, the Government of India as well as the State Governments have introduced several measures for improving the condition of women in India. The importance of these measures cannot be underestimated but their impact would appear to have been minimal.

According to the report of Human Development in South Asia, 1998, the level of development of females has been lower than that of males on all counts except life expectancy.

Reasons for the disparity were investigated by the National Commission for Self-Employed Women and their findings are as valid today as they were when they submitted the report. The following recommendations of the Commission are relevant:

“The Commission strongly recommends that if we are serious about substantially improving the economic status of poor women working in the informal sector of the economy, we have to devise concrete strategies which can help to enhance the ownership of and control over productive assets of these women. Perhaps it will be the single most important intervention towards both their empowerment and economic well-being. Some of the assets that women can be given are a plot of land, housing, tree pattas, joint ownership of all assets transferred by the State to the family, livestock license, bank accounts, membership of organizations and identity cards.”

Similar views were expressed at a workshop on widows held in 1994 at Bangalore where the following demands were put forward:

- (i) Housing: including automatic transfer of the conjugal house to the widow's name upon the death of her husband or allotment of house site and housing by the Government.
- (ii) Law: including automatic transfer of land and other property to the widow's name upon the death of her husband
- (iii) Jobs: including automatic transfer of the husband's job to the widow (or her son ) and training plus subsidies for self-employment
- (iv) Children's education: including scholarships, stipends to cover the costs of books, uniforms, transport and boarding facilities.

It would appear from the foregoing recommendations and demands that the improvement in the social and economic conditions of women calls for fundamental changes in law regarding the right to property of women generally and widows in particular.

The problems do not appear to have been addressed by all the Governments. The Government of Maharashtra has amended the Hindu Succession Act, whereby women have been given co-partner rights. The Government also intends to amend the Hindu Marriage Act to provide that a woman on solemnization of marriage will become a joint owner of the properties and assets earned by the husband. Similar laws will need to be enacted in other States if they have not done so already.

The Ninth Five Year Plan document says that empowerment of women would be a primary objective of the Plan but it falls short of spelling out the measures that would be taken to confer the legal rights on women to function as equal partners in decision making and to enhance their capacity to earn, besides the access to and control / ownership of all family / community assets.

The National Commission on Rural Labour has made several recommendations for improving the work participation rate of women and their income but it does not appear that the recommendations have been acted upon.

### **5.1.1 Widows**

Among women, widows are the most vulnerable sections of the Society.

There are about 33 million widows in India representing 8 % of the total female population (as per 1991 census). The proportion of widows in the female population rises sharply with age reaching over 60 % among women aged 60 and above and close to 80 % among women aged 70 and above.

Several studies have pointed out that female widowhood in India tends to be associated with economic deprivation. Households headed by widows have a lower than average consumption level and a higher than average poverty level. Martha Chen has described the plight of widows in India as follows:

“ In rural India, even today, most social groups follow customary norms rather than modern statutory laws. In regard to property, there is a widespread tradition of joint patrimonial ownership under which widows are entitled to use rights (if they have no adult sons) or maintenance rights (if they have adult sons) over their husbands' share of ancestral land. However, the use rights of widows are often violated in practice. When a widow tries to manage the land as her own, without adult sons, her in-laws often insist on sharecropping or managing her land themselves or simply attempt to deprive her of her rightful share of the land. In their attempt to gain control of her land, in-laws or other rival claimants may go so far as to forcing a widow to leave the village or even- in extreme cases - arranging her murder. Once her sons (if any) grow up, a widow may have to forfeit her use rights to her husband's land in exchange for a right to maintenance by one or more of her sons. Even maintenance rights are often uncertain”<sup>45</sup>.

Yet the amelioration of the socio-economic condition of the widows in India has not been given due consideration at the level of the Central Government. Some State Governments have introduced special pension schemes for widows but the rates of pension are low, the actual coverage is also low. The eligibility criteria are restrictive and the bureaucratic hurdles are difficult to overcome. It needs to be investigated whether the pension schemes as they exist today can be said to be an effective instrument of social security to women.

**The Study Groups has therefore suggested introduction of a National Widow Pension Scheme coupled with a training programme to help the younger ones to be self sufficient** <sup>46</sup>

### **5.1.2 Maternity Benefit**

Maternity benefit is one of the important social security benefits provided to women. There are several legislative and other measures under which this benefit is given but their coverage is limited . In some cases the quantum of benefit is also lower.

The Government of India have recently introduced the National Maternity Benefit Scheme. Under the scheme maternity benefit is provided as a lump sum cash assistance to women of households below the poverty line. It is subject to a numerical ceiling of about 46 lakhs and a financial ceiling of Rs.138 crores. The amounts released to the States for implementation of the scheme were Rs.68 crores in 1996-97 and Rs.50 crores in 1997-98. The amounts utilised by the States were lesser being Rs.52 crores in 1996-97 and Rs.40 crores in 1997-98.

**The Study Group has suggested significant enhancement of the quantum of benefit admissible under the Scheme <sup>47</sup>**

The statutory schemes under the ESI Act and the Maternity Benefit Act are applicable to limited classes of establishments specified thereon. The National Maternity Benefit Scheme is applicable only to those who are below the poverty line. There could be many women who fall between the two stools., mainly in the unorganised sector. It is therefore necessary to take steps to extend the scope of the statutory scheme on the one side and the National Scheme on the other.

Even within the limited coverage the benefits of the schemes are not being fully utilized. This could be due to ignorance, cumbersome procedures and other reasons.

**It is therefore necessary to simplify the procedures and to create greater awareness among the beneficiaries. N.G.O.s can render better service in this regard. It should be tapped.**

### **5.1.3 Family Benefit Scheme**

The Government of India have also introduced another measure which benefits women who have lost their husbands. That is the National Family benefit Scheme. Under the scheme, a lump sum family benefit is paid to households below the poverty line on the death of the primary breadwinner. This benefit accrues mainly to single parent families headed by widows. Initially the quantum of family benefit was Rs.5000. It has since been raised to Rs.10,000 which is a substantial amount. Here again the benefit is subject to a numerical and a financial ceiling and the actual utilization has been less than the amount provided for. For example, the financial ceiling for the National Family Benefit is Rs.251 crores. The amount released in 1996-97 was Rs. 107 crores and the amount utilized was Rs.92 crores. Similarly, in 1997-98, the amount released was Rs.118 crores and the amount utilized was Rs.106 crores. The shortfall could only be due to lack of awareness or the bureaucratic hurdles. These problems need to be remedied.

**The Study group has suggested connecting this Scheme with the National Widow Pension Scheme and Janashree Bima Yojana**

Having regard to all these aspects the Study Groups feels that the social security concerns of women and the programmes designed for meeting their social security needs should be integrated into the social security programmes of all the people whether in the organised sector or unorganised sector and they should be given high priority in the implementation of those programmes. Specifically, the Study group suggests that priority should be given to extend maternity benefit, child care through crèches widow pension and such other schemes to all women living below or at the poverty line.

## 5.2. Social Protection Schemes for Children

The report on Human Development in South Asia for 1997 describes the plight of children in South Asian countries which include India as follows::

“To be a child in South Asia is to suffer a life of constant denial. Children are often born without their mothers being attended by trained health personnel.: in fact, nearly 70 per cent of the mothers struggle alone, surrounded by untrained though anxious relatives, at the time of their greatest need. It is, therefore, not surprising that, far too often this miracle of birth turns into a nightmare of death, with too many children losing their mothers at the time of their arrival on this earth. The maternal mortality rate is nearly 600 per 100,000 live births in South Asia, and as high as 850 in Bangladesh, 1500 in Nepal, and 1600 in Bhutan. (It is 570 in India) These are among the highest maternal mortality rates in the world, when compared to a mortality rate of only 28 in industrialized countries, and a sad commentary both on the status of women in these societies and on the prospects confronting children at birth.

“In their survival and development, these children face even more formidable hurdles than those they face at birth. Half of the world’s malnourished children (83 million) are to be found in just three countries: Bangladesh, Pakistan and India. (The number of malnourished children in India is 62 million representing 53% of the number of children under 5 years) Almost two-thirds of all under-five deaths in South Asia are associated with malnutrition. The infant mortality and under-five child mortality rates in this region still remain high, despite a reduction by one-half over the last three decades. The infant mortality rate is still 82 per 1,000 live births, compared to 63 in the developing world (excluding South Asia ) and the child mortality rate is 122, compared to an average of approximately 95 in the developing countries ( excluding South Asia ). ( In India under- 5 mortality rate is 119 per thousand live births; infant mortality rate is 79 per 1000 live births) Far from being a pleasant dream, childhood becomes a constant nightmare for too many innocent children .

About 85 million children in South Asia have never seen the inside of a school. Only half of the total number of school-age children enroll in schools. Of these, 42 per cent drop out before reaching Grade 5. ( In India the percentage of primary enrolment went up to 102 in

1992 but the percentage of children drop out of schools before grade 5 was as high as 34). While many children are forced to leave school due to family circumstances and the compulsion to provide economic support to the household at a tender age, one of the main reasons for the high rates of school drop-out in South Asia is that both parents and children realize the poor quality of education they receive. Ultimately, drop-outs from schools can be reduced, and primary school enrolment rates raised, if efforts at human development focus not just on the number of schools but on the quality of education that these schools provide. Dramatic improvements are required in teacher training and supervision, in learning materials and school facilities, in the design and relevance of the curriculum content, in the formulation of the examination system, and in catering to the special needs of the 10 per cent of the children in most classrooms who have mild or moderate learning difficulties. Only when the quality of education is raised to a level that meets the needs and circumstances of poor children, and when that education is relevant to their present difficulties and future aspirations, will the education system in South Asia provide an adequate basis for greater economic prosperity and higher human development in the region.

Even more worrying than the state of education is the fact that there are an estimated 134 million children in South Asia employed as child labour, sometimes in inhuman conditions and for a paltry wage. (In India the number of child labour is reported to have been 100 million in 1994)

Many children have to work over fifteen hours a day and are often physically abused. Rape and beatings are frequent. Once bonded, these children are traded like livestock and sometimes shipped to distant areas. Many of the children suffer from nutritional deficiencies, and most rarely have the opportunity to visit their families. Some children are simply kidnapped by employers and chained to their looms.

Seventy per cent of South Asia's children are employed in agriculture, mainly victims of an entrenched system of bonded labour, where whole families are enslaved in order to pay off debts. Others work in hazardous industries such as mining, brick-making, fireworks, brass handicrafts, carpet weaving and gem-polishing— industries which might not survive without the cheap labour provided by children.

Pressures are now emerging, both from governments and from civil society organizations within these countries, to stop the use of child labour.

The carpet industry is a prime example of demand-driven reform where India, Pakistan, and Bangladesh have observed a sudden decline in orders following a media outcry about the violation of children's rights in the industry. As a result, in January, 1996, carpet exporters and human rights groups in India launched the Rug-mark label, which certifies that carpets have been made without child labour.

Many governments in South Asia have ratified the Convention on the Rights of the Child, adopted by the U.N. General Assembly, which sets minimum standards for children's rights. Some governments are now devising stricter child labour regulations, but results are generally poor due to a lack of effective implementation and enforcement.

Another shocking problem in South Asia is the sexual exploitation of children for profit. Child prostitution is a virtually invisible form of abuse in South Asian societies, but every day more and more children in the region fall victim to it.

Child protection laws are often inadequate to prevent the exploitation of children. In Pakistan, for instance, when legal help is sought, initial rape charges can sometimes result in a case of adultery against the female child *victim* under the country's offence of Zina Ordinance. Even worse, none of the child protection laws in the country protect the male child.

If left unattended, the sexual exploitation of children can destroy basic potentials. Poverty alone cannot justify or explain the commercial sexual exploitation of children. The range of causative factors includes economic disparities, dysfunctioning families, illiteracy, rural-urban migration, irresponsible male sexual behaviour, gender discrimination, and harmful traditional practices".

The social protection schemes for children consist of measures to provide nutritional support, provision of crèches and day care centres, prevention of child labour, protection of street children and socially maladjusted children and promotion of education.

There are a variety of schemes to provide nutritional support to young children including the ICDS and the midday meal scheme. These are fairly successful .

Several measures have also been taken to provide crèches and day care centres for looking after the children when their mothers go to work. Their adequacy is open to question.

It is well known that a large number of children in India are employed for wages under exploitative conditions.. The estimate of child labour varies widely but is admittedly very large. It is generally agreed that that child labour is pernicious practice which needs to be eradicated. The Government of India has made a declaration of policy that child labour would be eliminated in hazardous industries by a specified date and has commissioned a number projects to that end.

The Ministry of Labour has undertaken to eliminate child labour or to reduce its incidence by stepping up enforcement of child labour laws, creating public awareness against it and providing for their education through non formal and other means. It is doubtful if these measures have made any dent on the problem of child labour and whether the incidence of



child labour has been reduced. There is a possibility that the children weaned away from work will go into the streets and pose greater problem of street children. It is extremely doubtful if a direct attack on child labour through enforcement of the laws will be effective.

The basic cause for the sad state of children in India is poverty. Unless this problem is tackled it cannot be improved. The various poverty alleviation programmes are designed to meet this problem but they do not seem to be adequate. The Study Group therefore feels that a special social security scheme needs to be introduced to supplement the income of the poor for the maintenance of children, on the lines of the Family benefit provided under the ILO Conventions

There is social security dimension to the problem of child labour. In most case children are sent to work because of the inability of the parents to educate them and their need to supplement their income with the income of the children. If the families below the poverty line can be given some financial assistance for the maintenance of their children in the form of a family benefit it may go a long way to enable them and encourage them to withdraw their children from labour. Such schemes already exist in some States where financial assistance is given to SC/ST families as an incentive to send their children to school. The scope of such schemes need to be widened.

The Study Group therefore suggests that a national scheme may be designed for payment of children's allowance on a universal basis subject to a means test to persons below the poverty line. This would be one way of integrating social security schemes with poverty alleviation programmes.

The Government of South Africa is reported to have introduced a Scheme of State Support of Children of Poor Families. There are similar schemes in India for members of Scheduled Castes and Tribes who are given monetary incentives for sending their children to school. The Study group suggests that the scope of these schemes may be extended to cover all families below the poverty line whereby the parents may be given a cash allowance for the maintenance of children.

According to the 1991 Census the total population of children was about 320million. Assuming that this number has gone up to 350 million by the year 2001 and that 25 percent of them are below the poverty line, the number of children for whom such assistance would have to be given would be about 90 million per month. Assuming again that the rate of children's allowance to be paid would be Rs.50 per child per month the total cost of the scheme would be about Rs.5400crores per annum

Additionally the Study Group suggests that special measures may be taken to prevent sickness and to promote the overall well being of children of below the poverty line families.

In particular, special care should be accorded to girl infants and children. Village based crèches and day care centres, should be set up for the children of poorest families from birth to six years. These centres should provide custodial care, health nutrition and child development services including cognitive and emotional development

### **5.3 Social Protection of the Elderly**

Aging of the population is a global phenomenon. In 1950, there were about 200 million persons aged 60 and over in the world, constituting 8.1 % of the total global population. It is projected that by the year 2050, there will be a nine fold increase in the population of the aged to 1.8 billion representing about 20 % of the total population.

India is no exception to this trend. According to the 1991 census, the proportion of the elderly persons has risen from 5.3 % in 1961 to 6.58 in 1991 and is expected to be 9.08 in 2001 and 9.87 in 2021. The number of elderly persons in India is expected to be about 136 millions and that of the old-old (70+) accounts for 52 million. More than four fifths of the elderly persons live in rural areas and the female elderly outnumber the male elderly. The current elderly are most illiterate working beyond 60 years of age and most of them are widowed.

According to the 42nd. round of the NSS, 34 % of the rural elderly were financially independent against 28.94 % in urban areas. The economically dependent elderly are mostly living with and supported by their children and in some cases by the grandchildren. Though living within the family is most common among Indian elderly, 12 % of the male elderly were staying alone and this percentage was a little above 1 % for females.

Currently majority of older people live with their children. Due to industrialization of the society coupled with urbanization, the family system is breaking up and the children are not able to keep their parents with them for a variety of reasons. The current trend therefore is to supplement traditional informal family support with formal social protection.

There are three ways in which social protection is provided to the elderly- namely, social assistance, social security and provident funds.

#### **5.3.1 Social assistance**

Social assistance programs in the form of old age pensions operate in all the States. With the introduction of the National Old age Pension Scheme, a minimum standard has been established for these schemes. Unfortunately, this standard is a little too low. In the absence of a provision for adjusting the rate of pension to the rise in the cost of living, the real value of the pension has tended to be eroded. It is therefore necessary to revise the rates of

pension payable under the Social Assistance Program periodically.

Destitution is the basic criterion for payment of old age pension under the Social Assistance Program. It is also subject to a numerical and financial ceiling. As there is no other scheme to provide retirement benefit to them who are above the level of destitution and are not covered by the Employees Pension Scheme, the eligibility criterion for the old age pension payable under the Social Assistance Program needs to be liberalized so as to bring within its scope all persons who are below the poverty line. In fact, poverty is the criterion for the other social assistance schemes. There is no reason why the same criterion should not be adopted for the National Old age Pension Scheme also.

The Study group has therefore suggested liberalisation of the eligibility criteria and enhancement of the rate of pension and its linkage to the Consumer Price Index.

The Jai Shanker Memorial Centre in a study has drawn attention to many other aspects of the implementation of the Old age Pension Schemes relating mainly to the problem of delivery. This issue is discussed in the chapter on Administration.

### 5.3.2 Social insurance

Till recently, provident funds were the main source of protection of the workers in the organized sector in their old age. They were found to be inadequate for the purpose. Many of them have therefore been partially converted into pension schemes. The most important of these schemes is the Employees' Pension Scheme.. This scheme is discussed in the chapter on Provident Funds .

### 5.3.3 Institutional care

This brings us to the next question relating to the shelter needs of the elderly. While ordinarily the elderly persons live with their children and grand children, circumstances are developing in such a way that many of them have had to live independently or under institutional care. Sometimes the health condition of the persons may be such that the concerned families may not be able to provide the necessary care. In some cases there may be no family at all. At the worst, the families might have abandoned them. The elderly persons would need institutional care in such circumstances. A WHO seminar of Health Experts is reported to have concluded as follows:

“ The emergent need for some basic provision of institutional care is now evident in most countries of the region (Western Pacific countries). The seminar identified the need for Governments to take account of this trend to enact legislation and regulations to ensure good quality, appropriate, equitable, and cost-efficient provision of institutional services whether by the Government, non-Governmental organizations or the private sector”.

The National Policy for older persons recognizes this need. and considers that institutional care as the last resort when personal circumstances are such that old age homes become absolutely necessary. The policy provides for giving assistance to voluntary organizations for construction and maintenance of old age homes.

According to information available there are over 300 old age homes in this country. Some of these are maintained by the State Governments and most are run by non-Government organisations with assistance from Government. There are also some institutions run by private charitable institutions without any assistance from Government. The total number of inmates in these institutions is about 15,000.

**Assuming that at least 1% of the aged require institutional care, facilities would have to be created for providing institutional care to about fifteen lakh persons. It is doubtful if voluntary organizations will come forward to set up so many old age homes. There is therefore no alternative to the Central and State Governments taking the initiative to set up their own homes in sufficient numbers.**

One cannot be content with the setting up of the homes. The quality of service provided in these homes needs to be monitored. The existing arrangements in this regard are less than adequate. It is therefore necessary to establish a well organised regulatory system to ensure that standards are maintained and exploitation avoided.

#### **5.3.4 Health care**

The elderly people are apt to develop health problems as they grow older.

The National Policy for older persons recognises that with advancing age old persons have to cope with health and associated problems some of which may be chronic, of a multiple nature, requiring constant attention and carry the risk of disability and consequent loss of autonomy. There is no special scheme for the health care of the elderly except the ESI and the CGHS which are applicable to a small number of persons who have been in service with the Central Government or an insurable employment. In all other cases the old persons have to depend upon public medical services or private doctors and hospitals. The health insurance schemes of the GIC do not cover persons who are above the age of 70 who require greater attention.

**With the growth of the population of the aged, the associated problem of caring for the aged is becoming increasingly important. Lately, long term care of the elderly in some of the developed countries has been systematised in the form of social care insurance as a part of social security. It has been reported that in 1991, in Germany, approximately one-third of the social security expenditures was devoted to care provision. The concept of care dependency is distinct from treatment for illness and**

**covers help with daily tasks that do not fall under any medical treatment plan, e.g., personal hygiene, feeding, mobility or housework.**

**The normal and preferred arrangement for taking care of the aged is to encourage them to live with their families. Where there are either no families or the families cannot look after them, they would have to be provided with institutional care.**

**Appropriate schemes would need to be designed for the health care as well as long term care of the elderly**

### **5.3.5 Maintenance**

**Maintenance is a civil right available to give economic support to the needy persons from those who are liable to protect and maintain their spouse, children, parents, etc. In law parents are bound to maintain minor children, major children their parents, husband his wife, and vice versa. The quantum of maintenance varies depending on the economic status of the parties.**

**The various personal laws such as Hindu Marriage Act, 1955, the Hindu Adoption and maintenance Act, 1955, the Indian divorce Act, 1859, the Parsi marriage Act, 1954, the Shariat Laws, etc., provide for maintenance, also known as alimony or allowance. Civil courts take long time to dispose of cases. Even if a competent civil court passes a judgement and decree, execution takes months and even years due to cumbersome legal procedures. Even before the maintenance is realised the decree holder may die of starvation.**

**Realising the above, the right to maintenance has been incorporated in Chapter IX of the Criminal Procedure Code (Cr.P.C)**

**It is a chapter for "order for maintenance of Wives, Children and Parents" Under Section 125 of the Cr.P.C., "if any person having sufficient means neglects to maintain (a) his wife, unable to maintain herself, or (b) his legitimate or illegitimate minor child, whether married or not, unable to maintain itself, or (c) his legitimate or illegitimate child (not being a married) who has attained majority, where such child is, by reason of any physical or mental abnormality or injury unable to maintain itself, or (d) his father or mother, unable to maintain himself or herself a magistrate, of the first class, may upon proof of such neglect or refusal, order such person to make a monthly allowance for the maintenance of his wife or such child, father or mother, at such monthly rate not exceeding five hundred rupees in the whole, as such magistrate thinks fit, and to pay the same to such person as the magistrate may from time to time direct."**

Thus Rs.500 per month is allowed as maintenance . Section 125 provides the procedure to be followed and the jurisdiction of the courts. The cases could be filed in the magistrate's court within which the petitioner resides or where the parties lastly resided together, etc. Summons case procedure has to be adopted for disposal of cases. This paves way for expeditious remedies. Section 127 is for alteration in the allowance under changed circumstances , but the monthly rate of five hundred rupees in the whole should not be exceeded.

A ceiling of Rs.500 per month towards maintenance will not prevent vagrancy which is the object of the provision. Various women's and civil rights organisations and other activists raised their voice against this ceiling. In West Bengal the amount was raised to Rs.1500. In Tamil Nadu after a long debate with various sections of society and women's organisations and the Tamilnadu Women's Commission, it was decided to amend Cr.P.C. and remove the ceiling and to invest the power on the magistrate to grant maintenance in his discretion taking into account the capacity of the person to pay and the need of the person seeking maintenance. The Legislative Assembly unanimously passed a bill to amend the Cr.P.C. accordingly and it was sent to the Central government for getting President's assent. In the meantime the Government changed and the bill has been withdrawn on the ground that the Central Government itself is contemplating a similar amendment.

The Union Law Minister has announced that the Government of India is planning to enhance the interim maintenance limit for an estranged wife from the existing Rs.500 to Rs.5000 on the recommendation of the Law Commission. He is reported to have said that a proposal to enhance the outer limit of the interim maintenance from the existing Rs.500 to Rs.5000 by means of an amendment to Section 125 of the Cr.P.C. is being given final touches by the Law Ministry and the Home Ministry and a draft of this would soon be prepared for the Cabinet.

The Study Group welcomes this move and suggests that the ceiling on the amount to be paid for maintenance of dependants may be removed as was proposed by Tamilnadu and it may be left to the courts to decide the amount depending on the facts of the case.

In order to that the elderly people keep healthy it is necessary that they should remain gainfully active. Their service should therefore be utilised in various activities of the community such as manning child care centres, cultural clubs, vocational training centres etc for which they may be paid appropriate remuneration.

#### **5.4 Social Protection of the Disabled**

The Human Development Report, 1993, has noted that despite the accumulating forces for greater participation, large numbers of people continue to be excluded from the benefits of development. Disabled persons represent one such excluded group.

The disabled represent at least 10 % of the world population. They include all those who have experienced injury, trauma or disease that results in the long term physical or mental changes.

There is no systematic scientific and precise information available on the prevalence , degree and kind of disability in India. Only a few sample surveys at discrete points of time are available and the information collected through these may not be strictly comparable due to difference in scope coverage and even concepts. . As per the an NSSO sample survey of 1991 in the field of visual, hearing speech and locomotive disabilities, it was estimated that about 1.9 percent of the population of the country were disabled. As regards, mental retardation, a sample survey conducted by the NSSO in 1991 estimated that about 3 % suffer from delayed mental development. The number of leprosy affected persons is estimated to be about 4 million of whom a fifth are children Fresh cases of disability every year have been estimated to be 7.5 lakhs as per the 1991 sample survey. Hence, on average, 5% of population is estimated to be suffering from some kind of disability. In terms of absolute numbers the estimated number of people having disability is about 50 million. .<sup>48</sup>

Disability even in industrial countries is closely linked with poverty. It is more common in rural areas and among the poor.

The disabled face many barriers to participation. Lack of education is one. Discrimination in employment is another.

Some countries have taken measures to give greater opportunities to the disabled. Germany, for instance, has a quota for employment of the disabled of 6 % in both government and private businesses. The United States has far-reaching legislation: The 1992 Americans with Disabilities Act sets a large number of standards to be achieved in working life.

In India, a National Policy for the Handicapped is under preparation for several years. It has not yet seen the light of day.

The enactment of the Persons with Disabilities (Protection of Rights and Full Participation) Act, 1995 is, however, a major step taken by the Central Government to ensure equal opportunities for persons with disabilities and their full participation in nation building. Implementation of the Act is left to the State Governments and the measures taken by them can only be described as halting.

A National Programme of Rehabilitation of People with Disabilities has been launched as a State Sector scheme The scheme is expected to ensure local capacity building and better utilisation of available resources while providing a much needed rehabilitation structure right to the grass root level..

According to the Ministry of Social Justice Admittedly, all the measures initiated by the government/s have reached hardly 5% of the population with disabilities. What is more disturbing is the fact that even the scant services available, are highly skewed in favour of the large urban metropolises. There is hardly any networking of services available outside the cities. There is thus a wide gap between demand and supply. Barring minor differences in the magnitude of the services provided by the states, most of the people with disabilities are currently not getting services of early detection and intervention, education, vocational training and employment. Recognising the provisions of the act, it is the responsibility of the appropriate authorities to make provision for such services.<sup>49</sup>

Since the Ministry has itself recognised the deficiencies in the existing arrangements for social protection of the disabled there is not much that the Study Group can say in the matter. The Study group however feels that it is necessary to prepare a comprehensive plan of action covering inter alia the following aspects:

(i) Removal of the disabilities, whenever possible, should be the basic objective of any such plan. Where the disabilities cannot be removed, measures should be taken to bring the disabled persons on to the mainstream by providing them appropriate education and skill training.

(ii) The PWD Act already provides for a 3% reservation in identified posts in all government and public sector offices for disabled persons. Steps should be taken to enforce this provision strictly. The feasibility of extending this requirement to employment in private establishments as in Germany may be considered.

(iii) Provision of adequate employment opportunities should be the second priority in any scheme for the welfare of the Disabled.

(iv) But it may not be possible to provide employment to all the disabled as their capacity to work would not be uniform. In cases of persons who cannot work, the State should provide a safety net by providing them food, clothing and shelter at its own expense.

(v) There should be proper assessment of the numbers involved and schemes prepared to cover them.

Many States have extended the old age pension schemes to the physically handicapped persons with relaxation of age. The Central Government should consider evolving a National Scheme so as to make it applicable to all States /U.T.s. Destitution is the eligibility criterion as in the case of old age pension except in some States like Haryana where poverty has been the criterion. Percentage of disability would be a better criterion as in the case of



Disablement Benefit under the W.C. Act and the ESI Act. The quantum of the pension should be such as will be adequate to meet the basic needs.

**The Study Group has suggested the introduction of a National Scheme of Pensions for the Physically handicapped.**

The Central as well as the State Governments have undoubtedly introduced several schemes for the welfare of the Disabled. On a review of their schemes, one cannot help forming the impression that they are at best ad hoc in nature and do not conform to any overall plan or blueprint. While many of the schemes are laudable, their adequacy and effectiveness are open to question.

For example, the District Rehabilitation Centres have been set up to provide comprehensive rehabilitation services to the rural disabled in 11 districts. There is no information about the number of persons who availed of the services. It has not been explained why similar centres cannot be opened in all the districts and urban areas.

**The Study group suggests that the feasibility of opening such centres in all the districts and in all the States and U.T.s. may be considered. It would be desirable to route all social assistance for disabled persons through such centres**

## **5. 5. Social Security for cultivators and agricultural workers**

Agriculture is the largest occupation in India. It provides employment to about 200 million people. The persons employed in agriculture are broadly of two classes : Cultivators and agricultural workers. According to 1991 census the total number of cultivators was 107 millions and the total number of agricultural workers was 74 million.

### **5.5.1 Cultivators:**

Cultivators who are also called farmers are basically self employed persons. They are exposed to vagaries of weather and are subject to the operation of the market forces. Their income is affected by famine, drought, floods and other natural calamities. It is also affected by the fluctuations in the supply of and demand for agricultural commodities.

The following schemes are designed for promoting or protecting the interests of cultivators:

1. Crop and Livestock Insurance Schemes
2. Minimum Support Price
3. Fertiliser Subsidy
4. Subsidy on Sale of Electricity
5. Drought Area Development Programme
6. Desert Development Programme
7. Other forms of assistance

Brief particulars of the Crop Insurance, Livestock Insurance and Minimum Support Price Schemes are given in Annexure IV ..

**In spite of these schemes reports are appearing in the press of death by suicide of several agriculturists due to their inability to cope with the loss of income for various reasons including crop failure or the after effects of globalisation . It is therefore obvious that the various protective schemes drawn up by the government need to be strengthened and enlarged to cover those who are outside their umbrella**

#### **5.5.2 Agricultural workers**

The Union Finance Minister in his budget speech for the year 2000-01 announced the proposal to introduce a new Social Security Scheme for agricultural workers called the Khetihar Mazdoor Bima Yojana. The Scheme is reported to have been launched on the 18<sup>th</sup> of May, 2001 at the end of his inaugural address to the 37<sup>th</sup> Indian Labour Conference. It was expected to be operationalised from July 1. It is said to be the first ever scheme for the welfare of the farm workers and a step towards meeting the social security needs of the agricultural workers.

Brief particulars of the Scheme are given in Annexure V

**The Study Group welcomes the initiative taken by the Government in introducing the Scheme. It seems however to be a departure from the original proposal to establish an employment board and a welfare fund for the workers. The Study Group suggests that these proposals may also be revived and implemented early.**

**In the past contributory schemes of this kind have not been successful. Much depends upon the kind of extension work that is done to promote the Scheme .As the Scheme is yet to be operationalised it is premature to say what will be the result of this Scheme. The study Group hopes that it will be successful.**

**There are several occupational groups sharing the socio -economic conditions of agricultural workers. To target a single group for such a scheme may be discriminatory. The Study Group therefore suggests extension of the scheme to other workers also in the unorganised sector.**

#### **5. 6.Leprosy affected persons**

Leprosy is a scourge of mankind. India has a large number of leprosy affected persons. The number has been rising. It was 1.5 million in 1941 and it went up to 4.0 million in 1981. The increase is attributed to rapid increase in population, better case detection and greater

community awareness leading to voluntary reporting. India ranks foremost among the countries saddled with leprosy sufferers. 58% of the global recorded caseload is contributed by India. About 15-20% of the patients are children. The proportion of multi bacillary cases ranges from 10-30 percent in different regions. The deformity rate is approximately 6-8% among total number of cases. The incidence of leprosy is high in south-eastern and eastern regions comprising Tamilnadu, A.P., Orissa, Bihar, M.P., U.P., Maharashtra, Karnataka and West Bengal. Bihar, U.P., West Bengal, M.P. have the highest number of cases representing 15.5%, 16%, 11%, and 10.5% of total country's load respectively.

The National Leprosy Control Programme was introduced in 1955. Initially it started as a Centrally aided scheme with focus on rural areas of high and moderate endemicity. It was converted into 100% Centrally Sponsored Scheme in 1969.

The object of the scheme is to control leprosy through Domiciliary Dapsone Monotherapy. In view of the scientific advancement and availability of highly effective treatment of leprosy, the programme was redesignated as National Leprosy Eradication Programme in 1987 with the initial aim of arresting the disease activity in all the known leprosy cases in the country by the year 2000 A.D. The ultimate objective is to eliminate leprosy. The present approach is based on early detection of cases and their prompt and regular domiciliary treatment with Multi Drug Therapy. Education of the patient and the community about the curability of the disease, training of staff and medical rehabilitation are the other key components of the programme.

With the implementation of the MDT services under the programme, a large number of leprosy cases are being discharged as disease cured. For the first time in 1987 the number of cured cases exceeded the number of new cases. Since then, with rapid extension of MDT services to other endemic areas, the percentage of discharged cases is rapidly increasing each year. During the year 1995-96, the number of discharged cases was over 6.17 lakhs as against new detection of 4.25 lakhs.

So far the programme has been able to treat and discharge from the registers about 9 million cases out of which 6.57 million cases are due to cure with MDT. The leprosy case load at the end of 1995-96 was reported to be 5.4 lakhs.

India has a large number of leprosy affected persons. The estimated number of such persons is 4.50 lakhs. The Central Government has a scheme to provide financial assistance to N.G.O.s for the rehabilitation of the leprosy-cured persons both in rural and urban areas. Assistance is given up to 90% of the project cost. Programmes like awareness generation, early intervention, education and vocational training, economic rehabilitation, social integration, etc. are undertaken under the scheme.

It is satisfying to note that a large number of leprosy affected persons have been cured but the number of persons yet to be cured is by no means small . They need not only treatment for the disease but also assistance for their living as they may not be able to work and earn their livelihood except through beggary Even in the case of leprosy cured patients it is doubtful whether they can be totally self reliant. The Government of Kerela has therefore introduced a pension scheme for such patients. Brief particulars of that scheme are given in Annexure VI. The Study Group suggests that a national scheme be drawn up for payment of pension to leprosy affected persons on the same lines as the pension for the physically handicapped persons with the rate of pension being raised to Rs.200 per month

### **5.7. Mentally Ill Persons**

The recent incident at Erwadi ( Tamilnadu) where more than 25 mentally sick persons died of burn injury has highlighted the need for organised mental health care in the country. The inhuman conditions in which the mental asylums are maintained were the subject of a recent report of National Human Rights Commission. The Commission had recommended that there was an urgent need to transform the mental hospitals into genuine centres of care and treatment and not let them remain custodial institutions.

It has been reported that the patients in Erwadi and in many other mental hospitals are there because of long standing illness and their inability to care for themselves. This often gives the impression that mental illnesses are incurable and life long. This is not true, especially when the illness is diagnosed early and proper treatment provided. Only about 10 percent need long term care. Factors contributing to chronicity and disability are : (i) delay in seeking treatment; (ii) irregularity and incomplete treatment; (iii) lack of support from family and (iv) inadequate rehabilitation support. All of these are areas suitable for intervention by public health authorities. For a large majority of the mentally ill, lifelong illness or disability is totally avoidable. Patients are generally sent to mental hospitals and faith healing centres because their parents have become too old, etc. This is not to deny that there may be some who will need to be committed to an institution. But their number is small.

In India majority of the mentally ill live with their families which have been a part of the care programme for a long time. In the last fifty years, efforts have been made to involve them in care during the period of hospitalisation. Educational programmes for the family members have been organised, partnerships have been formed between the professionals and families and self help groups of families have come up in a number of cities. In a way the current primary carers of the mentally ill are the families. They need support for their work.

The Mental Health Act 1987 places the responsibility for planning and monitoring of the care of the mentally ill persons on the State. Unfortunately, not all States have formed the State level Mental Health Authority or initiated the process of planning of state health services licensing of hospitals and related matters. The full implementation of the Mental Health Act will go a long way to meet the needs of the mentally ill. For the rural population, the poor, and the marginalized groups the State has the main responsibility to organise care. The State should support the families of the mentally ill by providing them community based services and financial aid. The Persons with Disabilities Act, 1995 should be properly implemented and the facilities available to physically handicapped should be extended to the mentally handicapped too.

Special schemes are needed to support voluntary agencies for treatment and rehabilitation of the mentally ill.<sup>50 7</sup>

**The Study Group suggests that a National Scheme be drawn for providing institutional care and means of livelihood to those mentally sick people who are unemployable and their dependants, treating them on par with the physically handicapped.**

### **5.8 .Beggars**

The problem of beggary has become a cause for serious concern. A disturbing feature of the problem is begging by persons under various kinds of situational compulsions, including those who are inducted into begging by anti-social elements.

There is no Central Law applicable in the whole country for prevention and control of beggary. At present, 16 States and 2 U.T.s have enacted anti-begging laws. The approach to tackle the problem is based primarily on punitive devices with very little input of rehabilitation. There is also no thought out strategy for dealing with different categories of beggars. However, the various Anti-Beggary Acts require setting up of institutions for the detention, treatment, training and rehabilitation of beggars.

In 1992-93, a new Central Sector Scheme for beggary prevention was introduced with the objective of developing facilities for education and vocational training of beggars so as to engage them in productive work. The Scheme also envisages involvement of voluntary welfare organisations and mobilisation of community efforts and resources for training of beggars leading to their employability in various sectors of socio-economic development.

While the State Governments and U.T. Administrations are requested to set up various types of institutions for beggars as laid down in their respective laws, the Central Sector Scheme provides assistance for vocational training input in the care, treatment and rehabilitation of beggars. The Scheme contemplates establishment of work centres with appropriate provision for technical education and vocational training on modern lines. The programme for vocational training in each centre is to be planned on the basis of a careful assessment of their aptitude and rehabilitative requirements. The training facilities have to be created within the existing beggar homes whether set up by the State Government or N.G.O.s recognised as such under the relevant laws.

The expenditure on the work centres is borne by the Central Government. However, if a work centre is established in the voluntary sector, the expenditure is shared on 90:10 basis between the Central Government and the agency concerned.

While able bodied beggars should be given training and helped to get employed so as to enable them to give up beggary there may be many persons who may not be able to work and earn their living. In such cases the State would have to provide them the means of livelihood. This can be done either by maintaining them in beggar homes or by giving them a pension on which they may subsist. The Study Group suggests that a National Scheme be drawn up for the purpose.

#### **5.9 .Scavengers :**

The National Scheme of Liberation and Rehabilitation of Scavengers and their dependents was launched by the Government of India in March, 1992, in pursuance of the commitment to eliminate the inhuman practice of manual handling of night soil and filth by the end of VIII Plan period, with the following three components:

- (i) a periodical survey to identify scavengers and their dependents and their aptitude for alternative trades and professions.
- (ii) training of scavengers and their dependents; and
- (iii) rehabilitation of scavengers through projects with a prescribed funding pattern.

The rapid survey was to be undertaken under a time bound programme by the District Magistrates/Deputy Commissioners, urban local bodies and other agencies such as State Scheduled Caste Development Corporation (SCDCs).

#### ***Financial Assistance:***

There is a prescribed financial package for rehabilitation of scavengers in alternative trades through provision of financial assistance upto Rs.50,000/- per beneficiary. This includes a subsidy of 50% of the capital cost subject to a ceiling of Rs.10,000/- per project, margin money loan of 15% of the project cost at 4% rate of interest, and the remaining portion by way of loan finance to be provided by commercial banks. The basic loan upto Rs.6500/- will be at 4% rate of interest under the priority sector lending programme. Loans in excess of Rs.6500/- will attract market rate of interest. The Govt. of India have released Rs.435.21 crores to the States during the period 1991-92 to 1996-97, for implementation of the scheme state/UT-wise .

In addition to the funds released by the Government of India NSFDC also earmarks 10% of its disbursable funds for the welfare of persons engaged in unclean occupation including scavengers.

#### ***Identification, Training and Rehabilitation***

As against the target of elimination of manual scavenging by the end of VIII Plan period, the progress achieved in most States has been tardy. The original survey is still not complete

in the States of Bihar. West Bengal and Orissa. In several other States where the survey has been completed, there have been complains about the coverage of ineligible persons. The available data evidence that the problem of manual scavenging, is mainly prevalent in Central India, and the States of Uttar Pradesh, Madhya Pradesh, Rajasthan and Maharashtra account for about 70% of the total number of scavengers identified.

**Performance:**

The progress of the scheme is being monitored and frequently reviewed by the Govt. of India, its effective implementation has begun only since 1993-94. The progress registered by most States has been tardy except the State of Madhya Pradesh. The major problems which impeded effective implementation of the scheme were : (1) inadequate stipend given for training, (ii) delay in transfer of funds by the State Governments to SCDCs, (iii) unviable projects taken up for rehabilitation of scavengers, (iv) reluctance of banks to finance projects under the scheme, (v) weak infrastructure at grass root level, and (vi) lack of coordination between the schemes implemented by the Ministry of Urban Affairs and the Ministry of Welfare.

Necessary steps have been taken to eliminate the impeding factors by the modifications made in the guidelines w.e.f. 1.4.96 which, inter alia, include adoption of TRYSEM norms for training, release of Central Assistance directly to SCDCs, adoption of higher project cost of Rs.50,000/- per beneficiary, and adoption of cluster approach for training and rehabilitation. The State Governments have been advised as well as to strengthen their implementation and monitoring machinery. The National Safai Karamcharis Finance and Development Corporation (NSKFDC) which has been set up to finance projects proposed by persons belonging to Safai Karmacharis community, has already become functional. These are expected to improve the pace and progress of implementation of the Scheme which is being extended for implementation during the Sixth Plan with the target to eradicate manual scavenging by the end of the Plan period.

**The Study Group while commending the initiatives taken by the Central Government to eliminate the obnoxious practice of manual handling of night soil and filth suggests that effective measures be taken after discussion with the representatives of the States for weaning the people engaged in that profession and to rehabilitate them in other employments.**

**There is a proposal to establish one or more welfare funds for rag pickers.. It is suggested that the feasibility of setting up similar welfare funds for the other scavengers also may be considered.**



### **5.10 Implementation of Social assistance and Universal coverage Programmes**

Indian policy makers and planners have drawn up well conceived and well intentioned programmes and schemes to help the poor to cope with the numerous risks they face. But implementation of the programmes and schemes and ensuring that they reach the target groups is far from satisfactory and leaves much to be desired. It is therefore necessary to develop decentralised, locally appropriate and participatory and simple mechanisms and procedures. The Study Group feels that for this purpose, the services of local people, especially those organised into unions, cooperatives, mandals, self help groups and NGOs, to mention a few, must be harnessed in planning and implementing the programmes.

One of the unsatisfactory aspects of the implementation of the programmes is the under-utilisation of the funds provided. There are also allegations of leakage of funds before they reach the beneficiaries.

The Study Group therefore suggests that, wherever possible, implementation of the programmes may be entrusted to with full financial and administrative powers to bonafide local people's organisations and / or NGOs. The Study Group feels that by doing so, the benefits and services will reach the people better. It will also encourage people to organise themselves into self help groups and assume responsibility for the administration of the schemes.

The study group also suggests that wherever the schemes continue to be administered departmentally, tripartite local committees may be set up at district level to monitor the implementation of the schemes. The concerned social justice or development officer may be appointed as the convener of the committees. Similar tripartite committees may be set up to monitor the implementation of the other social sector programmes such as health, education, women and childcare programmes etc. with the concerned District Health Officer, District Education officer, Labour officer or Social Welfare Officer as the convener of the respective committees.

#### **Study of the working of the schemes**

The ILO in its report on Social Protection for the Unorganised Sector has drawn attention to the following issues concerning implementation of social assistance schemes and suggested a study of the same

- (i) To determine the criteria for eligibility (income, assets, niradhar status etc.)
- (ii) to improve targeting and delivery by
  - (a) assessing what are the best modes of payment,
  - (b) designing a rigorous poverty assessment method that will be the base for fixing budget ceilings at the block level
  - (c) defining a mechanism by which benefits can be adjusted for inflation
- (iii) link up social assistance programmes with other antipoverty programmes"

**The Study Group suggests that a study of these issues should be carried out before embarking on the expansion of the existing schemes or introduction of new schemes. The Study Group further suggests the continued relevance of the criteria underlying the schemes may be kept under constant watch by means of periodical review. .**

## CHAPTER – 6

### SOCIAL SECURITY AGAINST NATURAL CALAMITIES

Social security schemes are designed to provide relief against economic and social distress caused by a variety of contingencies. One such contingency is the occurrence of natural disasters which affect large number of people at the same time. There may be a flood, cyclone earthquake an epidemic, an air crash or railway accident. When such incidents happen people are affected in large numbers. The loss of life and limbs and property would be on a massive scale. When an air crash or a railway accident takes place hundreds of people die or are incapacitated. When an earthquake, cyclone, flood hits thousands of people die and /or uprooted. When a famine occurs millions of people are affected. It is said that in 1943 when the Great Bengal Famine occurred over 5 million people died.

It is common knowledge that in India natural calamities in the form of drought, famine, cyclone floods etc. have been occurring every year in one part of the country or the other

Every such disaster attracts every form of social security , namely medical care, invalidity benefit, survivors benefit , maternity protection, child care etc. .. It is therefore necessary to design an appropriate National Scheme for providing relief and rehabilitation assistance to the affected people.

Indeed there is already a programme for providing relief and rehabilitation assistance to the people affected by natural disasters. The Finance Commissions set up under Article 280 of the Constitution have been reviewing the policy and arrangements for financing relief expenditure periodically. On the recommendations of the 9<sup>th</sup> Finance Commission Calamity Relief Funds were set up in each state. Later a National Fund for Calamity Relief was set up to provide additional assistance for dealing with cases of rare severity. This Fund appears to have been since discontinued on the recommendation of the Tenth Finance Commission.

The total amount of money provided for such assistance during the period 1995-2000 was Rs.6304 Crores. The estimated amount required to be provided during the period 2000-2005 is Rs.11.007Crores, an average of Rs.2200crores per annum. Considering the estimated value of the losses caused by such disasters this amount appears to be small For instance, the total damage caused by the earthquake in Gujarat is estimated to be Rs. 21,262 Crores.

**It is therefore obviously necessary to augment the resources for meeting the cost of such disasters.**

More than money an appropriate organisation is required to handle the crisis situation. Usually, whenever a calamity occurs there is confusion and chaos in administration as no

single authority is nominated to coordinate relief measures and to ensure that it reaches the affected persons immediately.

The devastating earthquake in Gujarat brought into sharp focus the inadequacies of our disaster preparedness and management apparatus. At the sites of the disaster, the local bureaucratic set up collapsed completely. The only type of help that was available in the first few hours was spontaneous assistance rendered by individuals. The army moved in ten hours later and it was only then that the rescue effort took off the ground..

It is said that the army is now called upon more often to assist the civil authorities for disaster relief than for the maintenance of law and order. In 1994, the army was deployed 23 times for assistance during calamities. In the following year it was called on 15 occasions to face calamities.<sup>51</sup>

The only organisation which has a system and a learned response is the Indian Army. Their role in managing the consequences of the earthquake in Latur was admirable.. We do not have any system of periodic drills, mock exercises or knowledge exchange. If this was done all large organisations would have knowledgeable persons who would know exactly what to do whom to contact and whom to coordinate with in emergency situations. Citizens would also react with more confidence if they had been through training exercise at some time . Most importantly, the actions and systems have to be thought out, put in place and rehearsed in advance<sup>52</sup>

In this connection the following suggestions have been made:

(a)It would be worthwhile to think in terms of creating an auxiliary task force specially trained to handle such situations. The Army could provide the necessary training for the task force. Retired army personnel could be roped in for this task. Units of this task force must be in a state of continuous preparedness, ready to swing into action as soon as a disaster strikes.

(b)It is also necessary to have computerised data base which would be available to the bureaucracy as well as to the task force. The database would contain information about where all the members of the local task force are located and the means of getting in touch with them. So also the instructions that are to be issued to them

(c)An inventory of the various types of transport available in each district as well as the kind of assistance that could be provided by the railways, the air force, and even the navy would be a vital part of the data base..

(d)Special equipment would be necessary to rescue people. Lists must be prepared of the equipment required. and its location. Building and highway contractors could post a list of

their equipment and its locations electronically. Exercises could also be done to find the quick ways of transferring this equipment. Large industrial houses and computer professionals can get together to evolve this system in collaboration with government institutions

(e) Estimates of the kinds of drugs and equipment needed for different types of disasters per 100 persons need to be kept ready with disaster research centres. Such knowledge is now available. All decision makers should be aware that such knowledge exists and where. Large hospitals need to have lists of private doctors and individuals in their neighbourhood who would be willing to volunteer professional and nursing help and equipment. Regional consortia can be set up of outdoor wards and operational facilities with the help of tent houses etc. There is a great deal of medical expertise available internationally on dealing with these issues and we must set up systems to adapt it to our needs

(f) The all important question of where the money for all this work would come from would also have to be addressed at the outset.

(g) The role of the NGOs would be very crucial in this context. The data base should also list all the NGOs in each specific region and the kind of help they would be able to render in a crisis situation, be it in terms of men, materials or money or all three.

(h) Blue prints for dealing with disasters have been evolved. Institutes for disaster management have also been set up. But most of this work remains at a sub critical level and is not given importance. Not enough has been done to involve all sectors of society and the arrangements have not been rehearsed from time to time.

(i) Detailed scientific post mortems need to be done after every disaster to understand what worked and did not work, and why. The results of such exercises will have to be shared with the departments and groups concerned so that responsibilities can be assigned by each agency. If this is done periodically people would know how to react constructively when a natural or man made disaster strikes.

(j) A permanent commission for disaster management should be set on the lines of the Election Commission. It should be responsible for management of relief and rehabilitation of after every drought loss of crops, floods, cyclones, earthquakes and other disasters. This body could study how disasters are managed in other countries suggest the equipment to be purchased and should also be empowered to recommend help from the army police and other personnel in times of acute distress due to calamities

**In the UK a set of guidelines have been issued by the Home Office for dealing with Disaster. These guidelines identify the agencies responsible for handling the**

**situations arising out of disasters and how they should function. The guidelines also set out the command and control mechanism to be set up for handling disasters. Similar arrangements need to be made in India.**

**The enormity and complexity of the problem would suggest the need for initiating action on many fronts. The starting point for such action would be to develop a comprehensive disaster response and mitigation policy and a legal, and administrative framework to implement it. The Study Group is in no position to suggest outlines of the policy or the framework but it suggests an expert group being constituted to work them out.**

## **CHAPTER 7**

### **SOCIAL SECURITY FOR WORKERS IN THE UNORGANISED SECTOR**

#### **7.1 Subsidised Insurance Schemes**

One of the models for providing a measure of social security for workers in the unorganised sector is subsidised insurance. The Government of India as well as several State Governments have launched a variety of subsidised insurance schemes for the benefit of the weaker sections of the people through the Life Insurance Corporation of India and the General Insurance Corporation of India.

The Government of India had previously introduced the following schemes through the L.I.C.

1. Landless Agricultural Labour Group Insurance Scheme\*\*
2. Group Insurance Scheme for the beneficiaries of the IRDP.\*
3. Group Insurance Scheme for the Weaker sections.\*
4. Rural Group Insurance Scheme.\*
5. Jeevan Suraksha.

The following schemes had been introduced by the Government of India through the General Insurance Corporation and its subsidiaries:

1. Personal Accident Social Security Schemes for poor families.\*
2. Hut Insurance Schemes.\*
3. Solatium Funds Scheme.
4. Jan Arogya.
5. Public Liability Insurance Act, 1991.
6. Railway Passengers' Insurance Scheme.
7. Comprehensive Crop Insurance Scheme

Some of the State Governments have also introduced a few Insurance Schemes. These schemes provided limited benefits and were therefore not very popular.

#### ***Janshree Bima Yojana***

Of these the schemes marked \* have since been discontinued and merged in a new scheme called Janshree Shree Bima Yojana. The new Scheme was introduced in August 2000. Under this scheme, insurance benefit has been raised to Rs.20,000 for natural death, Rs.25,000 for partial disability and Rs.50,000 for accidental death or permanent disability. Brief particulars of the scheme are given in the Annexure VII.

### ***Shiksha Sahayog Yojana***

Another scheme called Shiksha Sahayog Yojana has been introduced under which an allowance of Rs.100 per month is paid to the children of parents living below the poverty line and studying in 9th to 12<sup>th</sup> Standard to meet their educational expenses so that the needy students are not deprived of the opportunity to continue their education for want of funds. This will be available to subscribers of the Janashree Bima Yojana.

### ***Khetihar Mazdoor Bima Yojana***

The Government of India have also introduced another insurance scheme for the benefit of agricultural workers called Khetihar Mazdoor Bima Yojana. The introduction of this Scheme was announced on 18<sup>th</sup> of May 2001 at the end of the inaugural session of the 37th Indian Labour Conference and it is reported to have been actually launched with effect from July 1, 2001. To begin with the scheme was to be implemented in clusters of 5 to 6 villages each in 100 carefully chosen districts. It is understood to have been introduced in fifty chosen districts to begin with.

The following benefits will be provided under the Scheme:

- (a) Lump sum payment of Rs.20,000 on natural death
- (b) Lump sum payment of Rs. 50,000 in case of death due to accident
- (c) Lump sum payment of Rs.50,000 in case of permanent disability or Rs.25,000 in case of partial disability due to accident.
- (d) If the agricultural worker survives the age of 60 he will be entitled to a pension ranging from Rs.100 to Rs.1900 per month depending on age entry in case of death after the age of 60.
- (e) On death after commencement of pension the family will be paid a lump sum amount ranging from Rs.13000 to Rs.2,50,000 depending on the age of entry to the scheme

The Scheme will be administered by Project Societies to be set up

The Union Finance Minister had announced in his Budget Speech for the year 2001-02 that he was asking the Insurance Regulatory Development authority to look into the question of providing social security coverage for the unorganised sector and to prepare a road map for pension reform by October 2001. It has been reported in the newspapers that the IRDA has worked out a scheme under which the workers in the unorganised sector will be provided with insurance cover for a minimum of Rs.40,000 and monthly subsistence pension. The workers opting for the scheme would have to pay a premium ranging from Rs.10 to Rs.25 per month. Details have not yet been made public



The Government have also introduced a National Agricultural Insurance Scheme The details of this Scheme are given in another section relating to cultivators and agricultural workers.

These are all subsidised insurance schemes . The premium is shared between the Government and the beneficiary or the nodal agency sponsoring the beneficiary

In the case of Janashree Bima Yojana the premium is Rs.200 per member of which 50 percent is paid by the insured person or the nodal agency and the balance is met out of the Social Security Fund with the LIC. Assuming that one million persons are covered under the Scheme the cost to the Government will be Rs.10 crores per annum

In the case of the agricultural workers insurance Scheme the worker has to pay a premium Rs.365 per annum , Re one per day, Government will pay Rs.730 per worker per annum. The total estimated cost of the Scheme to the Government is Rs.152.39 crores.

There are thus two different schemes and another scheme is contemplated for target groups. who belong to the same class. The Study Group is not able to appreciate the reasons for the differences in the nature and quanta of benefits provided, the rates of premia charged and the rates of subsidy involved among these schemes. It is needless to say that unless it can be demonstrated that the differences are based on reasonable classification they may be construed as discriminatory.

As the new schemes have been introduced recently it is too early to evaluate their performance. It has been reported that the total number of policies issued under the Jana Shree Bima Yojana in the course of one year since inception was about 4,50,000 . considering the size the unorganised sector it is no means a very encouraging response. In the course of discussion with the representatives of insurance industry the Study Group was given to understand that contributory insurance schemes were generally not popular. Considering the high rate of premium agricultural workers are required to pay they were not sanguine that the response would be any better. .

A contrary opinion however is that people are prepared to pay contributions if they are convinced that it is to their advantage.. The main reason according to this opinion for the poor response to the insurance schemes in the past was the lack of awareness and the lack of effort to educate the people about the advantages of contributing to the schemes If the new schemes have to succeed it would call for a major promotional effort

The Study Group therefore suggests that the Insurance Companies may be required to develop two or more plans providing coverage for the major risks faced by the people namely health, life, widowhood, accident , loss of assets etc with a uniform rate of subsidy and leaving it to the individuals to exercise the choice among

them depending on their capacity. The services of organisations of the people and NGOs may be utilised to promote the policies. and also to service them. The schemes may be implemented through the local branches of the insurance companies with the peoples organisations and NGOs functioning as agents or as nodal agencies to collect the premia and to process the claims .

The Study Group feels that one of the reasons, if not the main, for the unsatisfactory response to the social security insurance schemes being implemented through the LIC and the GIC is that being commercial organisations these corporations have not been able to give adequate attention to the unprofitable social security schemes especially in the context of the opening of the Insurance sector to private enterprise. It was for this reason that the Malhotra Committee that went into the question of restructuring the insurance industry had, while recommending the opening of the insurance industry to the private sector, suggested that the subsidised insurance schemes being run by the LIC and the GIC should be entrusted to a separate exclusive organisation to which the insurance industry both public and private could be asked to contribute.

The Insurance Regulatory and Development Authority (IRDA) has, in terms of the powers vested in it under the amended Insurance Act, through the regulations issued by it, provided that every insurance organisation licensed by it to do insurance business , life or general, must provide social insurance cover to the prescribed number of persons belonging to the weaker sections in the unorganised sector every year. This provision is likely to lead to a variety of schemes providing dissimilar benefits to the weaker sections. The Study Group therefore suggests that a separate organisation be set up to administer these schemes and the insurance companies licensed by the IRDA be asked to make appropriate contributions to this organisation instead of trying to fulfil the obligations laid down in the regulations directly.

Indeed the Economic Survey 2000 says that the Government has decided to set up an exclusive organisation for implementing the National Agricultural Insurance Scheme The Study Group suggests that the same or another similar organisation may be entrusted with the administration of all subsidised insurance schemes.

In the course of its meeting with the representatives of Insurance Companies the Study Group was informed that the amount available in the Social Security Fund with the LIC may not be adequate to meet the cost of subsidy if large number of persons were to avail of it. A suggestion was therefore made that it should be augmented by earmarking a part of the service tax being levied on insurance business. The Study Group feels that it is a good idea and commends it for consideration of government

## **7.2. Welfare Funds**

### **7.2.1 Introductory**

Welfare Funds represent one of the models developed in India for providing social security protection to workers in the unorganised sector. Under this mechanism funds are raised by levying a cess on the production, sale or export of specified goods or by collecting contributions from various sources including the employers, employees as well as the Government and the funds are used for meeting the expenditure on welfare of the workers.

The term welfare is a broad concept encompassing a variety of activities including social security. The National Commission on Labour has stated : "The concept of welfare is necessarily dynamic, bearing different interpretation from country to country and from time to time and even in the same country according to its value systems, social institutions, degree of industrialization, and general level of social and economic development. According to pre-Independence notions, it could cover, apart from known amenities, items like housing, medical and educational facilities, cooperative societies holidays with pay and social insurance measures."

A study team appointed by the Government of India in 1959 to examine labour welfare activities then existing divided the entire range of these activities into three groups :

- (a) Welfare within the precincts of an establishment : medical aid and creches, canteens, supply of drinking water, etc.
- (b) Welfare outside the establishment : provision for indoor and outdoor recreation, housing, adult education, visual instructions, etc., and
- (c) Social security.

Welfare facilities within the precincts of an establishment are provided by the respective employers as prescribed under the Factories Act, Mines Act, Plantation Labour Act etc. Welfare facilities outside the precincts of an establishment are provided through an institutional framework of welfare funds and welfare centres.

Welfare Funds have been set up by the Central Government as well as some State Governments. Details of these welfare funds are given in Annexure VIII

### **7.2.2 .Establishments of additional welfare funds**

The National Commission on Rural Labour had suggested establishment of welfare funds for the following classes of workers

- (a) Agricultural Workers
- (b) Toddy tappers
- (c) Handloom workers
- (d) Fishermen and others

In a paper submitted to the recently concluded Indian Labour Conference Government had proposed to extend the welfare fund mechanism wherever feasible to hitherto uncovered sections and, in particular, to set up new welfare funds for fish processing workers, carpet workers, salt workers, leather workers and others.

**The question whether welfare funds could be set up in respect of all classes of workers in the unorganised sector was examined by the Study Group and came to the following conclusions:**

- (a) Welfare funds could be a model for providing social security to the workers in the unorganised sector.**
- (b) A welfare fund may be set up for each of the major employments with large number of persons employed such as follows:**
  - (i) agriculture,**
  - (ii) building and construction industry including brick kiln industry,**
  - (iii) beedi industry**
  - (iv) handlooms and power looms**
  - (v) fishing and fish processing,**
  - (vi) toddy tapping**
  - (vii) headload workers**
  - (viii) railway porters**
  - (ix) agarbathi**
  - (x) rag pickers and other scavengers**
  - (xi) rickshaw pullers**
  - (xii) salt workers**
  - (xiii) carpet weaver**
  - (xiv) leather workers, etc.**
- (c) As regards the other minor employments it might not be practical to set up a Welfare Fund for each such employment. It would be necessary to bring them under an umbrella type of legislation with a common Welfare Fund**

### **7.2.3 Financing of Welfare Funds**

The Welfare Funds should be contributory but the contributions that workers could make to such Funds would necessarily be small and would not by themselves without a matching contribution by either the employers or the Government be adequate to provide them any meaningful social security. The employers would therefore have to make more significant contribution to the Welfare Funds.

But it would not be easy to collect contributions from the employers except where they are required to obtain a permit or a license or where they were required compulsorily to register themselves. In other cases collection of contributions would require an effective administrative machinery which might not be cost effective.

If the welfare activities were combined with regulation of employment through Welfare Boards whereby the employers as well as workers would be required to register themselves compulsorily it would be possible

- (i) to ensure regularity of employment
- (ii) to fixation and revision of wages on a rational basis compensating the workers for increase in the cost of living and also to give them the benefit of higher productivity and profitability;
- (iii) to provide for all the essential welfare benefits

The Study Group noted that the Mathadi Boards which had combined welfare with regulation of employment and wages were working well and could be deemed to have been successful in achieving their objectives. The Study Group therefore suggests the adoption of that model wherever possible

If the foregoing suggestion is not found feasible the only alternative is for the Government provide the supplementary finance to the funds by levying a tax in the form of a cess or surcharge at a rate which would yield sufficient revenue or otherwise. Where a separate Welfare Fund is set up for a particular employment it might be easy to identify the source of the tax revenue. but in the case of a Common Fund the source of revenue would have to be of general nature..

If a tax were to be levied of a general nature for financing social security of the large majority of workers in the unorganised sector it might be more appropriate to adopt the area based approach recommended by the ILO which is akin to the system obtaining in Australia or New Zealand or the system that was recommended for the U.K by Lord Beveridge.

In this context the essential point to be noted is that while in the organised sector employers are required to make contributions to a social insurance scheme at a rate higher than or equal to the rate of contributions by the workers, in the unorganised sector, the State will have to take the place of the employer if the employer cannot be identified or made to pay his share of the contributions.

It is more so in the case of self employed persons for whom there no employers at all.

## **7.2.4 Central Welfare Funds**

### **(a) Constitution of welfare funds**

The Government of India have set up welfare funds for mine workers, beedi workers, cine workers and dock workers. The Building and other Construction Workers (Regulation of Employment and Conditions of Services) Act, 1996, recently enacted provides for the establishment of one or more Welfare funds for the benefit of the workers in the building industry. There is a proposal to set up one or more welfare funds for agricultural workers under the Agricultural Workers Bill presently under consideration.

The Union Finance Minister in his budget speech for the year 2001-02 announced the proposal to set up a Journalists Welfare Fund with an contribution of Rs.1crore from the grants of the Ministry of I&B

Newspapers have carried reports that the government of India have also decided to set up a welfare fund for advocates under a central legislation. Twenty percent of the enrolment fee collected by the bar councils from advocates will be remitted to the fund. Additionally money will be collected by sale of welfare stamps to be affixed on all vakalatanamas filed by the advocates for handling cases Other sources include contributions from the Bar Councils Central and State, associations of Advocates and voluntary donations. The fund will be utilised for providing assistance to those in need for healthcare and old age benefit

The existing laws provide for welfare funds for workers in six classes of mines, namely, mica, iron ore, manganese ore, chrome ore, limestone and dolomite. There are many other classes of mines, major as well as minor, in respect of which there is no such provision. It appears therefore that the workers of mica, iron ore, manganese ore, chrome ore, limestone and dolomite ore mines been given more favourable treatment in the matter while the workers of other mines have been denied that facility. Denial of welfare funds might not matter if there is an alternative arrangement for providing welfare facilities to the concerned worker by the employers themselves or by other means such as the ESI Scheme. In this connection it may be noted that the Employee's State Insurance Act is not presently applicable to mines. Nor is there any legal provision requiring the employers to provide the facilities to their workers which the welfare funds provide. The existing arrangements seem therefore to be discriminatory.

Secondly, it may be seen that although a common fund has been constituted for limestone and dolomite mines and another for iron ore, manganese ore and chrome ore mines it is not clear why three separate funds have been constituted one for mica, one for limestone and dolomite and another for iron ore, manganese ore and chrome ore mines. It would have been more advantageous and economical if they could have been further unified into one fund with uniform rates of cesses / contributions and benefits.

Indeed the Committee on Welfare set up by the Government of India in 1966 had recommended the creation of a General Mine Labour Welfare Fund "which will undertake welfare activities in respect of workers in all mines". But no action has been taken on this recommendation. The National Commission on Labour had however expressed preference for a separate fund for each mineral because "there are certain minerals in which the setting up of funds is already under examination of Government" but had recommended that to avoid duplication of effort in the same area all the funds should have an arrangement which permits pooling of facilities. This has also not been done.

***(b) Financing of Central Welfare Funds***

As stated above the welfare funds set up by the Central Government are financed by levying a cess on specified goods as shown below :

Mica Mines Labour Welfare Fund Act, 1946, provides for the levy and collection as a cess on all mica exported a duty of customs at such rate not exceeding 6 ¼% ad valour as may be fixed by the Central Government. (Current rate is 4 ½%).

Limestone and Dolomite Mines Labour Welfare Fund Act provides for levy and collection of a cess on limestone and dolomite produced in any mine, for consumption or sale, a duty of excise, at such rate not exceeding one rupee per metric tonne as the Central Government may fix. (Current rate is Re.0.50 per metric tonne).

The Iron Ore, Manganese Ore and Chrome Ore Mines Labour Welfare Cess Act, 1976 provides for the levy and collection of as a cess for purposes of the Welfare Fund on all iron ore manganese ore and chrome ore produced in any mine, a duty of customs where such ore is exported and a duty of excise where such ore is consumed or other wise disposed of at rates not exceeding re.1 per metric tonne in the case of iron ore, Rs.4 in the case of manganese ore and Rs.6 in the case of chrome ore. (Current rates are Re.1 for iron ore Rs.2 for manganese ore and Rs.4 for chrome ore).

Beedi Workers Welfare Cess Act provides for the levy and collection by way of a cess a duty of excise on manufactured beedis at such rate which shall be not less than ten paise or more than fifty paise per thousand manufactured beedis as the Central Government may fix. (Current rate is 30 paise per thousand beedis).

The Cine Workers Welfare Cess Act originally provided for the levy and collection as a cess a duty of excise at the rate of Rs.1000 per feature film produced. This provision has since been modified to provide levy and collection of the cess at differential rates depending on the language of the film. (Current rates are : Hindi films Rs.10,000 per film, Films in South Indian Languages Rs.5,000 per film, Marathi and Bengali films R.3,000 per film and other films Rs.2,000 per film).

The Building and other Construction Workers Welfare Cess Act provides for the levy and collection of a cess at such rate not exceeding 2 percent but not less than one percent of the cost of construction incurred by the employer as the Central Government may fix.

A noticeable feature of these provisions is the wide variations in the rate structure of the cesses. The duty on mica is on ad valorem basis whereas the duties on other commodities is at specific rates which too range from Re.0.50 to Rs.4 per metric tonne.

A look at these differences will naturally give rise to the question : what is the rationale of the differential rate structure? Why should a person pay a cess of Rs.4 per tonne on chrome ore while limestone carries a cess of fifty paise only? Similarly why are differential rates based on languages of the films fixed for Cine Workers Welfare Fund? Are the rates based on the needs of the workers and the requirement of the Funds or the capacity of the industry to pay? What is the criterion for fixing the rates and is it relevant to the purpose?

In any financing arrangement the basic principle is that the receipts and payments, or the income and expenditure, based on contributions the rates of contributions as well as benefits are determined actuarially and are subject to adjustment on the basis of periodical valuation. There is no provision in these laws for actuarial studies or valuation. The rates of duties as well as benefits are fixed ad hoc resulting in surpluses or deficits. Indeed the accounts of the mine workers Welfare Funds show heavy accumulation of balances. For instance, the expenditure incurred from Limestone and Dolomite Welfare Fund during the year 1992-93 was Rs.216 lakhs and it had at the end of the year a balance of Rs.1293 lakhs, six times the amount spent during the year. Similarly Beedi Workers Welfare Fund had a balance of Rs.3194 lakhs at the end of 1992-93 against the expenditure of Rs.996 lakhs incurred during the year.

### **(c)Benefits**

The end use of the welfare funds is prescribed in the respective laws or schemes. The Central Welfare Funds for mine workers and beedi workers may be used inter alia for –

- the improvement of public health and sanitation, prevention of diseases and provision and improvement of medical facilities ;
- the provision and improvement of water supplies and facilities for washing;
- the provision and improvement of educational facilities,
- the improvement of standards of living, including housing and nutrition, amelioration of social conditions and provision of recreational facilities;
- the provision of family welfare, including family planning education and services;
- the provision and improvement of such other welfare measures and facilities as maybe prescribed.



In actual practice bulk of the expenditure from the welfare funds has been on health, education and housing.

It may be seen that barring medical care the welfare funds set up by the Central Government for mine and beedi workers do not provide for meeting the expenditure on any of the well recognized branches of social security, such as sickness benefit, occupational injury benefit, maternity benefit, invalidity benefit, old-age benefit, survivor benefit or unemployment benefit. In strict sense therefore these welfare funds cannot be deemed to be providing social security but they have the scope and the potential to become instruments of social security if suitable amendments are made to the laws.

Indeed the pattern of the end use of the welfare fund has been changed in the latest Act concerning building and construction workers which provides for the following benefits :

- Immediate assistance in case of accident;
- Payment of pension;
- Loans and advances for construction of houses;
- Payment of premia for group insurance schemes;
- Financial assistance for education of children;
- Meeting the medical expenses for treatment of major ailments;
- Payment of maternity benefit;
- Provision and improvement of other welfare measures and facilities.

The Kerala Welfare Fund Schemes provide a much wider range of benefits including many of the branches of social security required to be provided under the ILO Convention concerning Minimum Standards of Social Security.

The two models, namely, the Central and the Kerala model represent the two extremes, one representing the minimalist approach and the other maximalist approach. Neither can be adopted as a model for future development of welfare funds in India so far as the benefit structure is concerned. What needs to be done is to prepare a standardized list of benefits which may be provided from the welfare funds and to prioritise them somewhat on the following lines :

- Health care,
- Invalidity, old age and survivor benefits
- Maternity and Child care
- Educational assistance
- And housing.

A few words about these benefits may be in order.

**(i) Medical Care**

There are broadly three ways of organizing medical care under social security :

1. Reimbursement to the patients of the costs of medical care incurred by them at standard rates or at actuals;
2. Providing service indirectly by entering into contract with the hospitals dispensaries and doctors;
3. Providing the service directly under an integrated arrangement in which the financing and providing the service is with the same organization.

Some of the Kerala Welfare Funds have adopted the first model of reimbursing the cost of medical care subject to certain ceilings. Some of the Public sector establishments have adopted the second model. The Employees State Insurance Scheme is based on the third model.

The Central Welfare Funds have also adopted the integrated model and has undertaken to provide the service directly. Each fund has created its own hospitals, dispensaries and other facilities for providing medical care. the Labour Welfare Organization is directly running 13 hospitals with 525 beds and 229 dispensaries but it is doubtful if they can provide the medical care of the requisite standard. The following table shows the number of workers covered under the welfare funds and the expenditure incurred on their health during the year 1993-94 :

Welfare Fund	No. of Workers	Expenditure on Health Rs. in lakhs	Per capita Expenditure Rs.
Iron ore etc.	77,735	61.92	79.65
Limestone etc.	53,549	51.49	96.15
Beedi	27,34,295	681.54	24.92

The per capita expenditure on medical care fixed by the Employees' State Insurance Corporation for purposes of reimbursement to the State Governments is Rs.500 per insured person. Out of this an amount of Rs.150 is earmarked for drugs and dressings. The actual expenditure on medical care incurred by the State Government under the ESI Scheme during 1994-95 ranges from Rs.315 to Rs.1035. it may be seen that the expenditure incurred on medical care from the welfare funds is comparatively low. It is noteworthy that the prescribed

financial norm for purchase of medicines in the dispensaries under the welfare funds is just Rs.4 per patient per visit. (Rs.3 for Ayurvedic medicines). At current prices few medicines can be purchased for this amount. If the per capital expenditure is taken as a measure of the standard, the standard of medical care under the welfare funds would appear to be very low.

Administration of medical care is a function for specialists. The degree of specialization is also growing in the field of medicine. The ESIC has established a Medical Benefit Council to lay down the standard and enforcing them. There is no such body in the Welfare Organization. As each welfare fund has established its own organization for providing medical care it would also be unrealistic to expect them to develop parallel systems of control and supervision or to appoint the super-specialists in required numbers. Only a large organization like the ESIC can afford to have such systems and expertise. If the welfare funds were to have the advantages of a large organization the obvious course open to them is to consolidate their resources and to have a common system of medical care or more preferably to establish appropriate linkages with other providers of service like the ESIC and hospitals like Apollo.

In this connection it may be pointed out that the experience of the ESI Scheme in running an integrated model has not been found popular. Given the option the insured persons would opt out of the ESI Scheme unless they are given the choice of doctors and hospitals for consultation and treatment. In the circumstances the welfare funds will also do well to adopt the models of reimbursing the expenditure subject to such conditions as might be considered necessary to stipulate or providing the services indirectly by entering into agreement with the providers of the service confining its own function to the financing of the services.

#### ***(ii) Group Insurance***

The beedi workers are insured under the Weaker Sections Group Insurance Scheme of the LIC for which 50% of the premium is paid by the welfare fund, the balance being subsidized by the LIC itself. The Building and other Construction Workers Act also envisages coverage of the workers under group insurance schemes and payment of premia therefor from the welfare funds. If similar arrangements are made in respect of the other groups also the cost of providing survivor benefit may work out to be less than self insurance. If GIC can also develop appropriate group insurance schemes for accident and other benefits the welfare funds might be able to provide wider range of benefits economically.

#### ***(iii) Old age Benefit***

So far as Old age benefit is concerned many of the Kerala Welfare Funds pay a basic minimum pension at a flat rate. For instance, under the coir Welfare Scheme the Coir Workers are paid an old age pension of Rs.75 per month. In the case of Toddy Workers Welfare Fund however a provident fund cum gratuity scheme is operated.

In the case of coal mine workers there is a separate Coal Mines Employees Provident fund. The other mine workers as well as the beedi workers are covered under the Employees' Provident Fund and Miscellaneous Provisions Act. They are all entitled to income related pensions under the newly introduced Employees' Pension Scheme.

An important issue concerning old age pension is whether welfare funds should provide only a basic minimum pension leaving it to the individuals to make their own arrangement for supplementing it as under the Kerela Schemes or whether they should provide income related pensions as under the Employees' Pension Scheme. The current world trend appears to be to pay a basic minimum pension under social security leaving it to the employers and the individuals themselves to provide for a higher pension. Such an arrangement would also be administratively more convenient as the payment of income related pension would require arrangements for maintenance of service and income record and it would be difficult for the Welfare funds to maintain or obtain such records.

#### **(iv) Educational Assistance**

Most of the welfare funds, Central and State, provide assistance to the beneficiaries for education of children. This assistance is in the nature of family benefit which augments the incomes of the workers with family responsibilities indirectly. It is given mainly in the form of scholarships and stipends, supply of books, stationery and uniforms, mid-day meals, cash awards for meritorious performance, etc. Assistance is also given to the management's for running schools and libraries. In Kerala educational assistance is given mainly for higher education.

#### **(v) Housing**

Shelter is one of the basic needs of the people. The convention of the ILO concerning Minimum Standards of Social Security does not however recognize housing as part of social security. But the broadened concepts of social security currently being advocated attach equal if not greater importance to housing in the schemes of social security. Assistance for housing being given by the Central Welfare Funds needs therefore to be recognized as a social security measure and evaluated as such.

There are several schemes for providing such assistance :

Financial assistance in the form of loans for building one's own house under the Build your own House Scheme                       Rs.10,000

Financial assistance in the form of subsidy for economically weaker sections @ Rs.9000 or 50% of actual cost.

Financial assistance to management's in the form of loans for construction of Type I and Type II houses for the workers Rs.20,000 for Type I houses and Rs.30,000 for Type II houses or 75% of the cost which ever is less.

Financial assistance for group housing scheme sin the form of loans (Rs.4,000 per house in the case of mine workers and Rs.6,000 in the case of beedi workers) and subsidy (Rs.1,000 per house).

The amount of assistance provided under each of these schemes or the number of houses constructed has not been reported. Considering the present level of costs of construction it is doubtful if the scale of assistance provided under the various schemes is adequate for a meaningful achievement in the construction program.

#### **(d)Administration**

The Central Welfare Funds are administered departmentally by the ministry of Labour through welfare commissioners appointed by Government with the help of advisory committees who have no financial or administrative powers. They tend to be bureaucratic in their approach lacking in initiative or imagination. The schemes have therefore remained static with little or no change in their pattern.

#### **(i)Wage Ceiling**

The Acts under which the Central Welfare Funds have been set up do not limit their coverage with any wage ceiling. In practical application however a ceiling has been prescribed. Till recently the wage ceiling was Rs.1,000. It was raised to Rs.3,500 in 1991 on the recommendations of a task force appointed to review the schemes, wage ceilings for application of other social security schemes such as the EPF Scheme and the ESI Scheme have since been raised to Rs.5,000 or above and in the case of the Payment of Gratuity Act the ceiling has altogether been removed but the ceilings for application of the welfare fund schemes have remained at Rs.3,500. This is indicative of the lack of a positive approach to the administration of the funds.

#### **(ii) Identification of beneficiaries**

One of the major problems of administration of the Central Welfare Funds concerns identification of the beneficiaries. The welfare funds do not have a system of registration. Instead they have introduced the systems of identity cards. The identity cards are required to be issued by the employers and they have not been responsive to this need. The Ministry of Labour has reported that in the case of beedi workers identify cards have been issued in respect of about 43 lakhs. The workers cannot get the benefit of the welfare funds unless they have the identify cards. Thus nearly 16 lakh workers have been denied the benefit because of non-issue of identify cards.

On the other hand, in Kerala the system of registration exists but the schemes being optional the number of workers who have registered themselves varies according to the scheme and in some cases coverage has been very low.

***(iii) Cost of administration***

Another problem of administration concerns its cost. The cost of administration of Central Welfare Funds during 1992-93 varies from 7.9% of the total benefit expenditure in the case of Beedi Workers Welfare fund to 19.4% of the benefit expenditure in the case of Limestone and Dolomite Labour Welfare fund. Although there is no fixed norm to regulate the administrative expenditure the wide range of the expenditure indicates the scope for economy. There can be no doubt that if the welfare funds can be integrated there would be large savings on overheads. This point has been emphasized by the expert committee which reviewed the working of the Kerala Schemes.

Periodic evaluation is a modern management technique which is built into all development schemes. It has three fold objectives :

- (1) An evaluation of the policies with reference to their objectives;
- (2) An evaluation of the program with reference to the policies and objectives;
- (3) An evaluation of the implementation of the program with reference to the effectiveness and the efficiency of the administrative apparatus and to assess the impact of the schemes on the people which they seek to improve.

As a management technique it requires certain expertise. It does not appear that the welfare funds have been evaluated by persons or bodies trained or experienced in conducting such studies. The Government of India has been appointing committees and commissions to review the working of the schemes. These committees and Commissions ordinarily comprise of laymen who can only look at them somewhat superficially. Even so they can convey the general impression of the people about the schemes.

The Government of India had appointed a task force to review the working of the welfare funds in 1991. The task force observed that the working of the welfare funds had suffered due to apathy on the part of the management, want of infrastructure, inadequate resources, cumbersome procedures and unimaginative administration. They had made several recommendations for improvement in the working of the Funds many of which are reported to have been accepted and implemented. Whether these improvements have had any significant impact on their working is not known.

### **(e) Conclusion**

The only social security provision in the conventional sense made in the welfare fund laws is health care.. The Welfare funds can however be transformed into instruments of social security if they can be restructured suitably as indicated below:

- (a) the coverage of the funds should be expanded,
- (b) the range of benefits provided under the welfare funds should be broadened .
- (c)the financial arrangements for providing those benefits should be modified; and
- (d)finally the administration of the funds should be decentralised and made participatory

### **7. 3. Employment Boards, cooperatives and other types of organisations**

One of the interesting developments of the past few years has been the emergence of proposals for establishing tripartite boards for regulating employment and conditions of service of workers in the unorganised sector where in the absence of an employer employee relationship on a regular basis the employment as well as income of the workers is extremely insecure.. There is no continuity of employment, wages are low and the workers have no welfare or social security protection. Very often the deductions made from the wages for contribution to Provident fund or ESI schemes do not reach the destination and they are denied the corresponding benefits. A tripartite committee had therefore unanimously recommended the establishment of tripartite boards for regulating the employment and the conditions of service of brick kiln workers so as to assure them payment of reasonable wages and other social security benefits.. The National Campaign Committee for Central Legislation for Construction Workers also drafted a bill and a scheme on similar lines providing for the setting up tripartite construction labour boards to register both employers and workers, allot workers to employers (usually contractors) on a rotational basis ,arrange for payment of wages, provide for social security measures, fix and collect a levy from the principal employer as also from contractors towards making payments of wages, benefits, social security etc. to workers.

Likewise in the case of home based workers the National Commission of Self Employed Women and Women in the Informal Sector . had recommended "establishment of Tripartite Boards for the reason that no law , however well conceived, will be of benefit to women workers unless they have a major hand in the implementation of these laws and this should be achieved only at a Tripartite Board in which workers will have as many representatives as the Government and the employers. Women workers will be adequately represented proportionately to their numerical strength. The Tripartite Board will not only regulate the implementation of legislation, but also contribute in making women workers visible and to bring to focus the contribution they make to the family income and to the economy and above all in empowering them, to understand their rights and to demand them, not merely as beneficiaries under paternalistic system but as partners and participants in a production

process. There is no other method by which employer-employee nexus can be established. The Tripartite Board arrangement provides for a corpus of employers and a corpus of employees, instead of individual employer with his employees. In this type of arrangement, it will also be possible for the Board to take on planning functions in respect of the activity concerned, and to encourage promotion of cooperatives wherever feasible, with the Board helping the cooperative in the matter of supply of raw materials and marketing”.

The National Commission on Rural Labour had also recommended the setting up of such tripartite boards for regulating agricultural labour. They had expressed the opinion that the boards could be styled as Employment Security and Welfare Board. which could supervise and monitor the working of the various provisions of the Act concerning agricultural labour. The board could include experts, social activists, non governmental voluntary organisations, Scheduled Castes and Scheduled Tribes and women members. Such Board should be constituted at State level, District level and also at panchayat level

One of the objections to these proposals has been that tripartite boards would add to the cost of construction and that the entire process would become bureaucratised.

Employers are not however averse to contributing to a welfare fund which would provide all the benefits including social security to workers through a tripartite board; What they do not seem to want is regulating employment through registration of employers and workers and allotment of workers by the tripartite board.

Tripartite boards have however been set up in Maharashtra for regulating the employment and conditions of service of mathadi workers and security guards . A similar board has been set up for headload workers in Kerela. Details of these boards are given in Annexure IX

Professor R.C.Datta of the Tata Institute of Social Sciences who conducted a study of the working of the mathadi boards has reported that “although quite a few characteristics of an unorganised sector still remains with the mathadi labour market but it is also a fact that almost all the protective social security benefits have been achieved by the mathadis.

Interestingly, many of the workers in these boards are income tax payers and have paid income tax amounting to over a crore of rupees”

**The Study Group met the officials administering these boards, the representatives of workers as well as employers and after talking to them formed the impression that the boards were working well. The Study Group has therefore no hesitation in commending that model for adoption in other similar cases. In particular, the Study Groups suggests that the welfare Board model be extended to**



- (a) Headload workers
- (b) Security guards
- (c) Beedi workers
- (d) Building workers
- (e) Fish processing workers
- (f) Ragpickers

There are already such boards for head load workers in Kerala and Maharashtra. They may be set up in other States as well. The National Campaign Committee for Central Legislation for construction workers headed by Justice V.R.Krishna Iyer has been demanding the establishment of such boards for the building industry. They may be set up in some States like Tamilnadu where the demand is very strong on an experimental basis before extending to other States.

#### **7. 4. Area Based Schemes**

The ILO in its report on Social Protection for the unorganised sector has recommended that in order to universalise access to social protection for the self-employed and workers in the unorganised and informal sectors a reasonable alternative to the various occupation based schemes currently in vogue, would be to design a scheme on area basis "which would move away from the vertically organised employment spheres towards a person centred approach with the aim of covering all workers within a compact geographical area". The outline of the scheme recommended by the ILO is as follows:

##### ***Outline of the Scheme :***

The area based social insurance approach is mainly targeted to the majority of workers who are between the two categories of (i) the organized workers having statutory protection (around 10%) and (ii) those in extreme poverty (around 30%) receiving social assistance from the Government. Built on the premises of individual worker's responsibility to provide for future contingencies and the fact of his making substantial expenditures on this account, workers contributions must be an essential requirement. Doing away with the limiting conditions generally prescribed under social security laws, the area based scheme under the project envisages open membership to all adult workers in a defined geographical area, irrespective of the nature and the duration of employment or the place of work. The coverage may be in the individual capacities of the workers, and not on the basis of family units where women workers are usually left out. In fact, a special focus is intended to be built for inclusion of the eligible women.

As for the benefits that may be proposed to the unorganised workers, it would be advisable to be realistic rather than ambitious. The range of benefits to be provided would, first of all, depend on the social security priorities of the unorganised workers themselves, and secondly, on the contributions they are willing to make and on the level of funds available – either from the government or from other sources. The basic benefits may include (a) insurance against death or disability, (b) a health insurance and (c) old age benefits.

The coverage under death and disability (a) may be comprehensive, the sum assured for life being uniform irrespective of the cause of death since it is unrelated to the needs of the surviving family. In the case of disability, the compensatory payments may be made periodically, being a higher form of security, rather than in a lump sum as provided under the WCA.

As for the health services, while 60% of hospitalised treatment is provided by the government infrastructure, private providers took care of around two-thirds of the out-patient care. There are indications that workers from the unorganised sector prefer contributing to out-patient costs (including maternity and child care) rather than to an insurance against hospitalisation costs. So, the health insurance priorities need to be established clearly before the area-based scheme is started. The services may be extended through both the public and private providers, as available in the area, the choice of selection being with the beneficiary. If workers prefer to contribute to the management and financing of primary and (some) secondary health services, the model for rural areas could be used, as developed by Hsiao and Sen (1995)

Under the old age benefits mentioned at (c), a pension based on a savings-linked scheme may be proposed, perhaps with additional amounts for those who do not avail of (a) or (b) on the lines of a no claim bonus.

The funding of the scheme under the pilot project is envisaged to be from the members contributions and from other sources. Contributions would have to be mandatory for obtaining benefits, but may be prescribed as flat rates (avoiding any linkage with wages as in the case of organized sector schemes). Members may be given the option to select from amongst different premia amounts with corresponding benefit packages that have been worked out on an actuarial basis. It may also be possible to provide different rates of subsidy to the various packages, so that subsidies benefit workers with low incomes more than those with high incomes. Governments could finance these subsidies from various sources ; additional taxation; a social security cess linked to specific items (such as electricity consumption, clearance of negotiable instruments, motor vehicles, licenses, etc); diversion of current government funds for various social security and health care schemes which may be integrated into this social insurance package; and identified unused amounts available with state or local governments.

The project is conceived as a state level one, the overall responsibility for its formulation and administration resting with the state governments, whose authority could be delegated to a special board that would include representatives from the social security partners, such as workers and employers organizations, relevant NGOs and insurance companies. As for its implementation, it is suggested to entrust the management of the finances and benefits to a professional insurance agency, while the field administration may be carried out by the district authorities with specific functions possibly being assigned to the three tier panchayats comprising the local democratic government. Alternatively, some of these functions may be assigned to workers groups or NGOs. It would be desirable to use the existing administrative mechanism to the extent possible; for instance, standing insurance committees could be constituted within the District Rural and Urban Development Agencies, along with arrangements made for the NSAP. The role of the Central Government (MOL) is seen mainly in the areas of co-ordination and review of the project, in collaboration with the ILO, at the national level.

An extract of a paper which describes the proposed area based schemes in some detail is given in Annexure X

The proposal concerning Area Based Schemes appears to be eminently suitable for application to the workers in the unorganised sector who are too numerous to be covered under occupation based schemes. The Study Group suggests that it may be tried out on experimental basis in some States before extending it to other States.

#### 7. 5. Micro Credit/Finance Insurance

One of the surest ways to provide employment to workers in the unorganised sector is by promoting small business for purposes of self employment. Many voluntary organizations help self employment by providing credit, training and marketing facilities etc.

#### *Social Mobilization – New Approach to poverty eradication :*

A brave new approach to poverty eradication is being tried by UNDP in a few countries of South Asia. In India it is being tried in a few mandals of Andhra Pradesh. This approach is described as a 'non-conflict, harmonious mode of social mobilization'. The thrust of the approach lies in social mobilization and the empowerment of the people through decision making. The basic concept of the program is to organize people at certain 'entry points', through which they can be mobilized because of the felt needs of the society.

One such entry point is the general habit of thrift among South Asian people, especially women. The habit of saving money is important as rural indebtedness is rampant in these countries. Thrift and credit could therefore be an entry point into the village society.

The project lies in formation of small groups of 15-20 persons. They pool resources to create a local fund which is used for meeting the felt needs of the members. The group itself decides on the priorities knowing as they do the requirements of the members. The level of credit may be as high as Rs.25,000. The power to take decisions in the matter of giving financial assistance invests the people with self respect and a sense of belonging.

The entry point of thrift and credit is only a cause for the people to come together. Once they are there joint action could be planned in community health and many other aspects. What is important is to bring the people together.

#### ***Micro credit :***

Micro credit involves the grant of very small loans with a view to helping the poor start their own ventures. It has been recognized as one of the effective means of poverty eradication. This fact was underlined by the World Summit on Micro Credit held recently in Washington which was opened by Hillary Clinton and addressed among others by the Prime Minister of Bangladesh which gave birth to the concept. It has been reported that today there are over 3.5 million borrowers of micro credit in Bangladesh who together with their dependants constitute 20% of the population. Micro credit opens the doors to those who are confined in a static conservative society to self actualisation and gives them self respect and social mobility. Hillary Clinton said micro credit is a macro idea. It has a great potential not only to alleviate poverty but also to promote self sufficiency and stimulating economic activity in some of the world's most destitute and disadvantaged communities. The Summit decided to launch a campaign for a \$2.6 billion plan to lift 100 million of the world's poorest families out of poverty with credit for self employment along with other business and financial services by the year 2005.

Micro credit is canalised through voluntary organizations. There are several institutions in the form of Self help groups in India providing micro credit by mobilizing small savings and borrowing funds from financial institutions like Rashtriya Mahila Kosh. The Global Summit is expected to give an impetus for the growth of such institutions and their savings and credit related activities.

#### ***Friends of Women's World Bank:***

At a conference held in Mexico in 1975, the International Year of the Woman, Ms. Ela Bhatt mooted the idea of credit financing as a means for uplifting women. She pointed out that the doors leading to institutionalised money were closed to the poor, illiterate women and if these were opened it could make a big difference. It led eventually to the formation of Women's World Bank, an organization dedicated to improving women's access to finance, with its headquarters in New York and affiliates in 40 other countries. The Indian affiliate of this Bank is Friends of WWB (India).

This institution helps women help themselves. Over the years it has helped organize a large number of savings and credit group among rural women across the country. These groups encourage their members to save money and to put into a common fund. These savings are used for giving loans to those who are in need at varying rates of interest. The profits are retained in the fund. In effect these are mini banks. But for the rural women who are their members they offer an alternative to the usurious money lender. Friends of WWB plays an intermediary role by providing loans at 12% interest to these savings and credit groups.

#### *Rashtriya Mahila Kosh :*

The Government of India have set up a fund called Rashtriya Mahila Kosh for providing credit to poor and needy women in the informal sector mainly for productive purposes. Assistance from this fund is routed through NGOs. It has been reported that upto 31 January 1999 RMK had sanctioned credit limits upto Rs.57.09crores through 367 NGOs to benefit 2,77,662 women . In addition the RMK had also supported the formation of women's thrift and credit societies popularly known as SHGs through its partner NGOs.

#### *Self Help Groups*

The credit needs of the rural people are determined in the complex socio- economic milieu where it becomes difficult to adopt the project lending approach followed by banks as the dividing line between credit for consumption and productive purposes is blurred. In this situation a non formal agency providing credit facilities to the poor in the form of SHGs can emerge as a promising partner of the formal agencies. The democratic functioning of the SHGs their skill in assessing and appraising the credit needs of the members , the business like approach and the efficiency in recycling the funds with a high rate of recovery are welcome features which banks can utilise in serving the credit needs of the poor.

The Government of India as well as some of the State governments are therefore encouraging the formation of SHGs.

The Union finance Minister in his budget speech for 2001-02 said that .

“NABARD and SIDBI were asked to link one lakh Self Help-Help Groups during the current year. NABARD by itself is well poised to exceed this target by the end of next month. I expect NABARD to link 1 lakh additional Self Help Groups during 2001-01, which would help in providing access to credit to an additional 20 lakh families. Sharecroppers and tenant farmers will also become eligible for this scheme and special attention will be given to SC/ ST groups. A micro finance development fund has also been set up in NABARD with contribution of Rs.40crore each by NABARD and RBI. “

### ***Kissan Credit Cards***

The Government have introduced a novel credit card scheme for kisans. The Union Finance Minister in his budget speech for 2001-02 claimed that the innovative of KISSAN CREDIT CARDS had proved to be very successful. Since the year of its introduction in 1998-99, almost 110lakhs of KCCs had been issued. He said that he was "asking our banks to accelerate this program and cover all eligible agricultural farmers within the next 3 years."

The Union Finance Minister also said that he was " asking the banks to provide a personal insurance package to the KCC holders, as is often done with other credit cards, to cover them against accidental death or permanent disability, up to maximum amount of Rs.50,000 and Rs.25,000 respectively. The premium burden will be shared by the card issuing institutions."

### ***Micro Insurance***

In recent years, micro insurance schemes have been initiated in the four corners of the world as a complementary financing method for existing formal social protection services provided by the State.<sup>53</sup>

Insurance refers to systems in which individuals themselves make contributions (that is , pay premia) into a risk pooling group in expectation of future benefits to cover stipulated risks , typically :illness, maternity, asset loss, or death. The term micro insurance has been coined in recent years to refer either to insurance schemes targeted at the poor without state management or more specifically, to insurance products offered by micro finance institutions<sup>54</sup>

Micro Insurance provides a complementary strategy to improve equity of access to healthcare for the excluded. It is based on the premise that groups of the population that are not covered, or are not adequately covered, by existing systems can define their own set of priority needs, that these needs can be insured and that the members of the groups are willing to pay for this insurance. (Dror and Jacquier, 1999). The group may be based on area of residence, on occupation, on ethnic affiliation or on gender. Micro insurance is not merely another form of insurance or healthy case financing. It is a form of social organization, based on the concepts of solidarity and risk pooling, which involves the active participation of the groups members. Typically these groups are already organized, for example, to provide micro credit facilities to their members ; micro insurance is often therefore an extension of their activities. The organization may use some of the surplus from their core activities to subsidize the health insurance scheme. They may also obtain subsidies from the public authorities, form international aid agencies (in particular seed capital) and in certain cases from state owned insurance companies.

Participation by members is exercised in the following areas : defining priority needs, setting the insurance premiums, management and control of the scheme, health education, prevention and promotion, negotiation with the public authorities, with social security institutions and with health care providers, and in some cases partial co management of healthcare provision. The capacity of these groups to organize micro insurance schemes serves to mobilize additional resources for medical care, to create a viable demand for services to reduce costs, particularly transaction costs, and to achieve a better targeting of public subsidies to low income groups that would otherwise have little access to health care. Micro Insurance schemes are not however, designed to become the main pillar of a country's health care financing system.

The benefit package of a micro insurance scheme is defined by its members. They may cover high cost care which is needed relatively infrequently (catastrophic insurance) and/or low cost primary care services. In the absence of public subsidies the benefit package will depend entirely on the contributive capacity of members; public support makes it possible to design a broader package.

Many micro insurance schemes have been launched only recently. People have had an incentive to set up and to join these schemes particularly as the costs for patients using public healthcare facilities are often quite substantial, e.g., user fees, under the table payments to gain admission, the cost of prescribed drugs, and the cost of travelling to public health facilities which are often far from where people live, especially the rural poor. Public health service user fees have tended to increase in recent years as part of efforts to cut budget deficits and/or as a general policy. The countries in which they operate include Bangladesh, Benin, Burkina Faso, Cameroon, Ivory Coast, Ghana, Guinea, India, Lebanon, Mali, Morocco, Nigeria, Philippines, Senegal, the United Republic of Tanzania, Togo, Tunisia, Uganda, and several countries in Latin America. Although they are grass root initiatives, they have in some countries joined together in a federative structure, for example, in Argentina, Mali, Senegal and Uruguay.

Micro insurance schemes can function as a self help activity since they require relatively little start up capital or infrastructure and can be launched with a relatively small nucleus of members. Benefit packages can be gradually enhanced as more resources become available. Governments can support and promote the development of micro insurance by improving the availability of quality health services for all in its primary health care centres and public hospitals and by creating an appropriate legal and fiscal framework for micro insurance schemes. Such a framework while not a precondition for the launching of such schemes does become important at a later stage in their development (ILO/STEP 1999; Atim 1998)<sup>55</sup>

Micro Insurance is also called Self Financed Social Insurance :

Self Financed Social insurance schemes represent yet another way in which the social security needs of individuals are met through a community or group effort. The mechanism used is one of providing mutual support through pooling of resources on the principles of insurance help being extended to those in need within the overall frame work of certain basic regulatory conditions. This, in a sense, is the most basic of all social security systems, having its genesis in requirements that are common all members of a society and their own immediate collective response in fulfilling them. In this system, it is the group itself that decides about the size and the source of contributions that groups members are meant to make. The collection and management of contributions well as the disbursement of benefits are again matters for the group to consider and arrange.

There is a wide variety of self financed social insurance schemes, ranging from the totally informal and unwritten systems within a small group to the more formal ones catering tot he needs of larger numbers and based on many complex arrangements. In addition, the initiative may originate from within the group or be motivated by non governmental and voluntary agencies. In India there is a wide variety of ventures promoted and successfully experimented with, in the areas of credit health care, education, employment and overall development. For the poor and lower income groups, the need for money exists universally and continuously almost by definition. Hence it is not surprising that most self help groups operate around credit requirements. These in turn are integrally related to contingencies such as death disability and disease old age, unemployment and destitution, the very area with which social security schemes are concerned.<sup>56</sup>

**The Study Group feels that the current trend towards poverty eradication through social mobilisation, i.e., organising the unorganised workers, needs to be encouraged and expanded .**

**Unorganised workers may be mobilised and organised to form –**

- (a) self help groups : these may focus on savings and credit and /or producing goods like crafts salt minor forest produce processing agricultural produce etc.**
- (b) Local workers economic organisations: these are organisations at taluk level or preferably district level associations and federation of self help groups**
- (c) District level cooperatives producing goods and services ; e.g. milk cooperatives land and agro -forestry based cooperatives, child care and midwives cooperatives, etc.**
- (d) Village based mahila mandals or yuvak mandals or kisan sanghs**



**Once organised into small medium or large workers organisations they could be actively involved in-**

- (a) provision of credit**
- (b) micro insurance by linking with savings and credit supplying groups or organisations and**
- (c) social security services through the area based approach**

**These local decentralised organisations would be involved in district level goal setting for social security the implementation of all social security programmes ( both work based and area based) and in monitoring of these programmes**

**In this way a suitable mechanism to reach much needed social security to geographically scattered unorganised sector workers will be developed . Provision of services will then encourage the invisible unorganised workers to organise and build their own organisations**

**SOCIAL SECURITY FOR THE ORGANISED SECTOR**

**8.1.Composition of the organized sector :**

In India the formal or the organized sector consists of three parts :

- (a) the Government sector
- (b) the Public sector
- (c) the Private organized sector.

The Government sector can again be divided into three sub sectors :

- (a) the Central Government
- (b) the State Government
- (c) local bodies and other autonomous bodies created by the Central and State Government.

The Public Sector can also be subdivided into two sub sectors :

- (a) Public Sector organization owned or controlled by the Central Government
- (b) Public Sector organizations owned or controlled by the State Governments.

The following table shows the size of this sector in terms of the numbers.

(1) Total population as on 30.06.1990	838 m
Estimated total population	
(2) Total Labour Force	286 m
(3) Estimated number of persons employed	as on 31.3.1997 in
Public Sector	19.6 m
Private Sector	8.5 m
(4) Estimated number of persons employed in	
Central Government	3.3 m
State Government	7.5 m
Quasi-Government bodies	6.5 m
Local bodies	2.2m

(Source : Pocket Book of Statistics 1998)

The figures at item 3 represent broadly the organized sector. (The exact number of persons employed in the organized sector cannot be known in the absence of a precise definition and

relevant data. The estimated number of persons employed in the private sector includes 540,000 persons employed in agriculture hunting forestry and fishing).

## **8. 2. International Standards of Social Security –**

The International Labour Organisation was established in 1919. One of the avowed objectives of the ILO was to further among the nations of the world programmes which would achieve the extension of social security measures etc. to provide basic income to all in need of such protection and comprehensive medical care. In pursuance of its charter, the ILO has adopted a series of Conventions and Recommendations concerning various matters including social security which lay down the international standards to which all the members countries are expected to conform.

There are several Conventions and Recommendations of the ILO concerning Social Security. Brief particulars of the important Conventions are given in Annexure XI.

The following are classified as comprehensive standards.

Recommendation No., 67 Income Security, 1944

Convention No.102 Social Security (Minimum Standards), 1952

Convention No.118 Equality of Treatment (Social Security) 1962

Recommendation No.67 sets out certain guiding principles to regulate income security measures. According to this Recommendation Income Security Schemes should relieve want and prevent destitution by restoring up to a reasonable level income which is lost by reason of inability to work (including old age) or to obtain remunerative work or by reason of the death of a bread winner. Income security should be organised as far as possible on the basis of social insurance whereby insured persons, fulfilling prescribed qualifying conditions, are entitled in consideration of the contributions they make to an insurance institution to benefits payable at rates and in contingencies defined by law. Provision for needs not covered by compulsory social insurance should be made by social assistance, Certain categories of persons, particularly dependent children, and needy invalids, aged persons and widows should be entitled to allowances at reasonable rates according to a prescribed scale. Social assistance appropriate to the needs of the case should be provided for the persons in want.

The range of contingencies to be covered by such schemes should embrace all contingencies in which an insured person is prevented from earning his living whether by inability to work or inability to obtain remunerative work or in which he dies leaving a dependent family and should include certain associated emergencies, generally experienced, which involved extraordinary strain on limited incomes in so far as they are not otherwise covered. In order that the benefits provided by social insurance may be closely adopted to

the variety of needs the contingencies covered should be classified as follows :

Sickness  
Maternity  
Invalidity  
Old-age  
Death of breadwinner  
Unemployment  
Emergency expenses, and  
Employment injuries

Benefits should not be payable at the same time for more than one of the following contingencies, namely, invalidity, old-age and unemployment.

Supplements for each of the first two children should be added to all benefits payable for loss of earnings, provision for additional children being left to be made by means of children's allowances payable out of public funds or under contributory schemes.

The Recommendations also lays down the principles governing the provision for various contingencies such as sickness old age etc. individually

Convention No.102 concerning Minimum Standards of Social Security has included Medical Care as an additional benefit to be provided. It requires at least three of the nine benefits listed above to be provided including one of the following:

Unemployment benefit  
Old age benefit  
Employment injury benefit  
Invalidity benefit  
Survivors benefit

The Minimum Standards Convention prescribes the minimum percentage of the prescribed classes of people who should be covered by the scheme for purpose of its ratification.

There are separate sets of Conventions and Recommendations for each branch of social security which are upgraded from time to time.

A Recommendation is recommendatory in nature and is not enforceable in law. But a Convention if it is ratified by a member country is mandatory and binding and subject to the supervisory mechanism of the ILO.

India subscribes to the principles underlying all the Conventions and Recommendations but it has ratified the following Conventions only so far as Social Security is concerned.

- (i) Unemployment Convention 1919:
- (ii) Workmen's Compensation (Occupational Diseases) Convention, 1925.
- (iii) Equality of Treatment (Accident Compensation) Convention, 1925.
- (iv) Workmen's Compensation (Occupational Diseases) Convention, 1925.
- (v) Workmen's Compensation (Occupational Diseases) (Revised) Convention, 1934
- (vi) Equality Treatment (Social Security) Convention 1962

**The Study Group feels that while it may not be possible to ratify the conventions immediately, it is desirable to plan for their eventual ratification by upgrading the laws and practices gradually. The Study Group suggests that steps may be taken to ratify the Minimum Standards Convention within a reasonable time frame**

### **8. 3.Social Security Laws in India**

Employees in the Government sector and to a certain extent in the public as well as the private sector are entitled to social security types of benefits provided under employer's liability schemes. So far as the Government sector is concerned the schemes are framed by rules issued under Art. 309 of the Constitution on the recommendations of the pay commissions, pay committees or individual pay commissioners, as the case may be.

In the case of the establishments outside the government the following laws govern the employers' liability schemes :

The Employers' Liability Act, 1938

Fatal Accidents Act, 1855

Workmen's Compensation Act, 1923

The Industrial Disputes Act, 1947

The Maternity Benefit Act, 1961

The Payment of Gratuity Act, 1972

In addition, the Employees State Insurance Act, 1948 provides for medical care and income security benefits in respect of health related contingencies such as sickness, maternity and occupational injuries on a contributory basis. The Employees Insurance Scheme is a Social Insurance scheme in which the benefits are related to contributions by the employers as well as the employees. The State Governments also make a small contribution towards medical benefit.

There are several Provident fund Schemes in India of which the Scheme framed under the Employees Provident Funds and Miscellaneous Provisions Act, 1952 is the largest in terms

of the number of persons covered. Provident Fund schemes are essentially savings scheme. Some of these schemes have been converted partially into pension schemes. In addition there is an insurance scheme attached to them . Thus these schemes provide for old age , invalidity and survivor benefits.

In India, the laws provide for the following types of benefits :

Employment Injury Benefit –	Workmen's Compensation Act and Employees' State Insurance Act
Maternity Benefit	Maternity Benefit Act, and Employees' State Insurance Act
Sickness Benefit	Employees' State Insurance Act
Medical Benefit	Employees' State Insurance Act and Labour Welfare Fund Acts
Old age benefit:	Employees Provident Fund Act
Invalidity Benefit	Employees Provident Funds Act
Survivors Benefit	Employees' State Insurance Act and Employees' Provident Fund Act
Terminal Benefit	Payment of Gratuity Act
Retrenchment Compensation	Industrial Disputes Act

Of these, Retrenchment Compensation and the Terminal Benefit are not included in the Minimum Standards Convention.

There is no provision in Indian Law for the following benefits :

Unemployment benefit – as distinguished from Retrenchment compensation provided in the Industrial Disputes Act.

Family allowances

Emergency expenses, except the funeral expenses paid under the ESI Act.

#### **8. 4. Employment Injury Benefit**

In India, occupational injury/work injury benefits are payable under two laws : the Employees' State Insurance Act, 1948 and the Workmen's Compensation Act, 1923. The coverage of both the Acts is limited. Proposals for extension of the ESI Act have been discussed in another Section. It may be seen that there are certain constraints in the extension of that Act. If the protection against the risk of occupational injuries is to be made available to larger sections of workers it is obviously necessary to consider the extension of the scope of the Workmen's Compensation Act also. Proposals for extension of that Act are discussed in the following paragraphs.

The Workmen's Compensation Act 1923 represents the beginning of social security legislation in India. The Act provides for payment of compensation for injury by accident arising out of and in the course of employment. It is based on the principle of employers' liability whereby the liability for payment of the various benefit admissible under the Act is that of the employer. He may insure the liability but the ultimate responsibility rests with the employer.

The Act is applicable to those persons who come within the definition of 'workman' in clause (n) of the sub-section (1) of Sn.2. The definition reads as follows :

"Workman" means any person (other than a person whose employment is of a casual nature and who is employed otherwise than for the purposes of the employer's trade or business) who is –

- i. a railway servant as defined in Section (3) of the Indian Railways Act 1890 (9 of 1890) not permanently employed in any administrative, district or sub-divisional office of a railway and not employed in any such capacity as is specified in Schedule II, or
- ii. employed in any such capacity as is specified in Schedule II, whether the contract of employment was made before or after passing of this Act and whether such contract is expressed or implied, oral or in writing; but does not include any person working in the capacity of a member of the Armed Forces of the Union; and any reference to a workman who has been injured shall, where the workman is dead, include a reference to his dependants or any of them.

A list of persons who are included in the definition of "workman" is given in Schedule II of the Act.

The Act provides that the State Government may after giving prescribed notice add to the Schedule any class of persons employed in any occupation which it is satisfied is a hazardous occupation.

The definition as well as the schedule have undergone several amendments. Even so, they remain restrictive. Some of the restrictive clauses read as follows :

- i) "employed otherwise in a clerical capacity"
- ii) "employed in any premises wherein or within the precincts whereof twenty or more persons are so employed".
- iii) "(a) employed in the construction.... Of any building which is designed to be or is or has been more than one storey in height above the ground or twelve feet or more from the ground level to the apex of the roof"  
"(b) any dam.... Which is twelve feet or more in height from its lowest to its highest point"
- iv) "employed in the making of any excavation in which on any one day of the preceding twelve months more than 25 persons have been employed.... or whose depth from its highest to its lowest point exceeds twelve feet"
- v) "employed in the operation of any ferry boat capable of carrying more than ten persons"
- vi) "employed..... on any estate.....on which on any one day in the preceding twelve months 25 or more persons have been so employed."
- vii) "employed in the handling or transport of goods in or within the precincts of
  - any warehouse.... In which on any one day of the preceding twelve months ten or more persons have been so employed;
  - any market in which on any day of the preceding twelve months fifty or more persons have been so employed"

Recommendations for widening the coverage of the Act have been made by

the Royal Commission on Labour in India [1929]  
the National Commission on Labour [1969]  
the Law Commission of India [1974]  
the Economic Administration Reforms commission [1984]  
the Law Commission of India [1989]  
and several others.

But most of them have not been implemented. The first step for extension of the Act is to implement the recommendations of the various bodies which are discussed below.



The Royal Commission observed :

“The Act, as originally passed, aimed at the inclusion only of workmen whose occupations were hazardous and who were engaged in industries which were more or less organized. Thus the Act covered workers in all but the smallest factories, in mines, on the railways and tramways, on certain types of building work and in certain less important branches of employment. Power was given to the Government of India to include by notification any other class of workmen who were employed in occupations declared to be hazardous; but both in the notifications so issued and in the amendments to the Schedule of Workmen made by the Legislature in 1929 the two conditions of organization and hazardous employment have been generally observed.

“There are obvious objections on the ground of logic to both these criteria. The effects of an accident upon a workman or his dependants bear little relation to the nature of the establishment in which he has been employed; the employer, unless he is connected with his workman by family ties, is more likely to give compensation without being compelled to do so if his establishment is a large one. And while it is true generally that accidents are more frequent in organized industry than in other occupations, there are branches of employment which are not organized but which are distinctly hazardous. Further the fact that an industry is not hazardous, i.e., that accidents in it are infrequent, in no way mitigates the effects of an accident when it does occur; if a worker is killed in a non-hazardous occupation, his dependants suffer no less hardship because the accident was an unlikely one”.<sup>1</sup>

At the same time the Commission did not favour the adoption of an all embracing definition of 'workman' on the ground that a law giving all employees the right to claim compensation would fail to prove effective unless some form of compulsory insurance were adopted and that in the current circumstances such a step was not reasonably practicable. The Commission came to the conclusion that while a general extension of the Act was not practicable, it did not preclude a substantial enlargement of the number of persons covered by the Act. The Commission considered that “the method of advance should be to include first workers in the organized branches of industry, whether these are hazardous or not, and secondly to extend the Act gradually to workers in less organized employment, beginning with those who are subjected to most risk. They made specific recommendations to include certain classes of workmen. While some of the specific recommendation that the Act should be extended gradually from the organized industry to unorganised employment remain to be fulfilled.

The National Commission on Labour [1969] considered that all workmen including supervisors employed in the occupations covered under the Act should be eligible without any wage limit for compensation for work injury. [This recommendation was implemented in 1984]. The Commission also stated that with the gradual extension of the Employees' State

Insurance Scheme more and more workers in the organized sectors of industry would be brought under it, but several cases would still remain to be covered particularly in scattered employment's where the responsibility for payment of compensation would continue to rest with the individual employer. A Study Group of the Commission had suggested the adoption of a pension scheme for such residuary cases by requiring the employer to pay to the ESIC a lump sum amount, the corporation then taking responsibility for making recurring pensionary payments to the injured worker or his dependant, as the case may be. The Commission suggested : "A scheme of Central Fund for workmen's compensation should be evolved. All employers should pay to this Fund a percentage of total wages as monthly contribution to cover the cost of the benefit and administration. The Fund should be controlled by the ESIC. Periodic cash payments may be made to injured workers and their dependants by the Corporation through its local offices in the same way as payments are made at present for various benefits under the ESI Scheme. Medical care should be provided to the injured workers by the Corporation. A similar arrangement may be made by the welfare commissioners who control Welfare Funds for coal, mica and iron ore mines. Small employers may not find it difficult to pay such contributions since they would not be collected in bulk. This would also eliminate evasion of the law and the workers, as also their dependants, would get periodical payments and injured workers would also get necessary medical treatment. The adjudication of claims may be entrusted to tripartite regional boards set up under the ESI Act in various States. The fund should cover all workmen specified in Schedule II of the Act irrespective of their wages."

The Law Commission of India [1974] observed that the definition of workman in the Act was very involved. The complexity was due to the fact that too many ideas – positive and negative – were packed into one sentence regardless of the convenience of those who have to read the Act.. They pointed out several defects in drafting as well as in substance of the definition and had recommended certain structural changes in the definition and had recommended certain structural changes in the definition so as to make it simple. The revised definition recommended by the commission was as follows :

"Workman means any person employed in any such capacity as specified in Schedule II.

First exception :- A person whose employment is of casual nature is not a workman if he is employed otherwise than for the purpose of his employer's trade or business.

Second exception :- A person working in the capacity of a member of the Armed Forces of the Union is not a workman.

Explanation :- Any reference to a workman who has been injured shall, where the workman is dead include a reference to his dependants or any of them. [Item to be added in the Second Schedule]".

The Commission had also recommended revision of the Second Schedule containing the list of workmen to whom the Act was applicable which would have the effect of widening its scope by including agricultural employment's and removing the other restrictions.

The Gujarat Labour Law Review Committee I expressed the view that there was no justification for excluding a workman from the benefits of the act on the only ground that his employment was of casual nature. They were also of the view that if a workman works for an employer and in the course of work or duty, he suffers a personal injury then whether the employment was of a casual nature, or whether it was for the regular work of the employer should not make any difference as far as workman's right to compensation is concerned. They had, therefore, recommended omission of the words "whose employment is of a casual nature" from the definition of the word "workman". They also recommended raising the wage ceiling for application of the Act from Rs.1000 to Rs.1600.

The Economic Administration Reforms Commission had observed that the wording of several entries in Schedule II were unduly restrictive and also difficult to enforce in actual practice. In this connection they specifically referred to certain items in the Schedule. They stated that because of these restrictions employers had tended to resort to legal disputes on the applicability of the Act. They noted that the Government had proposals to do away with some of the restrictive provisions and to regroup the items more broadly so as to make the schedule more convenient and liberal in application. They also noted that there was a proposal to make an omnibus provision so as to bring under cover of the Act any person "employed in any employment which is of such a nature that, in the course of his duties, the person employed has to subject himself to a hazard arising from any employment mentioned in any other item in the schedule if his employment is incidental to or connected with any employment so mentioned, and if the personal injury is caused by an accident which occurs on the premises where the employment so mentioned is carried on". They finally recommended that the list of employments might be further reviewed with a view to do away with or to reduce the employment limits prescribed in the various entries so as to widen the coverage of the Act. They suggested that while regrouping the entries in the Schedule, the National Industrial Classification as well as the National Classification of Occupations should be kept in view so that no employment and no person exposed to hazards is excluded from the purview of the Act.

Referring to the suggestion of Prof. Adarkar to introduce compulsory insurance under the aegis of the State the Commission had expressed the view that it would be difficult to prescribe, enforce or administer compulsory insurance for all classes of employers involved in the occupations listed in Schedule II. They suggested instead that Government should equip itself with powers to prescribe compulsory insurance for notified classes of employers, with the ESIC being the carrier of such insurance. Based on experience the coverage of compulsory insurance could be extended. For this purpose, separate contributions for

covering W.C. benefits would have to be worked out and they might vary occupation-wise according to the hazard involved. The classes of employers to be notified may include all those from whom it would be administratively feasible to levy and collect premia.

In the case of the construction industry the Commission stated that it should be possible to work out the premia as a charge related to the plinth area of the construction and to collect it along with the building license. City corporations, Municipalities and other local bodies who issue building licenses could be made responsible to collect the premia on behalf of the ESIC. Wherever possible and appropriate they could also be empowered to settle the claims after investigation.

The Law Commission of India submitted another report in 1989 wherein the Commission reiterated that it would be just and proper that the words 'other than a person whose employment is of casual nature and who is employed otherwise than for the purposes of the employer's trade or business' in the bracketed portion of the first paragraph of the definition of the term 'workman' in Section 2(1)(n) are deleted by amending the provision.

In the amendment to the Act made in 1984 while removing the wage ceiling for application of the Act it had been provided that in the case of persons whose wages exceeds Rs.1000 compensation would be paid as if his wages were Rs.1000 only. In its latest report the Law Commission has expressed the view that this provision is unfair and unjust and has recommended its deletion.

In the light of the various recommendations referred to above the consensus of view regarding extension of the coverage of the Workmen's Compensations Act appears to be that there is no merit in limiting the application of the Act to hazardous employments or in excluding clerical staff and casual employees from coverage or in applying the various restrictions prescribed in the schedule. So long as the basic criterion remains that compensation under the Act is payable only for injuries or diseases "arising out of and in the course of employment" no other qualification seems to be relevant.

#### **Suggestions for further extension of the coverage of the Act.**

The following steps may, therefore, be taken for further extension of the scope of the Act.

(i)The term 'workman' may be replaced by the term employee so as to make the Act applicable to all categories of employees doing away with the distinction between clerical staff, supervisory and managerial staff and others, on the one hand, and between persons employed on casual basis or otherwise on the other.

(ii)The term 'employee' may be defined to mean any person employed in any employment specified in Schedule II..

(iii) The entries in Schedule II may be revised as per the Standard Industrial Classification so as to make it applicable to all classes of employees progressively within a time frame, if not immediately, with an omnibus provision as contemplated earlier, referred to by the Economic Administration Reforms Commission.

(iv) The following types of restrictive clauses where-ever they occur in the schedule may be omitted :

“Otherwise than in clerical capacity”

“ in which on any one day of the preceding twelve months ten/twenty/twenty-five/ fifty or more persons have been so employed”

“whose depth from the highest to the lowest point exceeds twelve feet” etc.

### Suggestions for other Reforms

The ESI Act provides that

- (a) an accident arising in the course of employment should be presumed in the absence of evidence to the contrary to have arisen out of that employment.
- (b) an accident is deemed to arise out of and in the course of employment notwithstanding that the insured person was at the time of accident acting in contravention of the provisions of any law or of any orders given by or on behalf of the employer or that he was acting without instructions from the employer under specified circumstances.
- (c) an accident occurring while travelling in employers' transport is deemed to have arisen out of and in course of employment under specified conditions.
- (d) an accident happening while meeting an emergency is deemed to have arisen out of and in course of employment under specified conditions.

Similar provision does not exist in the Workmen's Compensation Act. as the nature of the contingency, namely, occupational injury against which employees are sought to be protected under the two laws is the same there seems to be no justification in making a distinction between the two laws as to what constitutes an occupational injury. It is, therefore, suggested provision may be made in the Workmen's Compensation Act also on the foregoing lines.

When a person meets with an accident or is suffering from an occupational disease, he needs medical care more than anything else. While medical care is provided under the ESI Act in all cases of injury whether occupational or not automatically there is no provision for provision of medical care under the Workmen's Compensation Act. It is necessary to make a provision in that Act also that the workmen who meet with accidents arising out of and in the course of employment or

suffer from occupational diseases should be provided medical care at the cost of the employer.

An employee who is partially disabled will not be able to live on the compensation that is paid which would be proportionate to the loss of earning power. He needs to be vocationally rehabilitated to supplement his income. Many collective agreements make provision for such vocational rehabilitation. A provision may be made in the Workmen's Compensation Act also in that regard. As employers employing small number of employees may not be able to absorb the disabled persons in their establishments this provision may, if necessary, be restricted to comparatively large establishments.

The liabilities arising out of the Act may prove to be heavy especially for small employers. They are, therefore, apt to avoid them by denying the liabilities and contesting the claims. This is the major defect of the law. It is, therefore, essential that there should be provision for compulsory insurance of the liabilities. The best course is to bring them under the ESI Act by extending the coverage of that Act for the occupational injury benefits only if not for others to the maximum extent possible.

The alternative is to introduce a separate social insurance scheme for employment injuries and occupational diseases only in replacement of the Workmen's Compensation Act, 1923 and the provisions in the ESI Act for disability and dependants benefits with contributions from the employers only.

Another alternative is to prescribe compulsory insurance as suggested by the Economic Administration Reforms Commission or to set up a Fund as suggested by the National Commission on Labour.

There can be no doubt that unless the risks are insured one way or the other there are little chances of the benefits under the Act flowing to the beneficiaries in the ordinary course.

In the case of workmen for whom employment boards or Welfare funds are established payment of compensation for occupational injuries may be made through those boards or welfare funds. This proposal is explained in another section.

#### Concluding Remarks :

The Workmen's Compensation Act provides for payment of compensation in case of disability or death in the course of employment. It is one of the earliest and primary forms of social security. but the application of the Act is subject to severe limitations

and restrictions for which there is no obvious justifications So long as the Act requires compensati-on to be paid for injuries caused in course of employment and arising out of employment there is no reason why the Act should not be made applicable to all employees.

There is however no doubt that broadening the scope of the Act will add to the liabilities of the employers. Some of the small employers may not be able to bear the burden especially after the minimum quanta of benefits have been enhanced. It is therefore necessary that provision should be made for compulsory insurance of the liability under the Act. Where an establishment is covered by the ESI scheme, this problem does not arise. The solution therefore lies in extending the coverage of the

ESIC or to set up a separate Corporation for the purpose.

Having regard to the foregoing observations there is need for reform of the Workmen's Compensation Act on the following lines :

- i. Conversion of the scheme of the Act from employers' liability to social insurance.
- ii. Extension of the coverage progressively to more employments and classes of employees and removal of the restrictive clauses in Schedule II.
- iii. Arrangement for more effective monitoring of the implementation of the Act.

#### **8. 5. Maternity Protection**

It is a measure of the international concern for the working mothers prompted by the growth in the number of women entering industrial and factory life, that one of the earliest Conventions adopted at the first annual International Labour Conference was the Maternity Protection Convention, 1919. The purpose of this convention was to ensure that a woman worker should be able to sustain and care for herself and her baby over the period immediately before and after her confinement. This Convention was updated in 1952. It has laid down that there should be abstention from work for a period of at least 12 weeks, starting six weeks before expected date of confinement but in any event continuing for six weeks after the actual confinement, that medical care should be provided by a doctor or certified midwife, that the mother should be guaranteed reinstatement in her job, and finally, that arrangement should be made to permit her to nurse the baby during working hours.

Maternity benefit may be provided in various ways. There could be a health insurance system, which provides for sickness and maternity benefit in cash together with medical care. There could be a comprehensive social insurance program with a separate maternity benefit branch. Alternatively measures which are directed towards providing support for the family may make special provision for pregnancy and childbirth and for the working mother. Self contained schemes devoted to maternity benefit alone may also be found.

The Maternity Protection (Review) Convention No. 103 of the ILO lays down that a woman should on production of medical certificate stating the presumed date of her confinement be entitled for a period of maternity leave. The period of maternity leave should be at least twelve weeks and should include a period of not less than six weeks of compulsory leave after confinement. In case of illness medically certified arising out of pregnancy, the laws should provide for additional leave before confinement. In case of illness medically certified arising out of confinement the woman should be entitled to an extension of leave after confinement.

While absent from work on maternity leave the woman should be entitled to receive cash and medical benefits. The rates of cash benefit should be such as to be sufficient for the full and healthy maintenance of herself and her child in accordance with a suitable standard of living. Medical benefits should include prenatal confinement and post-natal care by qualified midwives or medical practitioners as well as hospitalisation care where necessary. The cash and medical benefits should be provided either by means of compulsory social insurance or by means of public funds. In either case, they should be provided as a matter of right to all women. Where cash benefit provided under compulsory social insurance are based on previous earnings they should be at a rate of not less than 2/3 of the woman's previous earnings. Any contribution for this purpose should be paid in respect of the total number of men and women employed by the undertakings concerned without distinction as to sex. **In no case should the employer be individually liable for the cost of such benefits due to women employed by him.** (This injunction has been removed in the revised convention number 183 of 2000) If a woman is nursing her child she should be entitled to interrupt her work for this purpose at prescribed times. Interruption of work for nursing should be counted as working hours and remunerated accordingly. While a woman is absent from work on maternity leave it would not be lawful for her employer to give her notice of dismissal during such absence or to give her notice of dismissal at such time that the notice would expire during such absence.

The ILO has revised the Convention no. 103 by Convention No. 183 adopted in the year 2000. Brief particulars of the convention are given below:

- Maternity benefit should be admissible to all woman workers, whether employed on full time or part time basis or in a typical form of work.
- Maternity Leave should be granted upto 14 weeks subject to a minimum of 6 weeks during the post natal period.
- Cash benefits for the period of leave should be not less than 2/3rds of a woman's insured earnings.
- Employment security including protection from dismissal with the woman having the right to return to the same job. A woman should not be dismissed from service if she is pregnant or ill. The burden of proof lies on the employer in case dismissal takes place.
- Maternity entitlements should not be a source of discrimination in or for employment
- There should be provision for health protection of women



India is one of the first countries to enact laws for maternity protection.

Article 42 of the Constitution of India requires that the State should make provision inter alia for Maternity Relief.

In India Maternity Protection is provided under several schemes such as follows:

- (a) Employees State Insurance Act, 1948
- (b) Maternity Benefit Act, 1961
- (c) The Beedi and Cigar Workers (Condition of Employment) Act provides for the application of the Maternity Benefit Act to beedi and cigar workers
- (d) The Beedi and Cigar Workers Welfare Fund also provides for maternity benefit to female beedi workers.
- (e) Working Journalists (Conditions of service) and Miscellaneous Provisions Act, 1955.
- (f) The Central Government has recently introduced a National Maternity Benefit Scheme under which women below the poverty line are given financial assistance for maternity.

Many State Governments also have their own maternity assistance schemes.

#### **Maternity Benefit under the ESI Act, 1948**

The ESI Act provide that the insured women shall be entitled to maternity benefit in the form of periodical payments in case of confinement, miscarriage or sickness arising out of pregnancy on a certificate by the prescribed authority. The qualification for the benefit, the conditions subject to which the benefit is payable, the rates and periods thereof are prescribed by the Central Government. The coverage for the benefit is co-extensive with the coverage of the Act itself.

This benefit is payable in cash of confinement, miscarriage, etc. An insured woman is entitled to maternity benefit for confinement occurring or expected to occur during a period if contributions for her were payable for at least 80 days in the preceding two contribution periods. The benefit is admissible for a maximum period of twelve weeks of which not more than six weeks may precede the expected date of confinement; in case of miscarriage the woman is entitled to maternity benefits up to six weeks following the date of miscarriage. If the woman dies during confinement, the period of six weeks following the date of delivery leaving behind the child, maternity benefit is payable for the whole of that period; if the child also dies during that period maternity benefit is payable till date of child. The insured woman is also entitled to take additional leave up to one month in case of sickness arising out of pregnancy. The maternity benefit payable is twice the standard benefit rate, which is more or less the full wage received by the woman during the corresponding contribution period.

The insured women are entitled to medical care under the ESI scheme for maternity. Where medical facilities are not available they are paid a sum of Rs. 250 towards medical expenses.

Thus the provisions in the ESI Act for maternity benefit are more comprehensive than under the Maternity Benefit Act in so far as they include medical care, pre-natal and post-natal care and medical care during confinement and sickness arising out of pregnancy and confinement.

The ESI Act does not however provide for nursing breaks protection against heavy work, etc. as are provided in the Maternity Benefit Act.

The estimated number of women employees deemed eligible for maternity benefit during 1999-2000 was 14,57,300 (against the total number of employees covered 78,62,050). The Total amount of maternity benefit paid during the year was Rs. 753.26 lakhs against Rs. 498.97 lakh in the previous year. The number of claims per thousand insured female employees was 20.18 as against 18.56 in the previous year. In some states however the rate of confinement per 1000 insured women employees was very high as shown below:

Assam	1998-99	31.23
	1999-2000	21.25
Goa	1998-99	31.17
Tamilnadu - Madurai	1999-2000	34.21
Pondicherry	1998-99	33.93
	1999-2000	37.53

In all other States the rate has been less than 30, the lowest being West Bengal at 5.09 in 1992-93. The reason for such wide variations have not been explained.

#### **Maternity Benefit, 1961:**

Initially, maternity benefit was provided under State Legislation. The Presidency of Bombay was the first to pass the Maternity Benefit Act in 1929. It was followed by Central Provinces. The Royal Commission on Labour in their Report in 1931 expressed appreciation of these measures and advocated a scheme of compulsory insurance to provide maternity benefit to women workers but were of the opinion that in the absence of a sickness insurance scheme, the operation of a maternity benefit insurance scheme would be disproportionately costly and therefore impracticable. Subsequently, maternity benefit laws were enacted in Ajmer, Marwar, Madras, Delhi, United Provinces, Bengal, Punjab, Assam and Bihar. The Government of India had also enacted maternity benefit legislation for minors. The last State to have maternity benefit law was Orissa, which enacted the legislation in 1953.

The Government of India enacted the Maternity Benefit Act 1961 for providing a uniform benefit all over the country. The Central Act has been adopted by all the States except Manipur, Nagaland and Sikkim. In the case of Manipur and Nagaland, it is claimed that there are hardly any factories/establishments, which are coverable.

The benefits admissible under the Central Act are subsequently superior to those under the State laws both with regard to their quantum and duration and provide for various contingencies which were not provided for earlier.

The Act intended to regulate the employment of women in certain establishments for certain period before and after childbirth and to provide for maternity and certain other benefits.

The Act applies in the first instance to every establishment being a factory, mine or plantation including any such establishment belonging to Government and to every establishment wherein persons are employed for the exhibition of equestrian, acrobatic and other performance. The Act also provides that the State Governments concerned may with the approval of the Central Government, after giving not less than two months notice by notification extend the application of the Act to any other establishment or class of establishments, industrial, commercial, agricultural or otherwise. By virtue of this provision the application of this Act has been extended to local bodies (Assam), sweepers and scavengers in all establishments of local bodies including Municipal Corporations, Municipal Committees and Gram Panchayats (Gujarat), establishments engaged in construction of road, buildings, canals, bridges, etc. (Haryana), Conservancy Department of any local Authority in the State (Maharashtra), establishment in which work relating to construction or maintenance of buildings, roads, bridges or canals or relating to the generation, transmission and distribution of electricity or any form of power is being carried on in the State (Rajasthan).

By the Maternity Benefit (Amendment) Act, 1998, the application of the Act has been further extended to every shop or establishment in which ten or more persons are employed or were employed on any day of the preceding twelve months. The Government is reported to have recently approved a proposal for the extension of the provision of the maternity benefit Act to the women employees employed in agricultural and construction works in M.P.

The Act is not applicable to the employees who are covered by the ESI Act, except that an employee covered by the ESI Act will continue to be eligible for maternity benefit under the Maternity Benefit Act, subject to her satisfying the prescribed eligibility conditions under the Act, until she becomes entitled to maternity benefit under the ESI Act.

The payment of maternity benefit under the Act is the liability of the respective employers. This is contrary to the provisions of Convention No. 103. However, whenever the ESI Scheme has been implemented, the employers are absolved of their liability under the Act.

The Central Government is responsible for administration of the provision of the Act in mines and establishments where persons are employed for exhibition of acrobatic and other performances while the State Governments are responsible for its administration in factories, plantation and other establishments.

**The main provisions of the Act are as follows:**

- i) A woman employee who is pregnant may after giving due notice to the employer remain absent from work for a period of six weeks before the date of her expected delivery.
- ii) No women shall work and no employer shall knowingly employ a woman in any establishment during the six weeks following the day of her delivery or her miscarriage.
- iii) No pregnant woman shall be required by her employer to do any work which is of an arduous nature or which involves long hours of standing or which in any way is likely to interfere with her pregnancy or the normal development of the foetus or is likely to cause her miscarriage or otherwise to adversely affect her health during the period of one month immediately preceding the period of six weeks before the date of her expected delivery and any period during the period of six weeks for which the pregnant woman does not avail of leave of absence.
- iv) Every woman employee shall be entitled to payment of maternity benefit for a period of 12 weeks, out of which not more than 6 weeks may be availed before delivery and the remaining period after delivery. If a woman dies during this period, the maternity benefit is payable up to the date of death. But where a woman dies during delivery or during the period immediately following the date of her delivery leaving behind in either case the child, the employer is liable to pay maternity benefit for the entire period. If, however, the child also dies during the period, the maternity benefit is payable up to and including the day of the death of the child.
- v) Every woman entitled to maternity benefit under the act is also entitled to received from her employer, a medical bonus of Rs. 250 if no pre-natal confinement and post-natal care is provided by the employer free of charge.
- vi) In case of miscarriage or medical termination of pregnancy a woman shall on production of proof be entitled to leave with wages at the rate of maternity benefit for a period of six weeks immediately following the day of her miscarriage.
- vii) A woman suffering from illness arising out of pregnancy, delivery, premature death of child or miscarriage is entitled to additional leave with wages at the rate of maternity benefit for a maximum period of one month.
- viii) In case of tubectomy a woman will be entitled to leave with wages at the rate of maternity benefit for a period of two weeks.
- ix) Every woman delivered of a child who returns to duty after such delivery shall in addition to the interval for rest allowed to her be allowed in the course of her daily work two breaks of the prescribed duration for nursing the child until the child attains the age of 15 months.

**Conditions governing the benefit**

- a) For being eligible for maternity benefit, the employee concerned should have worked in an establishment of an employer from whom she claims the benefit for a period of not less than eighty days in the twelve months preceding the date of her expected delivery.

For calculation this period, holidays declared under any law with wages and the days on which one is laid off should be taken into account.

- b) The benefit is payable at the rate of average daily wages. The average daily wages for this purpose is to be computed on the basis of the wages payable to the woman for the days on which she has worked during the period of three calendar months immediately preceding the date from which she absents herself on account of maternity or the minimum wages fixed or revised under the Minimum Wages Act or ten rupee whichever is the highest.
- c) The employee should give notice in writing to the employer in the prescribed form indicating whom the maternity benefit should be paid with an undertaking that she will not work in any other establishment during the period for which she received maternity benefit. The failure to give notice will, however, not disentitle a woman to maternity benefit or any other amount due under the Act.
- d) A woman may not be removed from service or her conditions of service altered to her disadvantages because of absence from work for reason of maternity, there is however no bar to any action being taken against her on grounds of misconduct but in that case she is entitled to submit an appeal to the designated authority. The Central Government have appointed the Chief Inspector of mines and the CLC(C) as the competent authorities for this purpose.
- e) No deduction may be from the wages of a woman on account of the maternity benefit paid to her or the nature of the duty assigned to her during her pregnancy or because of breaks allowed to her for nursing the baby.
- f) If a woman works in any establishment after she has been permitted by her employer to absent herself she will forfeit her claim for maternity benefit.

Any woman who has a claim for maternity benefit and is aggrieved that it has been improperly withheld or that she has been wrongly dismissed or discharged from service may make a complaint to the Inspector and the latter after inquiring into the complaint may if satisfied of her claims order payment of the amount due to her or her reinstatement in service.

The Act provides for imposition of penalties on the employer for failure to comply with the provisions of the Act.

The Act provides for appointment of Inspectors for enforcement of the law. In practice the Factory Inspector in the case of factories and the D.G. Mines Safety in the case of mines have been made responsible for enforcement of the Act in their respective spheres.

Commissions of enquiry who went into working of the Act have observed that the Maternity Benefit Act had led to a tendency not to employ married women and to discharge women workers on signs of pregnancy. They have recommended several measures for better enforcement of the law but the situation has to improve much.

### **Comparison between the Maternity Benefit Act and ESI Act:**

The salient provisions of the ESI Act regarding maternity benefit have been mentioned in an earlier section. These provisions compare with those of the Maternity Benefit Act as follow:

- i) The Maternity Benefit Act stipulates that no employer should knowingly employ a woman in any establishment during the six weeks immediately following the date of delivery or miscarriage and that no woman should work during that period. No employer should require a pregnant woman to do any work of arduous nature during the period of about ten weeks immediately before the date of her expected delivery. There is no such provision in the ESI Act.
- ii) Under the Maternity Benefit Act, a woman is entitled to maternity benefit up to a period of 12 weeks, i.e. 6 weeks up to and including the date of delivery and 6 weeks immediately following that day. In case the woman dies during this period the maternity benefit is payable up to the date of her death, if the child lives benefits are payable for the entire period and if the child dies the benefit is payable up to the date of death of the child. There are similar provisions in the ESI Act.
- iii) Under both the Acts, in case of miscarriage the woman is entitled to maternity benefit up to six weeks following the date of miscarriage.
- iv) Both the Acts provide that in case of illness arising out of pregnancy or confinement the woman would be entitled to additional leave up to one month.
- v) The rate of cash benefit under the Maternity Benefit Act is equal to the average daily wage. Under the ESI Act, it is twice the standard benefit rate which works out in some cases to be a little less than the average wage and in other cases to be a little more. In both cases the provision in the Indian law is more favourable than under the Convention.
- vi) The Convention does not prescribe any eligibility period for the maternity benefit. It permits national laws to prescribe it. Maternity Benefit Act has prescribed an eligibility period of 80 days of service. The ESI Act requires payment of contributions for at least 80 days – since reduced to 70 days – be eligible for the benefit.
- vii) Under the ESI Act, women are entitled to medical benefit in the nature of prenatal, confinement and post-natal care. There is no such provision in the Maternity Benefit Act. Instead there is provision for payment of a medical bonus in cash.
- viii) The Maternity Benefit Act provides for nursing breaks but there are no such provisions in the ESI Act.
- ix) Both the Acts protect a woman against termination of service and variation in the conditions of service to her disadvantage.
- x) The ESI Act provides for maternity benefit under a social insurance scheme while the Maternity Benefit Act is based on the principle of employers' liability.

xi) With a view to encourage planned parenthood the Maternity Benefit Act has been amended to provide for the following :

- (a) Six weeks leave with wages in case of Medical Termination of Pregnancy (MTP).
- (b) Grant of leave with wages for a maximum period of one month in case of illness arising out of MTP or Tubectomy.
- (c) Two weeks leave with wages to women workers who undergo tubectomy operation.

The ESI Act has also been amended to provide enhanced sickness benefit at double the Standard Benefits Rates i.e. at about full average daily wages for undergoing sterilization operations for a period of 7 days in the case of post operation complications. But there is no special provision in the ESI Scheme for Medical Termination of Pregnancy.

#### **Beedi and Cigar Workers Act**

The Beedi and Cigar Workers (Conditions of Employment) Act provides that the provisions of the Maternity Benefit Act will be applicable to Beedi and Cigar workers Female Beedi workers who have put in continuous service of six months will also be entitled to maternity benefit of Rs. 500 per delivery for the first two deliveries under the Beedi Workers Welfare Fund.

#### **Working Journalists Act**

The Working Journalists (Conditions of Service and Misc. Provisions) Rules, 1957 provide that a female working journalist who has put in not less than one year's service in the newspaper establishment in which she is for the time being employed should be granted maternity leave on full wages for a period which may extend up to three months from the date of its commencement or six weeks from the date of confinement whichever is earlier. Leave of any other kind may also be granted in continuation of maternity leave. Maternity leave should also be granted in cases of miscarriage including abortion, subject to the condition that the leave does not exceed six weeks.

#### **National Maternity Benefit Scheme**

Under this scheme, benefit is provided in the form of lump sum cash assistance to pregnant women of households, below the poverty line subject to the following conditions:

- The benefit is restricted to pregnant women for up to the first two live births provided they are of 19 years of age and above.
- The beneficiary belongs to a household below the poverty line as per the criteria prescribed by the Government of India.
- The amount of benefit is Rs. 500.
- The maternity benefit is disbursed in one-installment 12-8 weeks prior to the delivery. Timely disbursement of maternity benefit shall be ensured. In case of delay, it can be disbursed to the beneficiary even after the birth of the child.

## **Employment Guarantee Schemes**

Under the Employment Guarantee Scheme of Maharashtra every woman worker who has worked on the scheme for at least 75 days in the twelve months preceding the expected date of delivery is given an ex-gratia payment of 15 days wages at the rate of daily wages payable; additional wage of one day is given for every five days worked beyond 75 days. The total amount of wages payable as maternity benefit may go up to 30 days wages if the woman has worked for 150 days or more during that period. In addition, light work is given to the worker during the period of 10 weeks proceeding the expected date of delivery.

## **Welfare Funds of Kerala**

In Kerala, the Kerala Artisans and Skilled Workers Welfare Scheme, the Kerala Agricultural Workers Welfare Fund Scheme, the Kerala Handloom Workers Welfare Fund Scheme, the Kerala Construction Workers' Welfare Fund Scheme, Kerala Coir Workers' Welfare Fund Scheme and the Kerala Cashew Workers' Relief and Welfare Fund Scheme provide maternity benefit.

## **Past Recommendations concerning Maternity Benefit**

There are several expert recommendations concerning maternity benefits.

The first recommendation for legislation on the subject was that of the Royal Commission on Labour (1931). They said that time was ripe for introduction of legislation throughout India making maternity benefit scheme compulsory in respect of women permanently employed in industrial establishment on full-time processes. They, however suggested exemption of seasonal and part time workers confining the legislation to those women employed full time in the perennial factories covered by the Factories Act. They recommended that in the first instance, the proposed legislation should be on the lines of the schemes which were already in force in Bombay and Central Provinces where the entire cost of the benefit was being borne by the employer. They further recommended that in the event of any general scheme of social insurance being adopted maternity benefits should be incorporated and the cost shared by the State the employer and the worker.

Prof. B. P. Adarkar expressed the view that there would be considerable advantage in bringing the maternity benefit under the health insurance scheme recommended by him.

The ESIC Review Committee 1966 recommended enhancement of the rate of maternity benefit from 1/2 average wage to the full average of the insured woman. The Committee noted with approval the following proposals, which were then under consideration of the Government of India:

- (a) Payment of maternity benefit for the un-expired period on the death of the insured woman during her confinement or later if she leaves behind the child;
- (b) Grant of maternity benefit for six weeks in case of miscarriage;
- (c) Grant of additional maternity benefit up to one month in case of sickness arising out of pregnancy confinement, etc.



The National Commission on Labour (1969) recommended that a Central Fund should be established for maternity benefit as suggested for workmen's compensation. This recommendation has not been implemented.

The Economic Administration Reforms Commission observed: "while the coverage itself is not sufficient wide, effective access is further limited due to lack of awareness and on account of evasion and avoidance by employers. Moreover, the liability for maternity benefit induces a tendency not to employ women or having employed them, to discharge them when pregnant. In this background the commission recommended as follows:

"as with the WCA, compulsory insurance with the ESIC as the carrier of such insurance should be extended to notified classes of employers. The premia for such insurance should be related to all employees, male and female, so that there is no disincentive on employing women. This is all the more important in the case of this legislation because maternity unlike occupational accidents, is a normal contingency and the availability of maternity benefit is an important factor in promoting and sustaining women's employment".

The National Commission on Self Employment Women also recommended the establishment of a Central Fund from which welfare and social security measures for women workers should be financed (including presumably maternity benefit.)

The National Commission on Rural Labour had made the following recommendation regarding maternity benefit to rural women:

"The maternity benefit for rural labour can be given out of a central fund which should be created with contribution from all employers as a percentage of the total wages for all employees. While this could take care of the organised sector, for the unorganised self employed women or agricultural or construction workers, Government should take the responsibility for maternity benefit as recommended in the chapter on Social Security administered in the manner stated therein with a separate Department for Rural Labour to oversee the implementation involving also the Panchayat Raj bodies"

The FORCES Sectt organised a one-day brainstorming session on the issue of Maternity Protection and came to the following conclusions:

There are inadequacies in both the ESI Act and the MB Act. They are applicable mainly to the workers in the organised sector. A study by Niru Chaddha shows that only 0.25% of the women avail maternity benefits in a situation where 94% are entitled to it. The factory owners and contractors find it easy to evade the law. The Act do not provide work protection for women. Many women are either forced to leave their jobs when they are pregnant or not hired at all because they would have to be provided maternity benefits. The cash benefits provided under the Acts are also inadequate as they do not provide for adequate nutrition during pregnancy.

It is therefore necessary to enact a more comprehensive legislation which should

- cover all women and not only women workers
- provide not only maternity leave and cash benefits or cash benefits but should also cover the nutritional and health needs of women.
- provide wage and employment security.

The FORCES is also making the following points from time to time which were reiterated at the Session:

The MBA should enable the mother to avail of paid leave for 4-6 months after child birth to facilitate breast feeding of the child. The leave may be extended on half pay or without pay, if necessary, without loss of seniority etc.

The Act should make provision for additional leave for 2-4 weeks in the final stages of pregnancy if advised by a doctor.

The Act should stipulate that women should not be transferred or be subjected to any other punitive action or suffer any loss during the basic maternity leave.

Nursing breaks should be allowed for forty minutes instead of 15 minutes.

## **Conclusions**

Having regard to the foregoing analysis the Study Group has come to the following conclusions:

So far as the organised sector is concerned the existing provisions for maternity benefit should be extended so as to be applicable to all women workers. There are three ways of doing so: one is to extend the application of the Maternity Benefit Act, the other is to extend the application of the ESI Act and the third is extend the scope of Welfare Fund and other special employment schemes. The ESI Scheme being a composite scheme its extension is conditioned by many factors. Suggestions have therefore been made elsewhere that it should be restructured in such a way whereby it may be possible to extend the provisions of that Act so far as employment injury and maternity benefits are concerned throughout the country to all classes of establishments subject to such limits as necessary with respect to the number of persons employed. In the meantime the application of the MBA may be extended to all classes of establishments where women are employed in large numbers.

As stated above, the Maternity Benefit Act is presently applicable to all factories, mines, plantations, shops and establishments and a few other classes of establishments. There are many other classes of establishments where women are being employed increasingly to which the Maternity Benefit Act is not applicable. It is suggested that those classes may be brought within the scope of the Act on priority basis by following the Standard Industrial Classification. Some of these are mentioned below:

1. **Aviation**
2. **Building and Construction industry**
3. **Transport and communications**
4. **Trade and commerce**
5. **The Services Sector, namely**
  - a. **Educational and scientific services**
  - b. **Medical and health services**
  - c. **Religious and welfare services**
  - d. **Legal services**
  - e. **Business services**
  - f. **Community services and trade and labour associations**
  - g. **Recreation services**
  - h. **Personal services**
  - i. **Other services, etc.**



The Maternity Benefit being based on the principle of employer's liability the financial feasibility of the extension of the Act depends upon the capacity of the employers to pay the benefit. This capacity varies according to several factors and cannot be generalized with reference to the nature of the industry or occupation. According to the Convention 103 of the ILO in no case should the employer be individually liable for the cost of the benefits. It is therefore very essential that the scheme of the Act should be converted into social insurance .This object can be achieved if the Maternity Benefit Act is integrated with the ESI Act ; if that is not feasible the question of introducing a separate social insurance scheme exclusively for maternity benefit or in combination with the employment injury benefit may be considered.

Maternity benefit consists of several elements, which are set out in the ILO Convention No.3 as follows:

- (i) Women are forbidden to work during the six weeks following their confinement;
- (ii) They have the right to leave work on presentation of a medical certificate proving that they are likely to be confined within six weeks;
- (iii) The employer is prohibited from giving a female worker notice of dismissal during the prescribed period of absence;
- (iv) A female worker, while absent from her work on account of pregnancy or confinement must be paid benefits sufficient for the full maintenance of herself and her child;
- (v) They will be entitled to free attendance by a doctor or a certified midwife; and
- (vi) They must in any case, if they are nursing the children, be allowed half an hour twice a day during the working hours for this purpose.

The Maternity Benefit Act provides for all these except item 5 for which a provision of a medical bonus is made. The current provision for medical bonus is Rs.250, which needs to be enhanced. Alternatively provision may be made for medical attendance and treatment at the expense of the employer during the period of pregnancy, confinement and postnatal period including any illness during this period.

The ESI Act provides for items 4 and 5 and is silent about the others. It needs to be amended to make provision for all these items.

Studies have indicated general dissatisfaction about the working of the various legislative measures. In the case of the ESI Act the complaints are about the inadequacy of the hospital and dispensary facilities, delays in payment and payment of cash in lieu of hospitalisation facilities. In the case of the Maternity Benefit Act the complaints relate to alleged bias against women in employment, lack of awareness on the part of the women about their entitlements. Appropriate measures should be taken to remedy these defects.

**So far as women in the unorganised sector are concerned there is undoubtedly need for a separate legislation for providing not only maternity benefits but also other social security benefits. The legislation may make provision for maternity benefit through welfare funds where such funds are established or through area based scheme elsewhere to all women whether gainfully employed or not**

## **8.6 Employees State Insurance Scheme**

### **8.6.1 Introductory**

The Employees State Insurance Scheme framed under the Employees State Insurance Act, 1948 was the first and till recently the only social insurance scheme in the country.. The main objective of the scheme is to provide certain benefits to workers in the contingencies of sickness, maternity and employment injury on a contributory basis Brief particulars of the Scheme are given in the Annexure XII . Some of the salient points of the Scheme are discussed in this report .

The Scheme has been reviewed and studied by several agencies in the past and many recommendations have been made for restructuring the scheme and for improving its working. Many of the comments and suggestions made in this report are only reiterations of the recommendations already made and yet to be implemented.

The ESI Scheme was introduced with high expectations . The then Minister of labour , while moving the ESI bill in Parliament had declared that every citizen would be covered by the scheme very soon. That has not happened. The coverage of the Scheme has been very low and has remained more or less static for a decade or more. The number of persons insured under the Act which was . 6.6 million as on 31.3. 1994 had gone up to 7.86 million as on 31.3. 2000 against 24 million covered under the E.P.F. Act and the total labour force of 350 million and about 40 forty million in the organised sector.

There is also great deal of dissatisfaction with the working of the Scheme where it is in operation. The Gujarat Institute of Development Research has reported based on a survey conducted in January 1994 reported that most of the insured persons who were interviewed had expressed :a high degree of dissatisfaction about ESI Scheme. .Their dissatisfaction has reached a level which has caused a loss of faith and trust in this scheme. The sense of dissatisfaction is not new. Every committee which had reviewed the working of the Scheme had commented on it. Many persons who appeared before the National Commission on Labour during their visits to the various State Capitals recently also gave the same impression .It is attributed to several factors.

### **8.6.2 Object and Scope of the Scheme**

Firstly, there seems to be a lack of sense of purpose.. Neither the Government nor the Corporation seems to have addressed the basic question as to what is the ultimate objective or goal of the ESIC; whether it will be a vehicle for providing health insurance to the entire workforce or whether its operations will be limited to any particular sector and if so , which sector; in the latter case whether it will cover the whole of the sector including seasonal factories, mines, plantations etc which are now not covered or coverable under the Act. . The various committees which have gone into the working of the Act have suggested extension to these sectors but while explaining why the Corporation has not been able to extend the coverage the policy question whether they should be covered or ,if not, what alternative arrangements should be made to cover them have not been answered..

A more fundamental policy question concerns the scope of health insurance in India which has already been touched upon in an earlier section but which is more relevant in this context. Whether it is necessary or feasible to develop health insurance under Social Security, parallel to public health and medical service, for the entire population; if not, how will the systems be integrated or coordinated? It may be mentioned that the experts of the ILO who examined the scheme drawn up by Prof B.P.Adarkar before its introduction as ESI Scheme had observed that it would be difficult to justify the establishment of a separate medical organisation by the health insurance institution if the States increased the facilities for medical care and public health in accordance with the recommendations of the Bhoré Committee.. The National Health Policy assigns a minor role to health insurance to supplement the public services.. Running of the medical Services by the ESIC , parallel to the national Health Service might have been a historical necessity at the time when the ESI Scheme was introduced .

**The object and scope of the Scheme needs to be reviewed in the current context when public as well as private medical service have developed.**

### **8.6.3 Coverage**

The ESIC is undoubtedly experiencing difficulty in extending its coverage because of the inability or unwillingness of the State governments to make necessary arrangements for providing medical benefits. These difficulties are not relevant to the extension of the scheme for purpose of the cash benefits.. Of these , though in terms of expenditure the sickness benefit is more important , in terms of protection to the workers and their families the employment injury benefit and maternity benefit are of greater significance. The working of the Workmen's Compensation Act and the Maternity Benefit Act having been found unsatisfactory Prof Adarkar had suggested separate national schemes insurance based on insurance principles to replace them. Eventually these benefits were integrated with the sickness benefit and the medical benefit and a unified scheme was evolved in the form of the ESI Scheme. But the purpose of integrating the schemes has been defeated

because of the stunted growth of the ESI Scheme. It does not seem that it will be possible to extend the existing composite scheme of the ESIC nation wide in the near future.. The Corporation has therefore to take a decision to de link the employment injury and maternity benefits from the medical benefit and to extend the application of the ESI Scheme for purposes of those benefits throughout the country. Alternatively, separate social insurance schemes for those benefits only will have to be evolved.

In this connection it may be mentioned that the Committee on Perspective Planning , 1972 headed by the then Secretary, Ministry of Labour, had recommended that partial coverage should be considered when extending the scheme to undertakings in fresh sectors of employment which provide some benefits on a superior scale. The Committee had observed that the question of partial coverage was of fundamental importance in extension of the Scheme to mines and plantations. Another High Power Committee had also recommended that "the Act may suitably be amended to empower the Corporation to formulate and introduce new schemes of benefits and contributions, to modify any of the existing schemes including duration of contribution and benefit periods as well as of qualifying conditions for eligibility to benefits for seasonal and agricultural wage earners and for any other employees or class of employees"

The ESIS Review Committee 1982 had also made a similar recommendation. They said: "The Act envisages a package of benefits to be provided to the workers covered under the scheme. In certain cases however, it may be difficult to provide all the benefits and some variations may have to be made in the nature and quantum of the benefits to be given in the application of the Scheme to certain classes of establishments.

The Committee specifically recommended that casual, temporary and badli workers should be insured only for maternity, medical and employment injury benefits and exempted from payment of any contribution. They further recommended that insurance at reduced contributions, restricted to maternity, medical and employment injury benefits could also be applied to unorganised sectors of employment, such as construction industry. They stated that this would greatly broaden the protection of the scheme to large bodies of workers in unorganised industrial or commercial sectors.

#### **8.6.4 Restructuring of the Scheme**

The Working Group on Social Security of the Economic Administrative Reforms Commission recommended a basic reform of separating the medical benefits from the cash benefits. They said:

" A more basic reform to the ESI is to be considered in the light of experience.. The ESI provides a range of benefits of which all except medial care are in the form of cash benefits. The extension of the ESIA on an area basis is, however, basically constrained by difficulties in providing the medical benefit such as those related to the construction of hospitals and



dispensaries and the recruitment of doctors and para medical personnel. The inadequate progress in extending ESI on an area basis results in the effective denial of cash benefits as well. In this context, it is necessary to examine whether medical care under ESI can be altogether separated and integrated with the regular public infrastructure of government hospitals, PHCs and dispensaries. The approach of integrating ESI with the basic health system could also be considered in respect of existing facilities, with such facilities being used by and large for such services (e.g., diagnosis and treatment of occupation related diseases and injuries) as are especially needed by workers. A more flexible extension/operation of the ESI would require that separate scales of contribution should be worked out for individual benefits and or appropriate combination of two or more of the benefits. We would suggest that those possibilities should be seriously considered."

The Corporation had at one stage accepted the idea of extending the ESI Scheme for cash benefits only by prescribing separate rates of contribution for the purpose. A modified rate structure was also evolved But no decision was taken on the proposal on the ground that the ESI Scheme being a health insurance scheme and the medical benefit being the most important benefit there was no justification for extending the Scheme for cash benefits only without medical benefit. The proposal was revived by the committee on Perspective Planning 1993 but it has not been accepted yet..

**The Study Group feels that the pre-eminent position given to medical benefit in kind should be reconsidered. The ESI Scheme is basically an insurance scheme which is a finance function. Medical service can be provided directly or indirectly . It is not necessary that direct provision of medial services should be an essential part of the scheme. The service may be provided by anyone who has the facilities and the Corporation may pay for it under an appropriate arrangement. Indeed the whole world is moving in the direction of market based methods of providing health care. The ESIC itself has taken certain steps in that direction. That being so, the argument that provision of medical benefit being the primary function of the ESIC it cannot be extended for cash benefits only without the medical benefit is no longer valid. The study Group therefore strongly urges that the benefit structure of the ESI Scheme be unpackaged and provision be made for extension of the scheme for one or more benefits separately or in groups .The Study group further suggests that immediate steps be taken to extend the scope of the Act for purposes of employment injury benefit and maternity benefit throughout the country without waiting for the corresponding provision for medical benefit.**

**There is a view that the cash benefit component of the scheme cannot be separated from the medical benefit because the title tot cash benefits is based on the medical certificates issued by the Authorized Medical Officers. However, considering that the WC Act and the Maternity Benefit Act are being implemented without any provision for**

medical care, and also the fact that arrangements can be made to accept certificates issued by Government and other qualified Medical Officers, the study group feels that arrangements for own medical care set up is desirable but not essential for administration of cash benefits.

When the constraints on extension of the ESI Scheme are removed as suggested above there would be no justification for retaining the other restrictions on the application of the Act, namely, the number of persons employed, the areas and sectors of employments to be covered and the wage ceiling. They may all go. If necessary there may be a ceiling on wages for purposes of contributions and benefits only as in the Payment of Bonus Act and the Workmen's Compensation Act.

Casual and contract workers may be covered for limited benefits at reduced rates of contribution as recommended by the various committees and the ILO

The existing medical facilities available with the corporation, along with purchase of services from other agencies with whom corporation can enter into agreements may be used for providing services to all classes of workers who wish to join the scheme.

#### **8.6.5 Exemptions:**

There is provision in the Act for grant of exemptions to establishments having arrangements to provide similar or superior benefits. The Corporation however is not in favour of granting exemptions on the ground that it would go against the principle of solidarity on which the scheme is based. This objection seems to be unsound when the Corporation has been unable to cover large sectors of employment for lack of necessary medical facilities. If the pressure on the existing facilities can be released by grant of exemption to those who can make their own arrangements other establishments who cannot make their own arrangements can be covered. The fear that this may lead to adverse selection would also be unfounded because it cannot be said that any particular section of people or sector of employment are more prone to sickness than others. The Study group therefore feels that there is no harm in granting exemptions to those who wish to exit provided correspondingly the door is thrown open to others who wish to enter the scheme

The Study group therefore suggests that although there may be a number of policy considerations against the granting of exemptions it seems reasonable the practice of granting exemptions in cases where the establishments satisfy the prescribed conditions may reasonably be continued.

#### **8.6.6 Organization of medical benefit:**

The primary responsibility for administration of medical benefit under the ESI Scheme rests with the ESIC. A part of the responsibility is delegated to the States who function practically as the agents of the Corporation. The authority and responsibility of an agent vis-a-vis the principal are limited. They cannot take full responsibility for the administration of the scheme nor can the ESIC assume the responsibility and administer the Scheme directly in the absence of necessary infrastructure. As their perceptions differ they cannot also act jointly and unitedly. There is thus a dichotomy in the administration of the medical benefit.

**The situation cannot be remedied by any patch work. It calls for a surgical operation. The scheme needs to be restructured. One way to do it is to divest the States of their responsibility for medical benefit and to transfer the function to the Corporation. Another way is to create a separate organisation for administration of medical benefit, the ESIC being responsible for cash benefits only. The present thinking seems to be in favour of the first alternative but it may not be easy for a single corporation to administer hundreds of ESI hospitals all over the country. The Study Group has suggested elsewhere the constitution of a Central Board of Social Security with functional divisions, one of the divisions being responsible for medical benefit and the other for cash benefits. Such an arrangement will make for separating medical benefit from cash benefits without a divorce. The Study Group therefore favours the second alternative.**

#### **8.6.7 Contribution:**

The ESI Scheme is a contributory scheme. It is financed by contributions from the insured persons and their employers. The rates of contributions were previously prescribed in a Schedule to the act based on the average earnings of the employees who were placed in nine groups. The power to fix the rates is now vested in the Central Government. The rates are fixed on ad hoc basis and is subject to negotiation between the different interest groups in the Corporation.

**The Study group is of the view that as in any other insurance scheme in order to ensure financial stability of the scheme, the rates of contribution should be fixed on actuarial basis and be free from collective bargaining.. Employees whose daily wage is below a specified amount are exempted from payment of their contribution. The exemption limit in terms of wages is being raised from time to time but there seems to be no rationality in fixing the limits. The Study Group feels that it should be related to the minimum wage.**

When any section of insured person are granted exemption from payment of contribution the cost of the benefits provided to them would have to be met from other sources. Unless the rates of contributions are so fixed as to compensate for the loss of revenue due to the exemption by recovering additional amount from other insured persons. the Corporation would have to be subsidised by the government .

Although the case for a general contribution by the Central Government on per capita basis is not strong, the ESIC has a legitimate claim for subsidisation of the cost of covering weaker sections of people with low income who are not able to make any contribution and have to be exempted from making the contribution. The Corporation would also need to be subsidised for extending the scheme to areas which are uneconomical so that the Corporation may not refrain from covering such areas on the grounds of being uneconomical

#### **8.6.8 Ceiling on reimbursement of medical expenditure**

The State Governments make a contribution to the Scheme to the extent of one 12 ½ % of the cost of medical benefit eight . In addition they are required to bear the expenditure in excess of the ceiling fixed by the Corporation for purposes of reimbursement. Imposition of the ceiling appears to be unrealistic and has been resented by the State Governments. who are demanding its withdrawal.

Imposition of the ceiling appears to be one of the reasons for the unsatisfactory service provided by the State Governments in the ESI hospitals and dispensaries run by them.. The Study group therefore suggests review of the decision to impose the ceiling and the level of the ceiling and to consider the desirability of its withdrawal

#### **8.6.9 Administration:**

It is said that the real issue and indeed challenge in the administration of a health insurance scheme is for the executive to understand the multi disciplinary character of the tasks involved in both health insurance and the delivery of healthcare. The managers will have “to develop a strong professional cadre within the system”: In other words the management of the scheme should be professionalised. While a tripartite body may continue to remain the general body, day to day administration may be entrusted to a body of experts who should constitute the governing body.

### **8.6.10 Emergency Expenses**

Recommendation No.67 concerning Income Security (1944) of the ILO has included emergency expenses as one of the contingencies for which provision has to be made in a social insurance scheme. In para 15 of the guiding principles enunciated in the Recommendation it is stated that:

**"Benefits should be provided in respect of extraordinary expenses, not otherwise covered, incurred in cases of sickness, maternity, invalidity and death**

The following benefits are listed under this para:

- (a) Necessary domestic help should be provided or benefit paid for hiring it during the hospitalisation of the mother of dependent children;**
- (b) A lumpsum supplement should be paid to recipients of invalidity or oldage benefit who need constant attendance**
- (c) A lumpsum should be paid on the death of an insured person or of the wife, husband or dependant child of an insured person towards the cost of burial.**

The ESI Act provides for payment for funeral expenses to the extent of Rs. 2500 per case to defray the expenditure on the funeral of a deceased insured person.

The welfare fund schemes of Kerala and Tamilnadu provide for payment of financial assistance for marriage and such other occasions.

**The Study Group feels that there is need for making similar provision in the Central Acts. The Study Group therefore suggests that the term "funeral expenses" be in the ESI Scheme be substantial by the term "emergency expenses" and provision be made for financial assistance to insured persons for meeting the expenditure on the following types of occasions:**

- (a) Care on the following types of occasions:**
- (b) Marriage of ones daughter**
- (c) Higher education of children**
- (d) Funeral expenses of the members of the family**

### **8.7. Provident Funds**

Provident Fund Schemes are designed to provided a measures of economic security to a person or his family in the event of old age or death.

A Provident Fund is a means of compulsory saving. Workers and the employers or workers alone pay regular contributions into a Central Fund and the contributions are credited to a separate account in respect of each subscribers to which interest is added periodically. Then as specified events or contingencies occur such as old age, or death the total amount

standing to the credit of the account is paid out to the worker or to the survivors. Some funds permit partial withdrawal in the event of sickness or unemployment or for other stated purposes such as home purchase.

There are several P. F. Schemes in India. Many of them have been established under the Provident Fund Act, 1925. Besides, the following enactments provide for the establishment of Provident Funds.

- 1) The Coal mines Provident Funds Act, 1948
- 2) The Employees Provident funds and miscellaneous Provisions Act, 1952.
- 3) Sea men's Provident Fund Act, 1966
- 4) The Assam Tea Plantations Provident fund Act, 1955
- 5) The Jammu and Kashmir Employees Provident Fund Act, 1961. The first Acts are Central Acts while the last two are State Acts.

The Government employees are governed by separate rules framed under Article 309 of the Constitution. There are also Public Provident Fund and other Provident Funds recognised under the Income Tax in respect of persons who are not covered by the Statutory schemes.

**There is an obvious multiplicity of Provident Funds in the country. The legislative and other provisions in respect of the funds would naturally vary. In a similar situation Sri Lanka is reported to have enacted a law as early as in 1975 to consolidate all the Provident Funds into the Employees Provident Fund. A similar law to place all the Provident funds under a common regime seems to be called for in India too.**

The Employment Provident Funds and Miscellaneous Provisions Act which is the largest Provident Fund from the point of view of coverage are mentioned. Brief particulars of the Act are given in the Annexure XIII. Some of salient features of the Schemes framed under the Act are discussed in this report.

### **Object**

(i) The Employees Provident Funds and Miscellaneous Provisions Act, 1952 was enacted with the main object of making some provision for the future of the industrial worker after he retires or for his dependents in case of his early death. The Annual Report of the E.P.F. Organisation for 1985-86 says : "It was then felt, after considering the possible alternatives, that the most appropriate course for this purpose was the institution of compulsory Contributory Provident funds to which both the worker and the employer would contribute. It was organised that such a scheme would have, apart from others, the obvious advantage of cultivation among the workers the spirit of saving something regular and would also encourage the stabilisation of a steady labour force in industrial establishments."

The Study Group is of the view that after the introduction of the Employees Pension Scheme there is need for a redefinition of the object of the Act and it is particularly necessary in the context of the suggestions from various quarters to deliberalise the provisions in the EPF Scheme permitting premature withdrawal from the provident fund which tend to reduce the amounts available for olage.

**(ii) Application of the Act**

The Act is currently applicable to 180 industries and classes of establishments application of the Act is being extended to new industries and classes of establishments piecemeal. There are no guidelines for extension of the Act to any industry or class of establishment. It does not also appear that any systematic study has been made of all the industries and classes of establishment for the purpose of extending the application of the Act thereto. The decision for extension of the Act is therefore, generally taken either on specific demand or suggestion of Trade Unions and other interests. However, as and when any suggestion for extension of the provisions of the provisions of the Act to any new industry or class of establishment is received, the Ministry of Labour examines the same in consultation with the concerned Ministries in the Central Government and the State Governments and takes decisions on the basis of the consensus of opinion.

The rational of applying the Act to certain industries and classes of establishment and not to other is therefore open to questin. It is also doubtful whether the discrimination between industries and classes of establishments in the matter of coverage under the Act stands the test of reasonable classification so as not to be hit by Article 14 of the Constitution.

Several suggestions have been made from time to time for further extension of the coverage of the Act. Two noteworthy suggestins are as follows :-

- (a) Considering that a large number of industries and classes of establishment have already been covered it is possible that there may not be many industries / classes of establishment left out of coverage. If that be so, it would be simpler to make the Act applicable to all the industries / classes of establishment putting in the schedule only these establishments which are excluded or exempted from coverage. The number of such excluded / exempted industry / classes of establishments should be comparatively smaller than the number covered. One advantage of such a provision would be that there will be no or less ambiguity about the applicability of the Act to any industry / class of establishment and correspondingly the disputes concerning this subject would be reducec.
- (b) The industries / classes of establishment to which the Actis applicable should be reviewed with reference to the national classification of industries and a comprehensive proposal for extending the application of the Act to all the industries / classes of eastablishments not covered so far should be drawn up and published in the official

gazette as well as news papers calling for objections. After expiry of the specified period allowed for filing objections, the proposal should be considered in the light of the comments received. The preliminary exercise in this regard may be carried out by the Central Board of Trustees who should make its recommendations to the Government and the Government should taken a decision on the basis of the recommendation of the Board.

The OASIS Committee has suggested that the existing restriction limiting provident fund contribution to 177 (now 180) industries /classes of establishments should be abolished. All establishments should be covered by provident funds .

The Task Force on Social Security has also suggested that the Schedule of industries for extension of coverage should be dropped. There is now no reason to delay the implementation of these recommendations

**The Study Group reiterate these recommendations and suggests that the Act be made applicable to all classes of establishments subject to such exceptions as may be considered necessary for specified reasons**

(iii) Initially the Act was applicable to all establishments employing 50 or more persons. The employment limit was reduced to 20 in 1960. The National Commission on Labour had observed : "Although a large number of industries and classes of establishments have been covered the benefit of Provident Fund is still not available to workers in several uncovered establishments and especially those employing less than 20 persons." The Commission had recommended "that the coverage of the provident fund should be extended further to make available the benefit of provident fund to those who are not yet covered by the scheme." The Commission had recommended specifically that the employment limit for application of the Act should be reduced to ten.

The Committee set up in 1981 to review the working of the E.P.F. headed by Sri. G.Ramanujam the then General Secretary, I.N.T.U.C. had also recommended that the Act might be amended to extend the coverage immediately to all establishments employing ten or more persons.

It is more than 30 years since the NCL submitted its report and nearly twenty years since the Ramanujam committee submitted its report. Their recommendations are yet to be given practical shape.

The Economic Administration Reforms Commission also made a similar recommendation

The OASIS Committee has made a recommendation that the minimum number of



employees in an establishment (to be eligible for provident funds) should be lowered from 20 to ten and eventually to 5.

Recently the Task Force has reiterated this recommendation and urged that the employment threshold should be brought down to 10 immediately, to 5 during the next 3-5 years, and to one within a short time frame thereafter..

**The Study Group suggests that these recommendations be implemented without further delay.**

(iv) Section 16 of the Act provides that the Act will not apply to cooperative societies employing less than 50 persons and working without the aid of power. The rationale of excluding cooperative societies employing less than 50 workers and working without the aid of power has again not been spelt out. The Ramanujam Committee recommended withdrawal of the exemption in favour of cooperatives employing less than 50 persons so that they may be covered like other establishments if they employ 10 or more persons and have completed the infancy period of three years. This recommendation has not, however, been implemented so far..

The Task Force has also recommended removal this restriction.

**The Study Group suggests that the special dispensation granted to cooperatives is not warranted and should be removed early**

(v) There is no provision in the Act limiting the coverage of the Act on the basis of wages or income. But under the definition of 'excluded employee' in the E.P.F. Scheme persons whose pay exceeds Rs.6500 per month have been excluded from the purview of the Act. The pay limit is being revised from time to time.

The reasons for excluding employees of the higher income group from the purview of the scheme have not been explained. Suggestions have been made to remove the income limit for the application of the Scheme but they have not been accepted. The consequence of imposing the income limit is that the establishments which are covered by the Act have to maintain separate P.F. Schemes for their employees drawing pay in excess of Rs.6500/-. In an inflationary situation where money incomes go on rising either due to revision of wages or grant of d.a. the income ceilings tend to become out of date unless they are also revised from time to time pari passu with the rise in the price level. During the period from 1961 to 1984 while the C.P.I. rose by 600 per cent the ceiling has been raised only by 150%. The consequences of this disparity can well be imagined. While more and more industries and classes of establishments have been brought under cover the number of persons covered in each industry/class of establishment has been less than it should have been because of

the comparative lowering of the income ceiling. In other words, had the income ceiling been raised in proportion to the rise in price level and the income level the coverage in terms of the number of subscribers would have been much more.

It is relevant to mention that there is no wage ceiling for the application of the Coal Mines Provident fund Act. There is also no wage ceiling for application of the Payment of Gratuity Act.

There is a suggestion which is discussed later in this report that the Payment of Gratuity Act should be integrated with the EPF Act. The existence of a wage ceiling in the EPF Act may come in the way of such integration.

The Task Force has recommended that the wage ceiling for coverage should be removed but a ceiling should be fixed for purposes of contributions and benefits at an appropriate level.

**The Study Group agrees with this view and suggests that the wage ceiling for application of the Act be removed but an enhanced wage limit, of say Rs.10,000, be applied for purposes of contributions and benefits. This wage limit should also be reviewed periodically and revised corresponding to the rise in the wage index.**

**The Study Group further suggests that there should be uniformity in the application of wage ceilings in all the Social Security laws.**

#### **(vi) Coverage of casual workers and contract workers**

According to para 26(a) of the E.P.F. Scheme every employee employed in or in connection with the work of a factory or other establishment to which the scheme applies shall be entitled and required to become a member of the Fund from the very first day of his employment. This para has brought within the scope of the Act workers employed on casual or temporary basis. It is clear that the framers of the Scheme in making such a provision have been anxious to extend the benefit of the scheme to such employees. It is however a moot question whether it is advantageous to the workers and whether they are able to enjoy the benefits of the scheme.

Casual Labour as well as contract labour consists mainly of construction labour – labour employed in building and construction activity. The employment in this industry is characterized by discontinuity and large scale mobility. The employees change their jobs, their employers as well as their places of work frequently. The P.F. accounts are maintained by the E.P.F. organization establishment wise. When, therefore, a worker changes his employer his account will have to be transferred from one establishment to another establishment. If it is not transferred it will remain ineffective or inoperative and the subscriber

may not get the benefit of the contribution. Eventually, the balances in the accounts will lapse. The Annual Report of the organization does not disclose the number of dead, inactive or ineffective accounts but it is believed to be very large. It would be worthwhile investigating how many such accounts are there in each region and why they have remained inoperative. Besides such workers are usually paid wages at the rates prescribed under the minimum Wages Act which correspond to subsistence wages just sufficient for meeting the basic needs of the workers and they have little margin for payment of contributions. It should, therefore, not be surprising if the workers oppose deduction of contributions from their wages.

According to the Contract Labour (Abolition and Regulation) Act appointment of labour through contractors is permissible only for work of short duration or intermittent nature. Contract labour is required to be abolished in cases where the work is of perennial nature or where the work is incidental to or necessary for the industry trade etc. that is carried on by the establishment. Contract labour is, therefore, employed for short term or intermittent items of work. Even so, they are coverable under the Act.. But the question is one of enforcement. Whether an establishment has engaged a contractor, how much staff or labour the contractor has employed and whether contributions have been made in respect of all such labour eligible for enrolment as members can be verified only through inspection. A high premium is, therefore, placed on the honesty and rectitude on the part of the inspectors.

Incidental to the question of enrolment is the question of classification of contract labour. Section 6 provides for recovery of contributions at an enhanced rate in respect of employees in certain specified industries/classes of industries. The nature of work of the contractor may be different from that of the principal employer. But the law requires that so long as the contractor is working in a particular establishment he should pay contributions in respect of his employees at the same rate as applicable to the regular employees of the principal employer. This implies that if the contractor himself has a large staff and his employees are deployed in different establishments he could make contributions at different rates in respect of his employees depending upon where they are working. It also implies that contributions in respect of the same employee/employees can be made at different rates depending upon where they are working for the time being.

Recovery of contributions in respect of contract labour has, therefore, created many administrative problems. While legally there is no doubt about the liability for payment of contributions in respect of contract labour it is extremely doubtful if practically it has been possible to enforce the provisions of the law in this regard and whether the workers are benefited by them.

Sri T.S.Sankaran has pointed out that workers in the construction industry are averse to deductions being made from their wages towards provident fund because there is no guarantee that the deductions would be credited to their accounts.

The study group commissioned a quick study to see whether the coverage of casual and contract labour had served the purpose for which it was intended. The study revealed that the provisions to cover persons employed on casual or on contract basis was operating largely to the disadvantage of the workers. Firstly, in many cases although the workers are not registered with the EPFO the employers deduct contributions from their wages but do not remit the same to the EPFO. Thus the deduction of the contributions operates as an unauthorised deduction. Secondly, as the persons change their employment frequently, their accounts would have to be transferred from one code number to another which does not happen. Many accounts opened in their names remain frozen and become inoperative. The EPFO does not keep the addresses of the subscribers and is therefore not able to track them from employer to employer or from place to place. Thus the amounts in these accounts remain unclaimed and are transferred to Unclaimed Deposit account. There is a large amount lying in unclaimed deposit account of the EPFO. There is reason to believe that this amount belongs largely to such members. Although the EPF Scheme requires that every employee should be provided with a pass book. The Organisation has failed to supply the pass books.

In the course of discussion with the officers of the EPFO the Study Group was informed that the EPFO had undertaken a massive computerisation project which when completed would enable the organisation to issue smart cards to each subscribers and thereafter the accounts would be easily portable.

The OASIS Committee has also recommended that each provident fund member should be allotted a unique identification /account number spanning across all Provident Funds- for comprehensive portability of account during job changes and temporary unemployment.

The 37<sup>th</sup> Session of the Indian Labour Conference has also made a similar recommendation.

**The Study Group too reiterates these recommendations. It is however not sanguine that by issuing the identity cards the problems of casual workers will be solved totally. The Study group however wishes to emphasise that it is an obligation of the EPFO to see that the poor workers are not deprived of the benefit of the contribution they make from their hard earned wages. If the organisation is unable to make satisfactory arrangements for accounting for the contributions and paying them back when due the Study Group suggests that the basic issues whether such workers should be covered at all and if so whether there should be any modification in the scheme for application to them should be re-considered.**

The Study Group further suggests that appropriate provision be made in the Act to enable the Organisation to frame different schemes with different contributory and benefit packages for application to different classes of establishments employees and persons . This is particularly necessary to make the Act applicable to self employed people.

#### **(vii) Exemptions**

Section 17 of the Act provides that the appropriate Government, may, by notification in the official gazette and subject to such conditions as may be specified exempt from the operation of all or any of the provisions of any scheme any establishment to which the Act applies.

The exemptions are granted subject to certain conditions such as constitution of Board of Trustees, recognition of provident fund rules under the Income Tax Act, maintenance of provident fund account etc.

As per annual report of the E.P.F. Organization for the year 1999-2000, 2805 establishments with over 43.40 lakh subscribers had been granted exemption up to March, 2000. . Considering the number of subscribers in the exempted establishments it would be clear that many large establishments have being granted exemption from the provisions of the Act. The report does not, however, give separate figures of exemptions granted under the different provisions of the Act.

(The number of exempted establishments as .at the end of the previous year was 3123 with 41,09 lakh members. There was a net decrease of 318 establishments but an increase in the number of members.. The reasons for these variations have not been explained )

The management of the exempted funds is the responsibility of the Board of Trustees in the respective establishments but the E.P.F.O. exercises control over them through regular inspections. The Annual Report does not disclose whether exempted establishments are being inspected regularly and what are the arrears if any in that regard. It does not also disclose the state of the Funds apart from the number of subscribers, the amount of subscription and the amounts invested. A review of the working of the exempted establishments had revealed several defects, such as non constitution of Boards of Trustees, non-payment of contribution to the Boards, non-investment of the P.F. balances and misuse of the funds.

As per annual report for the year 1999-2000, the exempted establishments were in arrears of contribution to the extent Rs.469crores as on 31-3-2000, as against the total arrears of Rs.589crores in respect of un-exempted establishments. (The arrears at the end of the

previous year amounted to Rs.234.87crores in the case of exempted establishment and Rs 338.31crores in the case of un-exempted establishments There has been a substantial increase in the arrears the reasons for which have not been explained).

The representatives of the workers on the C.B.T. have been generally opposed to exemption. On the other hand, the representatives of the employers favour the continuance/extension of the exemption. The argument against the exemption is that the employers of the exempted establishments tend to misuse the funds. The protagonists of exemption, on the other hand, say that the exempted establishments render better services to the workers than the EPF organization which has tended to be ineffective.

The E.P.F. Act has been amended recently to the effect that the Central Government may on application made to it in this behalf by the employer and majority of the employees in relation to an establishment employing 100 or more persons authorize the employer to maintain a provident fund account in relation to the establishment subject to such terms and conditions as may be specified in the Scheme. This amendment is yet to be given effect. The Study Group understands that there is a proposal to delete this provision

Considering the likely expansion of the coverage of the Schemes under the EPF Act, there seems to be a greater need for decentralising the administration of the schemes. One way to decentralise the administration is to authorise more and more employers to administer their own Provident Funds, the EPFO acting as a regulatory authority. But this should be done without prejudice to the interests of the subscribers.

Having regard to these facts the Study Group suggests that the EPFO organise an inquiry into the working of all exempted funds by an independent agency and to review the entire scheme of granting exemptions from the provisions of the Act.

#### **viii) Contributions**

Section 6 of the Act provides that the rate of contribution should be 10 % of the basic wages and dearness allowance The Act further provides in its application to any establishment or class of establishments which the Central Government or class of establishments which the Central Government may by notification specify after due enquiry prescribe a higher rate of contribution of 12%.

The Act does not lay down the criteria for enhancing the rate of contribution. It does not appear that any enquiry was conducted while specifying the classes of establishments who

are to pay contributions at a higher rate. In the circumstances there appears to be no justification for prescribing different rates of contributions for different classes of establishments unless separate schemes are drawn up as suggested above.

**In the circumstance the Study Group suggests that the Act be amended so as to do away with the distinction between different classes of establishments for purposes of the rate of contribution. This is however without prejudice to the suggestions made elsewhere to provide for different packages of contributions and benefits for different classes of employees**

**(ix) Arrears**

According to the annual report the amount of contributions in arrears under the Scheme as on 31.3.2000 was Rs.1058crores. This amount represents the arrears assessed up to 31.3.2000. There are a number of cases where the establishments are in default but the arrears have not yet been assessed. Even in the cases where assessments have been made it cannot be said that the assessments are up to date.

The arrears shown in the report include those of the exempted establishments also. But in the case of such establishments there has so far been no practice of assessing the dues formally as in the case of un-exempted establishment.

The amount of arrears shown in the annual report cannot, therefore, be taken as the total amount. In this connection, the Ramanujam Committee had recommended that the E.P.F. Organization should streamline the procedures for collection and compilation of the data regarding arrears so as to be able to furnish up to date information as and when required. nothing tangible seems to have been done in that regard. The Study group understands that the existing system has still many loopholes and needs to be streamlined.

**The Study Group has not been able to go into details of the procedure. Considering however the ever increasing arrears the Study Group feels that fool proof methods should be evolved to minimise the arrears.. The Study Group suggests that the EPFO streamline the procedure for tackling the default employers speedily and to recover the arrears promptly.**

**(x) Investments**

The contributions recovered after deductions of the payments on account of the E.P.F. Scheme are to be invested according to a pattern laid down by the Government of India from time to time. Initially, the pattern required comparatively large amounts to be invested in Government securities carrying low rates of interest. Gradually the pattern has been liberalized in that increasingly larger amounts are permitted to be deposited in P.O.T.D. and

Special Deposits carrying higher rates of interest. and public financial institutions.

Whatever be the pattern bulk of the investments of the E.P.F. are made in Government. This is however not peculiar to India. John Dixon has observed that :

“All Provident Funds are required to hold a significant proportion of their portfolio in Government, Semi-Government or Government guaranteed securities of loans. Only in Fiji, Zambia, Swaziland, Solomon Islands and Western Samoa are non-Government investments known to be significant. Provident funds are not permitted to take investment opportunities out side the countries in which they operate and few P.Fs. have ventured into equity participation, the notable exceptions being Ghana, Zambia and Western Samoa, or acquired property, the notable exceptions being Nepal and Uganda.

In Singapore, since 1967, all new long term investments of the C.P.F. have been made in Singapore Government Securities. In Malayasia 85-9% of the investments are made in Government Securities the balance in Public limited companies, time deposits Negotiable Certificate of Deposits, Banker's Acceptance and other short term deposits and debenture loans”.

As the rate and the amount of interest payable on the balance of the subscribers to the Fund is dependent on the earnings from the investments the Central board of Trustees have been demanding investment of surplus of funds in company deposits etc., carrying interest at higher rates . But this permission has not been given.

The National Commission on Labour (I) had suggested that the PF accumulations should be invested in securities yielding higher returns as far as possible consistent with the security and safety of the fund to enable the members to get higher rate of interest. Subsequently, there have been many changes in the money market and many suggestions have been made for engaging professional experts for management of the investments

The OASIS Committee has pointed out that inefficient asset management with low rates of return is one of the flaws of the EPF. The Committee has made the following recommendations in that regard:

- (a) The present concept of limited assured return should be abolished .Instead returns should be determined from year to year depending on annual earnings. This will remove the upper limit for returns over a multiple decade investment horizon to members and also eliminate the need for any potential government subsidy
- (b) To encourage maximisation of returns on investments during accumulation, the present tax on earnings over 12 % should be abolished.



- (c) Fresh provident fund accretions as well as earnings from investment of existing funds should be managed by professional competing fund managers registered with Securities and Exchange Board of India (SEBI)
- (d) All exempted establishments should be mandated to engage a professional fund manager registered with SEBI to manage their existing and incremental provident fund accumulations for superior returns and better risk management and more effective governance.
- (e) Investment guidelines should be prudently liberalised and investment portfolios further diversified.

**The Study Group has considered the matter. Some of the suggestions of the committee are unexceptionable but the others are some what controversial. The Study Group suggests as follows:**

- (a) The EPFO should have its own mechanism for investment of its balances as the LIC and the GIC have; and for this purpose financial experts should be inducted into the organisation at various levels .**
- (b) Investment pattern should be further liberalised**
- (c) Government may consider issue of indexed bond for investment of PF balances assuring a fixed real rate of return**

**(xi) Rate of interest**

The average rate of interest earned on the investments has not been disclosed in the report. The report however says that the rate of interest to be credited to the accounts to the P.F. subscribers annually has been enhanced gradually. On the other hand during the year 2000 the rate was reduced from 12 to 11%. It has since been reduced to 9.5 %.

The primary objective of any provident fund portfolio management is to maintain the funds financial capacity to pay a reasonable interest on member's deposits. During the periods of relative modest inflation when the real rate of interest on member's deposits is positive the achievement of this objective is easy. When however inflation causes the rate of interest to become negative the social security objective of the P.F. becomes blurred (John Dixon 1982). There is need for determining the real rate of interest after adjustment against inflation and Income tax in India.

The Union Finance Minister in his recent budget speech referred to the wide variation in the real rates interest and has decided to appoint a committee to advise on a better system for determining the rates for P.F and other Small Savings Schemes .

**The Study Group suggests that the investors in these schemes should be assured of a minimum real rate of interest above the rate of inflation.**

**(xii) Statements of Accounts**

The accounts of the E.P.F. Organization show that a large amount is outstanding under the head interest suspense. This amount represents interest not credited to the individual accounts. The CBT have expressed concern at the growing volume of this suspense as it signifies that the members of the P.F. have been deprived of interest on their balances to that extent. It does not seem that the organization has been able to take any effective measures to reduce this balance. On the other hand the balance has been growing from year to year.

The Study Group understands that the main reason for the accumulation of suspense is that several accounts are not posted with the annual transactions for want of receipt of the prescribed returns from the employers or for other reasons, and the accounts are not closed annually as required.

A measure of the arrears in posting/closure of the accounts can be gauged from the arrears in the issue of annual statements of accounts to the members. It has been reported that the number of accounts slips to be issued to subscribers at the end of the year 1999-2001 was 64 lakhs . There has been some improvement in the position of arrear statements of accounts since previous years.

Non-issue of the statement of accounts is indication that the accounts have not been credited with either the contributions or the interest thereon. It appears that in many of these cases the accounts have not been closed for several years. It is needless to say that the situation is fraught with danger..

**The Study Group therefore suggests that effective measures be taken to bring down the arrears in posting the accounts and the issue of statements of accounts early.**

**(xiii) Partial withdrawal**

The EPF Scheme provides for non refundable withdrawals form the P.F. accounts of the members for a variety of purposes.

- a) Financing of life insurance policies
- b) Purchase or construction of houses
- c) Illness
- d) Repayment of loans
- e) Marriages

- f) Education of children
- g) Abnormal conditions
- h) Cut in supply of electricity
- i) Purchase of equipment by the physically handicapped
- j) Lock up or closure of establishments

The advances are non-refundable and therefore are in the nature of part final payments. During the year 1999-2001 there were 3.94lakh part final withdrawal amount to Rs.782 crores

All the expert committees which have gone into the working of the EPF are of one opinion that the liberal provisions for partial withdrawal of balances in the Fund are working against the basic purpose of the fund, namely to make provision for old age. and that they should be deliberated..

The EARC recommended that withdrawal provisions should be tightened

The Task Force has expressed the opinion that provision for withdrawals from the Fund negates the objective of the provident fund as an old age protection and has recommended that this provision should be dropped from the Act.

**The Study Group is also of the opinion that the provision for premature withdrawal of funds should be restricted .**

**(xiv) Final withdrawal**

It has been reported that during the year 16,30 lakh claims for final withdrawal were settled. The total amount paid was Rs.3577crores. The following table shows the break-up of these figures.

Category	No. of Claims settled	Amount authorised for payment ( in crores of rupees)
Death cases	44183	143
Resignation	1471047	3013
Retrenchment	34559	102
Superannuation	62764	292
Permanent invalidation	2377	12
Others	14856	16

It may be seen that bulk of the withdrawal is due to resignation. As the EPFO permits transfer of accounts when a person leaves a job and takes up another the large number of

withdrawal due to resignation indicates the preference of the members to withdraw the amount instead of having them transferred. The reasons for this needs to be investigated..

The OASIS Committee has recommended that

(a) premature withdrawals should only be permitted in the event of permanent disability, death, or for specific purposes relevant for old age income security (housing). Individuals who opt for self employment or to take up employment at an establishment where provident fund provision is absent should be discouraged from withdrawing their accumulations before age 60..Premature withdrawal (before age 60) should attract a flat of 10% withdrawal tax, deducted at source. This disincentive will also encourage members to consider alternative fund sources (banks, housing finance companies and medical insurance ) to supplement their savings for other needs.

(b) Delayed receipt of provident funds should be permitted. While a member may stop contributing to the provident fund from age 60, he should be allowed to accumulate till the age 65 – thereby enabling the member's accumulation at age 60 to further benefit from compounded returns- resulting in a larger annuity at age 65 should he decide to opt for it.

**The Study Group feels that while there may be some justification for partial withdrawal for the specified purposes there cannot such justification for permitting premature final withdrawals in case of resignation. The Study group suggests that appropriate measures should be taken to discourage if not to stop such withdrawals**

### **8.8 Employees Deposit Linked Insurance Scheme**

The Study Group understands that with the same amount of contributions by the employers and without any amount of contributions by the employees or the Government, the LIC is able to provide better benefit through its Group Insurance Scheme than is admissible under the EDLI Scheme

**The Study Group therefore suggests that the need for continuance of the Scheme be reviewed and revised if necessary.**

In this connection the Study Group was also given to understand that there were proposals to integrate the Payment of Gratuity Act with the Scheme and also to introduce an Unemployment Insurance Scheme as part of the Scheme. The Study Group welcome these proposals and hopes that it will be possible to implement them soon

## **8.9 Employees Pension Scheme**

The Employees Pension Scheme was introduced with effect from 16.11.1995 for the members of the Employees provident fund by partial diversion of the employers' contribution to the Employees Provident Fund. It substitutes the Employees family Pension Scheme which stands merged in the new scheme with all its assets and liabilities. Virtually the new scheme is an enlargement of the erstwhile Employees' Family Pension Scheme, 1971. Brief particulars of the Scheme are given in the annexure.

Although, ordinarily, a pension scheme is preferred to a provident fund scheme, the Employees Pension Scheme has come in for criticism. Some of these criticisms are mentioned below.

An ILO Technical Assistance Appraisal Mission (November, 1996) is reported to have commented on certain aspects of the scheme and to have made the following recommendations:

Withdrawal option should be abolished or modified.

Pensions should be adjusted to inflation.

Provision regarding return of capital should be withdrawn.

The option to commute part of the pension should be withdrawn.

The minimum pension age should be raised to 50 and the reduction factor should be modified.

The financial sustainability of the current standard age of 58 should be assessed actuarially.

Pension should be calculated on the basis of the earnings for a longer period instead of last year's earnings.

Provision should be made that no insured person will receive more than one benefit for the same category.

Provision to pay pension to a non-relative nominee should be reviewed.

As regards the financial system of the scheme, the Mission has observed that the objectives of guaranteeing the actuarial soundness of the schemes, an acceptably stable contribution rate and adequate protection of pensioners against inflation can be achieved with partial funding.

In another paper an ILO team has observed as follows :

In 1965, India partially converted its Employees provident Fund into a social insurance pension scheme. Only the employers' contribution is used to finance the pension, which is a percentage of covered earnings in the final year of employment (50 percent for those with 33 years of insured employment, rising to a maximum of 60 percent for those with more years of service) This scheme has the potential to provide significant income protection for retired employees and, thanks to transitional provisions, is already paying pensions to a certain number. The workers' own contribution continue to be paid into individual savings accounts.

However, the new Indian Pension Scheme betrays its provident fund origins in a number of ways which undermine the social protection it offers in old age.

- ❑ For instance, retirees are given the option to commute one third of their pension entitlement to a lump sum ( in spite of the fact that they already have access to the balance in their provident fund account, to which their own contributions continue to be paid.)
- ❑ Retirees are also offered the option to receive a pension for a fixed period of 20 years, with a so-called "return of capital" bonus (100 times the original pension) being paid at the end of this period. This is no doubt a tempting option for those who think they may die in less than 20 years and who wish to leave the balance of the pension plus the bonus to their heirs ; but unfortunately, it will leave an increasing number of very old pensioners destitute as with the rise in life expectancy more survive beyond their allotted 20 years.
- ❑ Another feature of the scheme which constitutes a departure from normal social insurance principles is that , at any time during their first ten years, of coverage, insured employees may leave their job then apply for a withdrawal benefit ; if and when they resume employment, their accumulation of pensions entitlements will have to start again from zero. In theory, there is nothing wrong to prevent the improvident from doing this repeatedly and thereby reaching old age with little or no pension entitlements, though hopefully such behaviour will be discouraged by the fear of not finding another job.
- ❑ The potential of the scheme to ensure an adequate income in old age is also undermined by an early retirement provision which allows anyone with 20 years service to draw a pension at age 50- t income replacement rate would then be as low as 24 percent compared with approximately 43 percent for those continuing in employment until standard pension age of 58; The risk that early retirement will lead to poverty is compounded by the fact that the scheme provides no guaranteed indexation of pensions in payment.

While acknowledging that there is room for improving the new pension scheme in India, one cannot deny that the 1995 reform constitutes a considerable step forward in terms of retirement income security. The fact that a number of compromises had to be made is eloquent testimony to the political difficulties involved in moving from a provident fund to a pension scheme. Many workers are not only keen to get their hands on the money as soon as possible. They also tend very often to be suspicious of the intentions of governments proposing such reforms and to believe that they are better able than a pension fund to manage their savings. Overcoming these attitudes is not easy. If the Indian reform was successfully carried to completion, it is no small measure due to the support which is received from knowledgeable workers' representatives in whom the majority of workers placed their trust.<sup>2</sup>

Doubts have been expressed about the viability of the Scheme by certain experts. Some of the comments are indicated below:

The Project OASIS Committee has summarised its concerns about the EPS as follows:

- (a) "The fund management that is presently in use with EPS is highly inefficient. Using superior fund management participants could obtain much higher benefits at the same level contributions.
- (b) There are persistent concerns about the extent to which the benefits that are promised by EPS 1995 are in line with the contribution rate required. There are also questions about the extent to which future benefits are inflation indexed..
- (c) The Government presently contributes 1.16% towards pension accruals. The subsidy has no reason to exist..
- (d) The contribution rates and benefits for various establishments participating in EPS 1995 or similar pension plans (e.g. by nationalised banks) are different.

The Committee has therefore recommended inter alia that the :

- (a) EPS 1995 should standardise on a single set of benefits for all establishments based on an employer contribution rate of 10%
- (b) Every year , an actuarial evaluation of EPS 1995 should be conducted and the report should be publicly released.. Benefits and contributions should be adjusted so as to ensure that EPS 1995 makes no claim on the government , now or in the future<sup>3</sup>

In another paper certain members of the International Development Policy Institute have commented as follows:

"The 1995 pension scheme with defined benefits appears to be a retrograde step in terms of financial viability of the scheme"

"There are reasons to believe that the provisions of Pension Act, 1995 will impose financially unmanageable burden on EPFO."

"The contribution rate for beneficiaries under Pension Act was about 8% of wages and that is not sufficient to generate funds that can sustain 50 % replacement rate under normal conditions on rate of growth of wages and rate of returns on pension funds. A 30 percent replacement rate would be more plausible.:

"There is obviously an urgent need to review the actuarial soundness of EPFO's pension obligations"<sup>4</sup>:

The Study Group also received some comments on the implementation of the Scheme of which the important ones are mentioned below:

(a) Paragraphs 12 and 16 of the Scheme were liable to different interpretations and it was leading to overpayments in certain cases.

(b) In certain circumstances the persons who contributed less would get more pension and this was an anomaly inherent in the scheme.

The Study Group discussed these comments with the officials of the EPFO who said that they would go by the advice of the Actuary. They agreed that certain paragraphs of the Scheme were capable of different interpretations and the EPFO had accepted the liberal interpretation.

The Actuary who designed the Scheme informed the Study Group that there was a limitation on the amount of contribution that could be made into the scheme. He pointed out that the recent valuation of the pension schemes of banking and insurance employees had disclosed that the amount of contribution required for making them viable was 25 to 27% against 8.33%. Even so, he was confident that the EPS was viable but it might not be so if either the wage ceiling is removed or raised significantly or the rate of interest falls sharply. He also said that if there any of the paras of the scheme was being interpreted differently the better course was to remove the ambiguity by suitable amendment and not to adopt a liberal interpretation whether or not it was intended

The Study Group has considered the various comments on the scheme and the replies of the EPFO and the Actuary. As the comments are of technical nature the Study Group refrains from expressing any opinion on the matter. The Study Group however feels that some of the comments are of serious nature and need to be addressed by the Government. Ordinarily, insurance schemes are subjected to valuation by independent valuers periodically. The EPS is also subject to valuation annually for purpose of adjusting the rates of pension to inflation. This valuation is done by the same Actuary who designed the scheme. It is desirable that a three yearly or five yearly valuation is done by an independent valuer different from the one who designed it. As it is already more than five years since the inception of the Scheme, it is high time such an independent valuation is done. The Study Group



**therefore suggests that such a valuation by an independent valuer/s be done and all the comments against the scheme be referred to the valuer/s for a technical evaluation**

**The Study group also suggests that all the ambiguities in the interpretation of the Scheme be referred to the Actuary and the Scheme be amended suitably as per his advice**

### **8.10 Gratuity**

The Payment of Gratuity Act, 1972 provides for payment of gratuity to persons employed in factories, mines oilfields, plantations, ports, railway companies, shops and certain other establishments employing ten or more persons. The provisions of the Act may be extended to such other establishments or class of establishments, in which ten or more employees are employed as the Central Government may by notification specify. By virtue of this provision the application of the Act has been extended to certain other classes of establishments. Even so, the coverage of the Act appears to be limited.. It does not appear that any systematic effort has been made to extend the application of the Act to all classes of establishments to which it can be extended.

Gratuity is in the nature of a terminal benefit paid lump sum complementary to periodical pension payments and is intended for meeting the cost of construction of houses, performance of marriages and such other activities involving heavy expenditure.

These needs are common to employees of all classes of establishment. It is therefore difficult to appreciate why the applicability of the provisions of the Act has been limited to certain classes of establishments and not to others. There seems also to be no reasonable basis for making a distinction between one set of establishments and another for application of the provisions of the Act.

Payment of gratuity under the Act is the exclusive liability of the employers. There is provision in the Act for compulsory insurance of the liability but this provision has not been put into force for the reason that the insurance companies have no machinery to enforce it.. In the circumstances there is great deal of dissatisfaction with regard to the implementation of the Act. A survey carried out by the National Institute of Public Finance and Policy in 1986<sup>5</sup> among the members of the Employees Provident Fund Scheme revealed that nearly 65% of the people expressed dissatisfaction with the working of the Act. The reasons for the dissatisfaction do not seem to have been elicited. It could be done only to either non-payment, short payment or delay in payment. of the gratuity due. Although all the State Governments have appointed inspectors and controlling authorities to monitor the implementation of the Act, they are evidently not quite effective. If information about the number of complaints received, disposed of by the controlling authorities and the number of cases pending with them were available that would give an indication of their effectiveness.

Unfortunately that information is not available. The Government of India will do well to collect the information and publish it in its annual report. In the meantime the Study Group suggests that the feasibility of putting Section 4 A of the Payment of Gratuity Act, 1972 regarding compulsory insurance may be reconsidered in consultation with the IRDA. Alternatively and preferably it may also be considered whether the employers' liability Scheme for payment of gratuity may be converted into a social insurance scheme

The Task Force on Social Security set up by the Ministry of Labour has recommended inter alia that the Payment of Gratuity Act may be integrated with the Employees Provident Fund Act and converted into a social insurance scheme. In the course of discussion the representatives of the EPFO gave the Study Group to understand that it was possible to do so and that would be advantageous to the employers in so far as they would be able to discharge their liability for payment of heavy amounts of gratuity when the employees leave the service by payment of an annual premium. Indeed the Study Group understands that many major establishments have established their own gratuity funds to meet the liability and some of them also insure their liability with the LIC which offers group gratuity insurance schemes.

**The Study Group is of the view that social insurance of the liability through the EPFO may be more economical**

**Integration of the Payment of Gratuity Act with the EPFO will have an added advantage in that the its coverage will automatically be extended to all classes of establishments to which the EPF Act is currently applicable and may in future be made applicable. in terms of the suggestions made by the Study Group elsewhere in the Section.**

**It has been recommended elsewhere that the minimum number of employees in an establishment to be eligible for coverage under the Employees Provident Funds Act should be progressively reduced. It follows that in the event of integration of the Payment of Gratuity Act with the E.P.F Act, the minimum number of employees in an establishment for coverage under the Payment of Gratuity Act should also be reduced correspondingly.**

**If this suggestion is not found acceptable for any reason the Study Group suggests that further extension of the Act may be examined with reference to the Standard Classification of Industries or Occupations and extended to all those classes of establishments to which it can be extended having regard to the capacity to pay and other relevant considerations. The least that could be done is to make the scope of the Act to be co-extensive with that of the EPF Act so that it may be regarded as complementary to the Employees Pension Scheme.**

## **8.11 Lay off and Retrenchment Compensation**

The National Commission on Labour (1969) reviewed the legal provisions for lay off and retrenchment compensation and observed as follows :

“While provisions relating to retrenchment and lay off compensation afford some relief and act as a deterrent to hasty retrenchment, certain unsatisfactory features have come to light in the course of their working. A permanent remedy may be in the form of unemployment benefit..... We feel that the present arrangement under which the lay off and retrenchment compensation is required to be borne by the employer at a time when he is really in difficulties, whatever the reasons, work somewhat harshly on him but even more harshly on workers who are on many occasions deprived of the benefits provided under the Act. On the other hand, if its incidence is distributed over the whole industry, it might under certain conditions imply subsidizing of inefficient management. With due safeguards against such contingency, the long term solution lies in adopting a scheme of unemployment insurance for all employed persons. The present schemes of benefit against retrenchment and lay off must continue during the transition.”

In the context of the Structural Adjustment Program several undertakings in the public as well as private sector have been reducing their workforce by resorting to voluntary retirement schemes which offer more attractive terms than the law provides for retrenchment. Suggestions have therefore been made to make the provisions for retrenchment compensation more liberal to make retrenchment easier.

The National Labour Law Association has suggested that the rate of lay off compensation might be raised to 75% and retrenchment compensation might be raised to two months' wages for every completed year of service doing away with the need for permission of Government which is now required in case of establishment employing 100 or more workers.

The Supreme Court in its landmark judgement on the relocation of hazardous industries in Delhi has directed that those industries which do not opt for relocation and restarting of the operation, should pay six year's wages as additional compensation to the respective affected workmen.

In another order relating to child labour, the Supreme Court has directed that the employers should pay Rs.20,000 as compensation for every child employed on its withdrawal from work.

The Union Finance Minister in his budget speech for 2001-02 announced that separation compensation would be increased from 15 days wages to 45 days wages. There are some ambiguities in this announcement. It is not clear whether the increase would be general application or whether it would apply only to those establishments employing not less than 1000 persons.

It would thus appear that new concepts of retrenchment compensation are coming into vogue calling for a fresh look at the existing legislation. There would appear to be some ambiguity about the nature and purpose of this compensation. If it is regarded as a terminal benefit it overlaps with the Payment of Gratuity Act. If it is regarded as an unemployment benefit it will overlap with the proposed unemployment insurance. The Study Group feels that a uniform rational policy needs to be evolved by integrating the payment of lay off and retrenchment compensation with the payment of gratuity on the one hand and unemployment insurance on the other so as to avoid duplication and to minimise the burden on the employers.

The Industrial Disputes Act is applicable to industrial establishments as defined therein. Although the term industry has been defined broadly it does not comprehend all cases of employment. The provision for payment of lay off and retrenchment compensation would not be applicable to those employed in the establishments which do not fall under the definition of industry in the Act. There is no reason why they should be deprived of this benefit. The alternatives are either to make the I.D. Act applicable to all employment's or to make separate provision for non-industrial establishments.

Again the provisions regarding payment of lay off and retrenchment compensation are applicable to establishments employing not less than 50 persons. It is difficult to appreciate the need for such limitation.

As the First National Commission on Labour stated that the payment of lay off and retrenchment compensation will impose a burden on the employers when they are in financial difficulty. It is therefore desirable to provide for insuring the liability.

The Study Group suggests that an integrated insurance scheme providing for gratuity unemployment benefit, lay off and retrenchment compensation may be evolved and entrusted to the EPFO for its implementation either in lieu of or in addition to the existing EDLI Scheme

## **8.12 .Unemployment Insurance**

### ***Types of unemployment***

- (i) Persons who have just entered the job market and have not found a job yet.
- (ii) Persons who are in seasonal employment for part of the year and remain unemployed for the remaining short periods
- (iii) Persons who are employed on very low income and need to supplement the same
- (iv) Persons who are thrown out of employment due to retrenchment or closure of establishments
- (v) Persons who have lost jobs due to nation wide or global recession

## **Types of Provision for Unemployment**

ILO Convention No. 44 concerning provision for unemployment envisages three types of provision :

Unemployment Benefit meaning a payment related to contributions paid in respect of the beneficiary's employment

An Allowance meaning a remuneration for employment on relief works

**A combination of benefit and an allowance**

Techniques of making provision for unemployment

**The ILO further envisages that the provision for unemployment may be made under A compulsory insurance scheme**

A voluntary Scheme

A combination of compulsory and voluntary insurance schemes; or any of the above alternatives combined with a complementary assistance scheme

The best way to tackle unemployment is to provide alternative employment. If that is not possible the unemployed may be given assistance for their subsistence either through an unemployment insurance scheme or through a social assistance programme whereby the unemployed may be given relief directly by way of an allowance/

“The first protection against unemployment is a solid policy towards full employment consisting of macro economic policies at the national and international levels; sectoral regional and local policies; and labour market and training policies. Nevertheless there is an increasing need for specific unemployment protection policies given that full employment policies are either not in place or take time to come to fruition and that short term crises may lead to unacceptable levels of unemployment hardship”<sup>6</sup>

## **Definition of Unemployment Benefit**

Unemployment benefit by definition means the benefit given to persons who being habitually employed for wages or salary lose it for no fault of theirs and are unemployed. It is intended to replace the income lost by them for a short period until they find alternative employment. According to ILO Income Security Recommendation 67 the contingency for which unemployment benefit should be paid is loss of earnings due to the unemployment of an insured person who is ordinarily employed, capable of regular employment in some occupation and searching for suitable employment or due to part time unemployment. The principle underlying this scheme is that , if a person through no fault of his own is deprived of an income consisting of his earning from employment, he has a right to expect income support at least for the necessities of life while he remains available for work

This benefit is usually financed by the employers but sometimes , the government may also share in the cost in the form of either regular contributions or a subsidy

In three countries however, Armenia, Japan and Kyrgystan the employees are also made to contribute to the scheme<sup>7</sup>

### **Unemployment Benefit Schemes round the World**

Unemployment Benefit in the form of Unemployment Insurance is prevalent mainly in industrialised countries and rarely in developing countries

"Very few of the world's workers benefit from unemployment protection and those that do are mainly concentrated in the industrialised countries. Unemployment benefit schemes have recently been set up in various transition countries and in middle –income developing countries such as Korea.. Workers covered by these schemes are those with employment contracts in the formal sector but most of the workforce in the developing countries are underemployed workers in rural areas and in the urban informal sector who have virtually no protection against unemployment. Many low income and some middle income developing countries have put in place labour intensive infrastructural programmes that provide employment for the under employed. These programmes have already achieved considerable employment impact and could be replicated to much larger population groups as the basis for different forms of employment guarantee."<sup>8</sup>

### **Position in Asia and the Pacific**

"Fifteen countries in the region provide for unemployment benefits but they are mostly the former USSR republics and the developed countries of Australia, Japan, Hong Kong and New Zealand.

In Thailand this benefit is provided for under the 1990 Social Security Act but implementation is still pending.

In a number of countries such as Bangladesh, India, Iraq Philippines Solomon Islands and Turkey, the Labour Laws require employers to pay severance or dismissal indemnity to their separated employees"<sup>9</sup>

"In order to assist older persons who are finding it difficult to find a job because of the current unfavourable labour market situation, Australia has introduced the payment of the Mature Age Allowance (MAA) to unemployed men over the age of 60 but not yet of pension age.

The Republic of Korea has introduced an employer financed unemployment allowance which took effect in July 1995. According to the new legislation , every enterprise with more than 30 employees must provide an unemployment allowance . Companies with fewer workers are required to provide the allowance if more than 50 percent of the workers so request.

In New Zealand to encourage unemployed people to take on short term employment opportunities , the statutory two week stand down or waiting period for unemployment

benefits is waived in cases where an unemployed beneficiary undertakes temporary or casual work for 13 weeks<sup>10</sup>

#### ***Position in South and South-East Asia***

\*As of 1988 only our South –East Asian countries (China, Mongolia, the Republic of Korea and Hong Kong) had any form of unemployment benefit scheme. Where formal benefits are available they appear to be generally modest. In China the locally set rates are low. Coverage is comprehensive only under the assistance scheme in Hong Kong; just half of all employees are covered in the Republic of Korea. Elsewhere coverage extends only to a minority of formal sector employees.

Three other countries ( Bangladesh, India and Pakistan) have employer liability schemes to disburse severance or retrenchment payments on termination of employment. Only a minority of the working population are effectively covered by the schemes. The linkage of these gratuities to length of service makes them more akin to a retirement provision for long service employees than an unemployment benefit scheme. Workers with short periods of employment receive gratuities which would support them for only limited periods of unemployment.<sup>11</sup>

#### ***Position in China***

The State Council of China issued a regulation in January 1999 requiring the local Governments to establish an unemployment security system to cover all of their own enterprises. It is a contributory system under which the enterprise contribute 2% and the employee contributes 1% of his wages. The benefit admissible under the system would be more than that of social assistance and lower than that of local average wage which is determined by the provincial government. ( According to one report persons who have worked for more than 5 years can get 50 to 75% of their salary upto 24 months)

The Government of China has introduced a three tiered programme for dealing with the problem of unemployment

- (a) The unemployed persons may report themselves to reemployment centres for retraining and for reemployment
- (b) If they are unable to get alternative jobs, they will be put on unemployment subsidy
- (c) After two years they will be handed over to the third line of urban poverty alleviation programme.

Nearly 10 million persons were covered by the State Unemployment Scheme at the end of 1999. In 1997 878,836 persons were under the poverty alleviation programme:<sup>12</sup>

### ***Position in India***

Industrial Disputes Act provides that a worker who is retrenched should be paid compensation at the rate of 15 days wages for every completed year of continuous service in addition to gratuity. It is said to be a form of unemployment benefit meant to help the workers who are thrown out of employment to maintain themselves until they are able to secure alternative jobs. But it is more akin to a terminal benefit than an unemployment benefit. Even this benefit is usually not paid in cases where industrial establishments are closed down due to financial stringency.

In 1967, the Government of India drew up a pilot scheme of unemployment insurance to cover workers in coal mining industry who were members of the Coal Mines Provident Fund. An expert of the ILO was invited to examine the scheme and to make suggestions for improving it in the light of experience in countries in which such schemes were in operation. The expert found it feasible and had made certain suggestions for improving it.

In 1969, the National Commission on Labour expressed the view that a long term solution to the problem of retrenchment lies in adopting a scheme of unemployment insurance for all employed persons. The Commission observed: "We believe that it should be possible over the next few years to evolve an integrated social security scheme which will with some marginal addition to the current rate of contributions takes care of certain risks not covered at present. In saying this, we are limiting ourselves to the benefit of (a) provident fund and retirement/ family pension and (b) insurance against unemployment. In the case of (b) the insurance will cover only those who were employed and have to face the risk of unemployment. It will not cover persons who have not entered employment at all."

Subsequently, the question of introducing an unemployment insurance has been coming up often and several proposals have been submitted to Government of India.

First it came up at the Labour Ministers' Conference in 1981 in the context of the spate of closure of textile mills. A committee was set up to draw up a scheme. The committee recommended the establishment of a multipurpose fund known as Gratuity and Miscellaneous Payments Guarantee fund to ensure that all statutory payments namely gratuity, retrenchment compensation as well as P.F and other dues to workers are paid to the workers in case of default by the employers.

It came up again at the Annual General Meeting of the Federation of Indian Chambers of Commerce and Industry in 1991. When the outgoing President of the Chamber urged the Central government to consider setting up an unemployment insurance scheme to which employers and employees would contribute one percent of their gross salary. Later the Federation submitted a memorandum to the Government setting out the outline of an Unemployment Insurance Scheme.



The Associated Chambers of Commerce and Industry also proposed the introduction of a privately run industry specific contributory insurance scheme for protections against risks of unemployment.

The Social Security Association of India organised a Seminar in 1992 to consider the changes to be made in the system of social security in the wake of the introduction of the New Economic Policy. The Seminar recommended inter alia introduction of an Unemployment Insurance Scheme and a Wage Guarantee Scheme. The Seminar also worked out the outlines of the Schemes and presented them to the then Finance Minister.

Subsequently the Union Ministry of Labour appointed a Committee to consider the feasibility of introducing an Unemployment Insurance Scheme. That committee also recommended the introduction of an Unemployment Insurance Scheme<sup>13</sup>.

In spite of all these recommendations the scheme is yet to be introduced.

### ***Desirability of introducing an Unemployment Insurance Scheme***

The World Labour Report has pointed out that the recent Asian financial crisis has established that unemployment insurance schemes could play a substantial role in coping with the unacceptable levels of hardships caused by rapidly escalating unemployment. Had unemployment insurance coverage been sufficiently extensive in the countries affected by the crisis then a majority of job losers would have been eligible for unemployment benefits..

### ***Feasibility of introducing a scheme***

The Report has further pointed out that a recent feasibility study carried out by the ILO for Thailand estimated that the required contribution rates for a scheme that could pay benefits for a period of six months at a level equal to 50 percent of previous earnings would be 2.5 percent of payroll in the first year of operation but would fall steadily to 0.6 percent by the seventh year. This rate allows for the accumulation of a reserve equivalent to one year's expenditure on benefits.

The scheme proposed by the Social Security Association of India envisaged tripartite contribution of a total amount equal to 3 percent of wages on ad hoc basis to begin with to be adjusted later after actuarial study

### ***Relevance of the Scheme for the unorganised sector***

An Unemployment Insurance Scheme requires regular contribution mainly by the employer and if necessary by the employee as well as the government. In cases where employment is casual, temporary, seasonal or otherwise irregular it would not be practicable to collect such contributions. It may not therefore be feasible to introduce an unemployment insurance scheme for the unorganised sector. There seems to be no case where such persons

have been covered under an unemployment insurance scheme. In such cases the only way to provide protection against unemployment is to provide them employment under a Public Works Programme.

The World Labour Report says:

“The large majority of under employed workers in the low income and middle income developing countries could in principle be assisted by labour intensive infrastructure programmes. Infrastructural works are undertaken mainly during the lean season when small farmers and landless workers are not engaged in agricultural operations and have no alternative sources of employment. However, in an urban setting they could also be undertaken during periods of recession or crises.. These programmes can generate employment and significantly reduce poverty by applying labour based construction techniques to mainstream investment programmes and by orienting investments increasingly towards the productive and social needs of the poor and low income groups. The provision of limited employment guarantees can be achieved through a reorientation of existing and planned investments, and therefore does not have to be financed through government deficit spending”<sup>14</sup>

The Report further says : Employment provided under an EIP (Employment Intensive Programmes) can be organised so that workers can obtain an employment guarantee for a certain number of days per year. An employment guarantee may therefore be seen as a form of unemployment insurance in which employment security is provided and thereby income security. The guarantee is most extensive when employment is provided on demand of workers and a government meets that demand by organising the EIP”

India has had vast experience in planning and implementing Employment Guarantee Schemes. It may be considered how such schemes could be run in such a way as to provide relief against unemployment

The alternative to the provision of employment through such works is to give the unemployed a cash allowance whereby they may eke their livelihood.

### ***Introduction of an Unemployment Insurance Scheme***

Introduction of an Unemployment Insurance Scheme has been on the anvil for a long time. The First National Commission on Labour had expressed the view that a long term solution to the problem of retrenchment would lie in adopting a scheme of unemployment insurance and that it was possible to evolve an integrated social security scheme which would with some marginal addition to the current rate of contributions take care of certain risks not covered at that time including unemployment insurance. Subsequently several exercises had been out carried to examine the feasibility of introducing an unemployment insurance

scheme with positive results. The Employers Organisations had also favoured the introduction of an unemployment insurance scheme and suggested certain proposals in that regard. Finally the Task Force on Social Security set up by the Ministry of Labour had recommended the introduction of an Unemployment Insurance Scheme.

The Union Finance Minister in his budget speech for 2001-02 has announced the intention of the Government to introduce an unemployment insurance scheme and given certain brief particulars of the proposed scheme. In this connection he stated as follows:

" I am conscious of the short term impact on organised labour force of the ongoing liberalisation of the economy. I therefore propose to introduce a new scheme of groups insurance , viz., "Ashraya Bima Yojana" to extend security cover to such affected workers. The policy will provide compensation of up to 30 percent of last drawn annual pay for a period of one year to workers who lose their jobs. It is proposed that the policy will initially cover all employees drawing a salary up to Rs.10,000 per month. the four government owned general insurance companies will administer this policy on a "No Profit No Loss" basis and will announce full details including premium rates of the proposed policy by the end of June 2001"

**Having regard to these facts, the Study Group has come to the conclusion that an unemployment insurance scheme could play a substantial role in coping with unacceptable levels of unemployment resulting from the implementation of the structural adjustment programme and other economic reforms. Urgent measures should therefore be taken to introduce the Unemployment Insurance Scheme.**

**The scheme should preferably be implemented through the EPFO organisation and be applicable to all establishments and employees to which the EPF Act is currently applicable and may be extended to in the near future with no wage ceiling for coverage but with a ceiling of Rs.10,000 for contributions and benefits.**

**The rate of benefit should be 50 percent of last pay /wages drawn**

**The benefit should be payable for a period of one year or till reemployment which ever is shorter.**

**The scheme should be financed by a tripartite contribution to be determined actuarially. To begin with however the rates of contribution may be fixed. at 0.5 percent to be contributed by the employees ,1.5 % by the employers and the deficit if any being met by the Central Government from the NRF.**

**The Study Group noted that the EPFO had worked out a scheme of unemployment insurance which would be part of the EDLI and would require an additional**

contribution by the employer of less than one percent. It was decided to obtain the full particulars of the proposed scheme and if it was found feasible to support the same.

### **8.13. Wage Guarantee Fund**

A spectacular rise in worldwide bankruptcies over the past few years has prompted the ILO to take a hard look at measures for the protection of workers' claims in the event of their employers' insolvency. While many firms are subject to a range of legal proceedings including bankruptcy or voluntary liquidation designed to ensure that all creditors receive fair treatment, many simply closed down, leaving their creditors including their employees empty handed.

The main existing international standard in this area is Article 1 of the Protection of wage Convention, 1949 ( No.95) which requires that workers be treated as privileged creditors and their wage paid in full before ordinary creditors may establish their claim. Since the adoption of Convention No.95 legislation has advanced in many countries and the scope of privilege expanded substantially. Institutions have been set up to guarantee payment of all or part of the dues to workers following an employers bankruptcy. There is now a proposal to adopt a new international standard on the subject which will give greater protection to workers made redundant in the event of their employers' insolvency.

A proposal to set up a Fund to ensure payment of gratuity under the Payment of gratuity Act came up at h Labour Ministers' Conference held in the context of the spate of closure of textile mills. A committee was set up to draw up a scheme. The committee recommended the establishment of a multipurpose fund known as the Gratuity and Misc. Payments Guarantee Fund to ensure that all statutory payments, namely, gratuity, retrenchment compensation, as well as PF dues in case of default by employers are made from an insurance fund in the event of closure or liquidation of the establishments pending recovery of the same from the employers by due process of law. The Fund was to be built up out of a levy on the employers fixed ad hoc in the first instance and by means of an actuarial study in due course. The fund was to be administered by the EPF Organisation.

Similar recommendations have been made subsequently by the National Labour Law Association and the Social Security Association of India . These recommendations require the establishment of a Fund to ensure payment of all dues of workers in the event of failure by the employers to pay them due to permanent closure of their establishments or their insolvency

**The Study Group is of the view that there is a great need for such a fund and suggests that early steps be taken to establish one on the lines indicated above. The Study Group further suggests that the National Renewal Fund may be restructured to serve as a Wage Guarantee Fund**

(The Government of India is reported to have decided to set up an Insolvency fund to arrange finances for interim payment of wages to workers of sick companies and for possible revival of the units. The fund will be made up through contributions at the rate of 0.005 percent of the annual turnover of the companies<sup>15</sup>)

#### **8.14. National Renewal Fund**

The National Renewal fund was established in February 1992 in the wake of the far reaching economic reforms introduced in the previous year. The overall aim of the fund was to provide social safety net to the workers who were likely to be affected by technological upgradation and modernisation of Indian industry. The objectives and scope of the fund were as follows;

- (a) to provide assistance to cover the costs of retraining and redeployment of labour affected by modernisation, technology upgradation and industrial restructuring
- (b) to provide funds where necessary for compensation to employees affected by restructuring or closure of industrial units both in the public and private sectors.
- (c) To provide funds for employment generation schemes both in the organised and unorganised sectors.

Currently the Fund is utilised mainly to provide assistance to Central Public Sector Units to implement the voluntary retirement schemes as a mechanism for reducing their surplus labour. A pilot scheme for retraining of retrenched workers was also started in certain centres. Area Regeneration councils and Employee Assistance Centres were also started in certain places.

The objectives with which the fund was established were indeed laudable but the Study Group understands that for various reasons the Fund has not fulfilled the high expectations with which it was established. It seems therefore necessary that the fund should be restructured.

The Study Group suggests that the Fund be utilised as the corpus for the proposed unemployment insurance scheme and for payment of the statutory dues of the workers in the event of the closure or bankruptcy of the establishments and the failure of the employers to pay the dues pending the winding up or liquidation proceedings.

#### **8.15 Family allowance**

Convention No. 102 of the ILO concerning Minimum Standards of Social Security requires that every member should secure to the persons who satisfy the prescribed conditions the provision of family benefit for the maintenance of children. The benefit should be in the form of periodical payment or a provision in the form of food, clothing, housing, holidays or domestic help or a combination of the benefits in cash and in kind.

Recommendation No. 67 on Income Security requires that society should normally cooperate

with the parents through general measures of assistance designed to secure the well being of dependant children

These provisions are based on the recognition of the fact that procreation is an indispensable need of society and the rearing of children is the responsibility of the State which may best be achieved through the family

Family allowances programmes are of two kinds: universal and employment related. Under the first category allowances are paid to all resident families with a specified number of children. In the second category, the allowance is paid to the wage earning classes by the respective employers.

In India there is a variety of schemes for payment of such allowances. The Central Government provides assistance for the education of children of Central government employees under the Central Services ( Educational Assistance) Order 1983. The assistance is provided in the form of reimbursement of tuition fee, children's educational allowance, subsidy for purchase of books and postal subsidy. The quantum and the qualifying conditions are determined by the Pay Commissions which are set up from time to time. There are similar schemes in the States and . UTs.. Some of the employers in the public and private sector also give such assistance under collective agreements or otherwise. On a study of collective agreements it is found that the amount of educational allowance ranges from rs.50 to Rs.400 per month. Some of the public sector units in the steel and coal industries provide free education to the children of their employees.

Besides the various Welfare Fund Acts enacted by the Central Government make provision for educational facilities, nutrition and family welfare etc.

The Study Group suggests that a provision be made for payment of educational allowance to all employees by amendment of the existing laws regulating employment and conditions of service of the employees

## Chapter IX

### ADMINISTRATION OF SOCIAL SECURITY

#### 9.1. Introductory

We have discussed in the previous chapters the system of social security that is appropriate to the conditions obtaining in India and the institutional arrangements that need to be made for providing social security to the people. It is needless to say that the effectiveness of the system depends to a large extent on the quality of governance of the system from conception to its delivery. Administration of social security comprises basically of two elements : the mechanism for policy formulation, and the mechanism for its implementation.

#### 9.2 Amendment of List III of the Seventh Schedule to the Constitution

India is a Federal State. Social Security is included in the Concurrent List of the Constitution of India. The relative items of List III of the Seventh Schedule to the Constitution read as follows:

23. Social security and social insurance; employment and unemployment;
24. Welfare of labour including conditions of work, provident funds, employers' liability, workmen's compensation, invalidity and old age pensions and maternity benefits.

It is noteworthy that the list seems to make a distinction between social security and social insurance on the one hand and between social security and welfare of labour including provident funds, employers liability, workmen's compensation, old age pension and maternity benefits on the other. It makes a further distinction between employers' liability on the one hand and workmen's compensation and maternity benefits which are also employers' liability schemes on the other. There is no mention of ESI Scheme, gratuity, lay off and retrenchment compensation and other social assistance schemes which have into come force subsequently. It does not also mention social protection social safety net and such other new concepts. The rationale of these distinctions is not clear.

The Study Group feels that items 23 and 24 of List III in Schedule VII of the Constitution need to be rationalised It suggests as follows:

Item 23 may be reworded as "Right to work, employment , unemployment including unemployment benefit and welfare of labour including wages, safety, health, work environment and other conditions of work

Item 24 may be reworded as "Social security including social insurance , employers' liability, social safety nets and other forms of social assistance ; medical care,

sickness, workmen's compensation; invalidity or disability, maternity, mother and child care, family allowances, old age, and survivors' benefits

### **9.3 Creation of a separate Ministry or Department of Social Security**

The Working Group on Social Security of the Economic Administration Reforms Commission had made the following recommendations concerning administration of social security:

“ The discussion in earlier chapters and the nature of the proposals we have put forward would have indicated the need to approach social security – through amelioration, insurance, legislation and social assistance - in a comprehensive and integrate manner in India's planning and administration. Within our federal framework, continuous Centre-State coordination is also necessary. The subject needs to get the attention it deserves at high policy levels. We make some suggestions in this chapter which are designed to promote these objectives.

In the Government of India, the subject of “social security and social insurance, save to the extent allotted to any other department” is the responsibility of the Ministry of Social Welfare. The Ministry of Labour is concerned with social security legislation for the organised sector as part of “welfare of labour”. Unemployment Insurance is also a subject assigned to it. Policy initiatives to life and general insurance is the responsibility of the Ministry of finance. On various other aspects of social security, the Ministry of Health, and a number of production Ministries dealing with industries, mines, plantations, etc. are involved.. Social security being a concurrent subject as between the Centre and the States, there is also need for continuous planning, coordination and monitoring at a federal level. There is no focal point from which this is done at present. In the States, as well, social security administration is fragmented between different departments and agencies.

We feel that it is necessary to create a small but strong Group (i.e., department or division) at the Centre which will be concerned with horizontal (i.e., between interrelated aspects) and vertical (i.e., between the Centre and states ) coordination of social security planning, monitoring and review. The Group should not interfere with, but supplement and reinforce, the administrative Ministries which may continue to deal with aspects of social security as at present assigned to them”.

Such a division for policy and planning of social security can be located in the Ministry of Social Welfare. Another view was that a separate Department of Social Security may be formed and given the responsibility for all aspects of the subject. In the States, it could be suggested that Chief Ministers or one of the senior ministers should be in overall charge and underpinned by adequate secretarial support. The Division at the Centre could also service a Committee of Secretaries on the subject to be presided over the Member in charge in



the Planning Commission. It might be a useful innovation if this committee of Secretaries , besides including concerned Secretaries in the Centre, could also have on it Secretaries from State Governments , one from each region serving on rotation”..

The Working Group on Labour Policy for the Ninth Plan had recommended that a separate Department of Social Security within the Ministry of Labour should be set up with a strong Research and Development wing to facilitate and accelerate the development process and achieve extension of social protection to all sections of the working population.

**The Study Group also feels that a separate Ministry of Social Security or a Department of Social Security preferably within the Ministry of Labour should be set up to provide secretarial support to the Authority**

#### ***9.4 Establishment of a National Social Security Authority of India***

The working Group of the EARC had pointed out the need for coordination between the Centre and the States on the one hand and among the Ministries./Departments within the Central Government on the other. It had expressed the view that “it would be valuable to have the subject of social security discussed annually at a Centre State Conference of Ministers , perhaps as an adjunct to the annual conference of Labour Ministers. In these ways an overall national approach to this issue could be forged and maintained”..

The system of social security outlined by the Study Group is much broader than what the Working Group on Social Security of the EARC. had envisaged. If the recommendations of the Study Group are accepted there would be greater need for coordination among Ministries/Departments of the Government of India and the State Governments . The Study Group therefore feels that a high powered body should be set to formulate a National Policy on Social Security and to coordinate the Central and State level programmes of social security . For this purpose the Study Group recommends the constitution of a National Social Security Authority of India, preferably under the chairmanship of the Prime Minister of India with the Ministers and Secretaries of all the concerned Ministries and Departments of the Government of India and representatives of all the State Governments as members . The functions of the Authority will be mainly to formulate the national policy on social security and to coordinate the Central and State level programmes so as to ensure that the objectives of the Policy are achieved within the time frame prescribed.

It may be mentioned that a similar recommendation had been made by a Committee of Experts in the India Labour Code (1994) which they had drafted as part of an exercise to simplify, rationalise and consolidate labour laws. The Code provided inter alia as follows:

“ There shall be established, by notification, for the administration of social security an

authority to be known as the National Social Security Authority. Of India .

"The National Social Security Authority of India shall be a body corporate

" The National authority shall be tripartite in character and shall have persons who have made notable contributions in the field of social security appointed by the central Government

"The composition, method of appointment, terms and conditions of service of the members of the National Authority shall be such as may be prescribed by the Central Government.

"It shall be the function of the National Authority -

(a) to advise the Central and State Governments generally in the matter of social security administration;

(b) to prepare or approve the schemes of social security;

(c) to coordinate between the Central and State Government in the implementation of the schemes of social security;

(d) to monitor and to report on the implementation of social security schemes."

**The Study Group suggests that a National Social Security Authority of India be created on the foregoing lines .**

### **9.5 Integration of social security at the Centre**

The Task Force on Social Security set up by the Ministry of Labour to which reference has already been made in an earlier chapter has recommended inter alia integration into one single legislation of the existing schemes of social security, i.e., the ESI Act, EPF&EPS , WCA, MBA, and Payment of Gratuity Act and administrative merger of the two premier social security organisations –ESIC and the EPFO. The Task Force has further recommended that "a single Social Security Board may be constituted to replace the ESI Corporation and the Central Board of Trustees with representation of Central Government, State Government, organisations of employers and employees, the medical profession and the Parliament" .The constitution of the Board and its subordinate formations has also been suggested.

A similar recommendation had been made in the India Labour Code 1994 (draft) which reads as follows:

"The Central Government shall , by notification, constitute with effect from such date as may b specified therein a Central Board of Social Security :

The Central board shall be a body corporate

The Central board shall be tripartite in character and shall have persons representing the medical profession and other interests and persons who have made notable contributions in the field of social security

The composition, method of appointment, terms and conditions of the Chairman, Vice

Chairman and other members of the Central board shall be such as may be prescribed.

It shall be the function of the Central Board

- (a) to frame or approve supplementary schemes for application in respect of the activities for which the Central Government is the appropriate government;
- (b) to administer the scheme of social security in respect of the activities for which the Central Government is the appropriate Government; etc."

The India Labour Code has also suggested the establishment of State Boards of Social Security for administration of social security schemes in respect of establishments for which the respective State Governments are appropriate governments. These boards are different from the regional boards of the Central Board which may be set up as per recommendations of the task force.

Unification of administrative responsibility is both necessary and desirable. It was one of the fundamental principles underlying the social security plan evolved by Lord Beveridge in U.K. He had stated that such unification was necessary in the interests of efficiency and economy. According to his plan "There will be in each locality a security office able to deal with claims of every kind and all sides of security. The methods of paying different kinds of cash benefit will be different and will take into account of the circumstances of insured persons, providing for payment at the home or elsewhere as is necessary. All contributions will be paid into a single Social Insurance Fund and all benefits and other insurance payments will be paid from the fund"

**Integration of social security can be thought of at several levels :**

- (a) Integration of the existing employers' liability schemes with the corresponding social insurance scheme: integration of Workmen's Compensation and Maternity Benefit Acts with the ESI Act; integration of the Payment of Gratuity Act with the EPF Act**
- (b) Integration of ESIC and the EPFO**
- (c) Integration of all Social Security organizations at the central level, namely, the ESIC, EPFO. Welfare Funds, the CMPF and the Seamen's Provident Fund;**
- (d) Integration of all the social security schemes being administered by different Ministries of the Central Government such as the National Social Assistance program being administered by the Ministry of Rural Development, programs for the elderly the disabled and other vulnerable sections being administered by the Ministry of Social Justice, programmes for women and children being implemented by the Department of women and Child Development etc. Midday meal scheme being implemented by the Ministry of Education, PDS being administered by the Ministry of Food, Housing schemes being administered by the Ministry of Urban Development etc.**

Integration of all the social security schemes being administered by the different Ministries of the Central government as indicated at (d) above may be desirable but may not be practicable. But coordination among the various Ministries/ Departments should be attempted through the National Social Security Authority of India

It should however be possible to integrate all the schemes of like nature being implemented by the different Ministries as indicated at (c) above or at least all the schemes being implemented by the Ministry of Labour

The Study Group therefore suggests that a Central Board of Social Security may be set up to take over the administration of all such schemes .

The Task force has recommended merger of the ESIC and the EPFO as a first step towards introduction of a single comprehensive legislation. The Study Group feels that the integrated set up should also include the Welfare Fund Organisation and if possible the Coal Mines Provident Fund Organisation and Seamen's Provident Fund as well.

The Study Group suggests that to begin with a functional integration of the various organisations be attempted by constituting the following divisions in the Central Board: of Social Security

- (i) Medical benefit
- (ii) Sickness, maternity and employment injury benefits
- (iii) Old age invalidity survivors benefits including provident fund gratuity, family benefit and emergency expenses
- (iv) Unemployment Insurance, Lay Off and Retrenchment Compensation National Renewal Fund etc
- (v) Common services , namely registration, collection of contributions, inspection, penalties etc

Administrative merger of all the various organisations administering social security schemes may be attempted later, if considered necessary, after necessary preparation.

The Study Groups further suggests that for administering these Schemes the Central Board may set up at State level and district level committees on tripartite or multipartite basis with adequate financial and administrative powers.

## **9.6 Decentralisation of administration**

The Study Group is of the view that the mechanism for implementation of social security programmes should be based on two key principles:

- (a) It should be as decentralised and as close to the beneficiaries as possible; and**
- (b) it should be a tripartite or multipartite mechanism, involving workers, employers governments and other stake holders**

Administration of all social security programmes, whatever be their nature, whether social assistance, social insurance welfare fund insurance schemes or whatever, should therefore be decentralised to State levels and below. In order to plan implement and monitor the outreach and quality of social security each State should constitute a Social Security Board with representatives workers, employers Government departments NGOs and others . This Board should be able to make all decisions relating to the provision of social security in the State and to monitor the implementation of the programmes which should be entrusted to a district level committees.

The District Level Committee should also be tripartite or multipartite as the case may be. Its functions will include:

- (i) Identification of the beneficiaries and to issue them identity cards;**
- (ii) Collection of contributions**
- (iii) Dispensing the benefits**
- (iv) Maintenance of relevant records.**

The Government of Kerela has already set up the Kerela State Labour Authority under an Ordinance passed in March 2001 for administration of the Kerela State Labour Authority Fund meant for implementation of the various welfare Schemes and the Kerela Labour Welfare Fund meant for manpower development and training. Karnataka has also planned to set up a Social Security Authority through a Bill which is presently before the Legislature. The main objective of the Authority will be "to facilitate medical insurance, health care, housing, maternity facility, recreational facility educational facility and proper implementation of the statutory benefits including payment of minimum wages to the unorganised workers in the State". Other States may also be encouraged to set up such Authorities.

The States may also be encouraged to develop appropriate district level organisations as suggested above.

**Services should be delivered at the doorstep of the beneficiaries through one or more of the following agencies:**

**District and Area level Committees**  
**Local bodies (Panchayat Samithis, Municipalities)**  
**Micro Credit institutions/ Self Help Groups and**  
**Non Governmental Organisations**

### ***9.7 Adoption of uniform definitions***

**The first step towards functional integration is to adopt uniform definitions of common terms such as employer, employee, establishment, wages etc. It is suggested that the following definitions used in the India Labour Code may be adopted in the integrated system:**

#### **(a) "Appropriate government"**

**"Appropriate government means-**

- (i) in relation to the following establishments the Central Government, namely:-air transport, atomic energy, banking, currency, defence, financial institutions, owned and controlled or managed by the Central government, Insurance- Life Insurance corporation. General Insurance Corporation, Employees State Insurance Corporation : major ports, mines including oilfields, post and telegraphs including telecommunications provident funds, radio and broadcasting railways, shipping space and such other establishments as may be notified by the Central government after consultation with the national Labour Relations Commission and**
- (ii) in relation to all other establishments the government of the state where they are located."**

**The rationale of this definition is that, broadly speaking, the Central Government will be the appropriate government in respect of those establishments handling the subjects which are included in the Union List of the Seventh Schedule of the Constitution and the State Governments will be the appropriate Governments in respect of those establishments which are handling the subjects included in List II. In the case of establishments dealing with the subjects included in the Concurrent List the Central Government will decide in consultation with the National Labour Relations Commission which is to be set up**

#### **(b) Employee:**

**Employee means any person employed by an employer, irrespective of the nature of his /her avocation to do any work for wages, hire or reward and includes an out worker and an agriculture worker but does not include a person**

- (i) who is subject to the Army Act , 1950 (46 of 1950) or the Air force Act 1950, or the Navy Act , 1957; or**
- (ii) who is employed in the police services or an officer or other employee of a prison;**
- (iii) who is employed as managing director, director, general manager, or person in charge of an establishment and exercises substantial powers of management**

**(c) Employer**

**Employer means an individual or an association of persons incorporated or otherwise irrespective of the nature of his avocation , employing an employee and includes a person engaging or employing an out worker or an agricultural worker**

**(d) Establishment**

**Establishment means any place where any industry trade business manufacture occupation or any other activity is carried on and one or more persons are employed**

**(e) Wages**

**Wages means all remuneration capable of being expressed in terms of money which would if the terms of employment, expressed or implied were fulfilled , be payable to an employee in respect of his employment or of work done in such employment, and includes-**

- (i) such allowances (including dearness allowance ) as the employee is for the time being entitled to;**
- (ii) the value of any house accommodation, or supply of light water, medical attendance or other amenity or of any service or of any concessional supply of food grains or other articles ;**
- (iii) any travelling concession;**
- (iv) any commission payable on the promotion of sales or business or both; but does not include**
  - (1) any bonus**
  - (2) any contribution paid or payable by the employee to any pension fund or provident funds or for the benefit of the workman under any law for the time being in force;**

**(3) any gratuity payable on the termination of his service..**

#### ***Administrative Reform of existing institutions***

**Social security institutions around the world are engaged continually to reform their management practices in the face of mounting pressures to improve the delivery of services and to reduce their administrative costs by adopting modern technological tools. Many of them have also undertaken to reengineer their services . Similar exercises are necessary in India too where complaints on the working of the ESI and EPF Schemes abound.**

**It is reported that many social security institutions , in their effort to match their service with that of private sector agencies are experimenting with outsourcing the services Some Governments like that of Australia and U.K. have established semi-autonomous agencies to deliver direct services to social security clients. Although India has established such agencies they have not been given the necessary autonomy or authority. The Administrative arrangements of these agencies need to be reviewed and reformed They could also be permitted to subcontract their services to voluntary organisations**

#### ***9.8 Public Relations***

**Many poor and illiterate beneficiaries of social security shy away from approaching the social security institutions for fear and ignorance. A sympathetic Public Relations Network should be built into the system One of the functions of this Network would be educate the people about the schemes and how they can avail of the benefits and to create awareness of their rights**

#### ***9.9 Computerisation***

**Modern technological tools should be fully harnessed for delivering service efficiently and economically**



## CHAPTER 10

### FINANCING OF SOCIAL SECURITY

#### 10.1 Introductory

The system of social security envisaged by the Study Group comprises of social assistance programmes for people at the bottom of the income based hierarchy, social insurance programmes for those at the top of the hierarchy and a combination of the two in between. In addition there would be employers liability schemes, schemes run by voluntary organisations and voluntary private insurance schemes supplementing State run, controlled or managed Schemes.

**Social insurance schemes are contributory and their viability depends upon the rates of contributions and the quanta of benefits paid out. The rates of contributions and benefits are ordinarily determined actuarially and they are meant to be self financing.. In the course of our discussions a point was however made that the uniform rates of contributions fixed for ESI and the schemes framed under the EPF Act are some what onerous for small employers and more so for workers employed on casual basis. A suggestion was therefore made that different packages of benefits with different rates of contributions should be designed to suit the capacity to pay of the contributors. The Study Group feels that there is merit in the suggestion and commends it for consideration**

Social assistance programmes are ordinarily financed by means of taxation . Under such programmes the benefits may be out of general revenues or from separate funds created by raising special purpose levies.. The Food Subsidy, the Housing Programme, the employment programmes ,the National Social Assistance Programme and such other programmes are financed from the general revenues of the Central Government and they affect the fiscal balance. of the Government. Welfare funds set up for beedi workers and mining workers are financed by levying a cess on the production , sale or export of certain specified products. The proceeds of such cesses are credited to one or more special funds and benefit expenditure is met out of such funds So long as the benefit expenditure remains within the balance available in the Funds it does not affect the Government budget.. But the Government will have to consider whether the industry on which the cess is levied can bear it . On the other hand , a question may also arise about the adequacy of the amounts collected by means of the cesses In the course of our discussion a point was made that the amount collected for the Beedi Workers Welfare Fund was inadequate and it had to be supplemented by contributions from the employers and the workers and from the general revenues of the Government

A scheme may be contribution defined or benefit defined. In relation to the pension schemes there is a demand that they should be contribution defined so that the burden on the employers who have to make the contributions does not become heavy.

**The Study Group however feels that the Schemes should be benefit defined. We should first determine the nature and quanta of benefits to be provided and the estimated cost thereof . The rate of contributions or cesses to be levied should be fixed keeping in view the amounts they are likely to yield in relation to the amounts required.**

## **10.2 Estimate of Cost**

The Jai Shanker Memorial Centre had made an assessment of the amounts required for the various social assistance schemes as follows:

“The first cost estimate of the NSAP has been made for the year 1995-96 ( Government of India 1995) and totals almost Rs.870 crores (including only the benefit payments and not the cost of administering the schemes. However a more extended package of social assistance for old age widowhood disability and maternity would widen the eligibility criteria as follows:

- (a) all men and women of above the age of 60 years
- (b) all widows of and above the age of 50
- (c) all widows below the age of 50 for a period of 2 years during which they will undergo training with stipend to enable them to earn their livelihood; financial assistance to minor children up to a maximum of two will also be paid; an equipment grant of Rs.1000 will be paid to the widow at the end of her training;
- (d) all disabled persons below the age of 60 , with 70 percent loss of earning capacity;
- (e) maternity benefit assistance up to a maximum of two live births for women above the age of 18

In all the above cases only persons whose family income is below the poverty line level of the State concerned will be eligible. OAP Schemes as well as maternity assistance schemes are essentially directed towards the economically weaker sections of the society more particularly those below the poverty line Assuming that 30 percent of the population is below the poverty line in India and also assuming that old age pension is made available for persons above 60 years of age ( as is generally the case) and adopting the population of over 60 at 6.75 percent, we get the total number of old persons below the poverty line at about 20 million ( this number automatically includes all widows and disabled persons above the age of 60 and below the poverty line)

In addition to those above the 60 years of age, widows and disabled persons below 60 years of age also need to be covered. It was suggested earlier that the minimum age for widows to be eligible for public assistance be reduced to 50 years. What the exact number of widows in the age group 50-59 will be is not known. The 1981 census figures show that 29.7 percent of all females in the age group 50-54 years and 31.8 percent in the age group 55-59 are widows. This works out to about 6.2 million assuming that 30 percent of those will be below the poverty line, the number of eligible widows will be about 2.1 million which by 1991 might have gone up to say 2.8 million

In addition to this, there will be widows below the age of 50 for whom we have suggested a pension for two years, coupled with training and an equipment grant of Rs.1000 each. While one may estimate the number of widows in the age group 18-49 it is not easy to estimate the number for whom training arrangements will be made and the number who will be coming for training. It is even more difficult to estimate the number of minor children these widows have and calculate the money that will be necessary by way of allowances for the children. For these reasons we refrain from attempting to estimate their numbers.

As far as the disabled are concerned we may again estimate the number in the age group 0-59, only for visual disability and locomotive disability, from 1981 census data. This works out about 3.5 million which by now might have gone up to about 4.5 million. Assuming that 30 percent of these will be below the poverty line the eligible number is about 1.4 million

Thus in all we get the grand total of 20 million (over 60 years) under OAP, 2.8 million under widows' pension and 1.4 million under disability pension, making a total of about 23 million. At the rate of Rs.100 per month this will involve an expenditure of Rs.3000 crores. per year. In addition the expenditure on maternity benefit may be of the order of Rs.300 crores. The entire expenditure will have to be met by the Central and State governments as public assistance with the Central Government meeting 50 percent of the total cost. It is immaterial whether their expenditure is incurred under 'plan' or 'non-plan' heads. But considering that the bulk of the current expenditure on such scheme as non-plan this may continue in future also..

Where, for any reason, it is felt that such large outlays are not feasible then the remedy should lie in targeting from out of the 25 million, the lowest decile in terms of consumption expenditure first and then moving up. alternatively, one can consider raising the age limits from 60 to 62 or having different age levels for men and women"

Having regard to the foregoing assessment and the modifications to the existing schemes and introduction of new schemes proposed in the previous chapters the estimated cost of the proposed system of social security will be as follows:

**(1) Old age pension**

The qualifying age for old age pension will remain at 65. The total number of persons qualifying for old age pension will be about 12 million as follows:

- |  |                          |
|--|--------------------------|
| (a) Estimated number of persons of the age of 65 and above           | 46 million <sup>16</sup> |
| (b) Estimated number of old person below the poverty line 25% of (a) | 11.50 million            |

The rate of pension may be enhanced to Rs.200 per month

Total amount of pension payable per annum	Rs.3000crores
---	---------------

- (2) All widows between the age of 60 will get pension at Rs.200 per month subject to their income being below the poverty line**

Estimated number of widows of age 60	4.9 million
--------------------------------------	-------------

Estimated number or widows below the poverty line	1.25 million
---	--------------

Rate of pension Rs.200 per month

Estimated amount of pension payable to widows between the ages of 60-65	Rs.300 crores.
---	----------------

All widows between the ages of 18 and 60 will get pension for two years at Rs.200 per month a supplement of Rs.50 each for two children and an equipment grant of Rs.5000 each for self employment. The number of women who get widowed in this age group annually and for whom pension may have to be paid for two years cannot be estimated. The estimated amount of pension payable to them is therefore assumed as Rs.50 crores.

Additionally they will be given an equipment grant of Rs.5000 each for self employment. Assuming that about 100,000 widows will qualify for such grant it will cost about Rs.50 crores

**(3) Pension for the Physically Handicapped**

All physically handicapped persons with loss or lack of earning capacity of 70 or more will be entitled to pension at Rs.,200 per month

According to National Sample survey the estimated number of physically handicapped people is about 5% of the total population which comes to about 5 million. Information about the number of persons who have no or who have lost earning capacity to the

extent of 70% is not available. It is therefore assumed as 10 percent of the total number of disabled persons which comes to 0.5 million  
 On this assumption the estimated amount of pension payable to the disabled will be Rs 12 crores.

**(4) Maternity Benefit**

The quantum of Maternity Benefit will be increased to Rs.3000 per child birth  
 Estimated number of child births per annum is 20 million. The number of child births below the poverty line ( 25 %) qualifying for maternity benefit under social assistance programme will be .5 million Estimated amount of maternity benefit payable Rs.1500 crores

**(5) Unemployment Relief**

Estimated number of unemployed persons	7 million <sup>17</sup>
Estimated number of unemployed qualifying for relief (25% of the above)	1.75 million
Estimated amount payable as unemployment relief @Rs.200 per month	Rs.420 crores

**(6) Distribution of Cloth**

(i)Estimated number of Destitutes	6 m <sup>18</sup>
Estimated cost per head Rs.150 per annum	
Total estimated cost of supplying cloth free of cost	Rs. 90crores
(ii)Estimated number of people below poverty line 250 m	
Proposed rate of subsidy per head Rs.50	
Total cost of subsidy	Rs.1250crores

**(7) Family Benefit (Survivors' Benefit)**

Estimated number qualifying for the benefit	350,000 <sup>19</sup>
Rate of benefit Rs.2500 ( reduced from the existing rate of Rs.10,000in consideration of the introduction of a National Widow Pension scheme	
Amount required	350,000x 2500
	Rs.87.50 crores

**(8) State support to children of poor families**

Estimated population of children	350million.
Number of children below poverty line (25%)	90 million
Rate of children's allowance	Rs.50 per child per month
Estimated total cost of the scheme	Rs.5400crores

**(9) Insurance Schemes**

It is assumed that one member in each family in the unorganised sector will be covered under the agricultural workers insurance scheme or any other analogous scheme

Estimated number of families 70 million ( 350 m divided by 5)

Rate of subsidy Rs.750 per policy/family

Total amount of subsidy **Rs.5250crores**

**(10) Welfare funds**

It is assumed that the welfare funds will be mostly contributory and self financing. Where they are to be financed from the exchequer it is assumed that special specific purpose levies will be levied. In either case it is difficult to estimate the amount

required . A token provision is therefore made of **Rs.1000Crores**

A summary of the above assessment is given in the following table below:

Estimate of cost of the proposals made in the foregoing report

Nature of Benefit	Rs. in crores per annum
(1) National pension	
(a) Old age pension	3000
(b) Widows	350
(c) Disabled persons	12
(2) Equipment grant for 100.000 widows	50
(3) Maternity benefit	1500
(4) (a)Family benefit	90
(b) Children's allowance	5400
(5) Distribution of cloth	1340
(6) Unemployment Relief	420
(7) Insurance Schemes	5250
(8) Welfare funds and area schemes	1000
Total	18,412

The foregoing table excludes the estimated cost of on going schemes in respect of which no change is proposed in money terms such as the PDS or which are expected to be self financing such as the ESI

### **10.3 Social Security Fund**

**A Social Security Fund of India and a Social Security Fund of each State may be set up. The funds should be vested in and be administered by the Central Board of Social Security or the State Board of Social Security as the case may be.**

### **10.4 Types of Schemes**

**There will be three kinds of social security schemes : social insurance type of contributory schemes, subsidised insurance/welfare fund type of partly contributory and partly socially assisted schemes and social assistance schemes which will be wholly non contributory**

### **10.5 Social Insurance Schemes**

**In the case of social insurance schemes , every employer of an establishment to which a social security scheme applies should make a consolidated contribution for the various social security benefits to the employees of the establishment at the prescribed rate not exceeding 30% of the wage bill or any other amount which may be specified in the law or the scheme as the case may be every month; and every employee to whom the scheme applies should make a consolidated contribution to be eligible for the social security benefits at the prescribed rate, not exceeding 20% of his wage or any other amount which may be specified in the law or scheme as the case may be.**

**In the case of persons employed on casual basis the following options may be considered:**

- (a) Differential rates of contributions may be prescribed**
- (b) Contributions by the workers may be optional while the contributions by the employers will be compulsory**
- (c) They may be exempted from making any contribution**

**The employees whose actual wages do not exceed the amount prescribed by the appropriate government may be exempted from making any contribution. The loss to the Board due to such exemptions may be made good by the appropriate Government**

**The appropriate government may, after due appropriation by Parliament or Legislature as the case may be make such further contributions to the Social Security Fund as it may determine**

## **10.6 Social Assistance Schemes**

**In the case of the last two categories of schemes the rates of contributions and assistance will be determined by making an assessment in each case of the funds required and the resources available.**

**The expenditure on social assistance should be shared between the Central Government and the State government at agreed rates.**

**For providing social assistance wherever necessary the appropriate Government may impose a social security surcharge on all or any of the taxes and duties levied by it and the proceeds of the surcharge after deducting the proportionate collection charges may be credited to the Social Security Fund.**

- <sup>1</sup> The role of social security systems on the threshold of the new millennium by Walter Geppert in Social Security Tomorrow: Permanence and change ; International Social Security Association Geneva
- <sup>2</sup> *ibid*
- <sup>3</sup> Nakara v Union of India AIR 1983 SC 130
- <sup>4</sup> Banking on Basic Truths by P.V.Narasimha Rao Outlook June 25, 2001
- <sup>5</sup> Human Development Report 1993
- <sup>6</sup> *ibid*
- <sup>7</sup> Social Security Principles International Labor Office . Geneva 1998
- <sup>8</sup> *ibid*
- <sup>9</sup> Social Security in India –Organised Sector –A survey by R.K.A.Subrahmanya Research Project on Strategies and financing of Human Development (mimeo)
- <sup>10</sup> Report of the Working Group on Labor Policy Ninth Five Year Plan Government of India, Ministry of Labor New Delhi p.159
- <sup>11</sup> Research Issues in Social Security by S.Guhan Research Project on Strategies and Financing for Human Development
- <sup>12</sup> *ibid.*
- <sup>13</sup> Research Issues in Social Security by S.Guhan Research Project on Strategies and Financing for Human Development
- <sup>14</sup> Public Action for Social Security by Dr.Amartya Sen and Jean Dreze in Social Security in Developing countries ed by Ehtisham Ahmad et al Clarndon Press, Oxford 1991
- <sup>15</sup> Economic Survey 2000-2001
- <sup>16</sup> *ibid* ( Because of the change in methodology in the collection of data these figures are not comparable with the earlier estimates.)
- <sup>17</sup> World Labor Report 2000
- <sup>18</sup> Ninth five Year Plan
- <sup>19</sup> Annual Report Ministry of Labor,1999- 2000
- <sup>20</sup> Demography of Aging by Dr.S.Irudaya Rajan (2000)
- <sup>21</sup> *ibid*



- <sup>22</sup> *ibid*
- <sup>23</sup> *ibid*
- <sup>24</sup> Report of the first National Commission on Labour
- <sup>25</sup> Social Protection for women in the Informal Economy; Report of a workshop organised by ILO –STEP and WIEGO in Dec. 1999
- <sup>26</sup> Social Security and the Poor : an Introduction by I.P.Getubig in Rethinking of Social Security: Reaching out to the Poor. Ed.. by I.P.Getubig and Sonke Schmidt
- <sup>27</sup> Social Insurance and Allied Services: Report by Sir William Beveridge presented to Parliament, Nov. 1942
- <sup>28</sup> Social Protection Sector Strategy: from Safety net to springboard: the world Bank Group: the Human Development network
- <sup>29</sup> Social Security and the Poor : an Introduction by I.P.Getubig in Rethinking of Social Security: Reaching out to the Poor. Ed.. by I.P.Getubig and Sonke Schmidt
- <sup>30</sup> Social Protection Sector Strategy: from Safety net to Springboard: the World Bank Group: the Human Development network
- <sup>31</sup> World Labor Report, 2000, ILO Geneva, p.87-88
- <sup>32</sup> Basic Social Security in India by Shashi Jain in Social Security for the Excluded majority ed by wouter van Ginneken, ILO Geneva, 1999, p.54.
- <sup>33</sup> Bell (1990:158)
- <sup>34</sup> Social Security Options for Developing Countries by S.Guhan
- <sup>35</sup> Symposium on Policies and Strategies for Comprehensive and Integrated System; ed by R.K.A.Subrahmanya and S.K.Wadhawan; Social Security Association of India , Friedrich Ebert Stiftung
- <sup>36</sup> Social Insurance and Social Protection ILO Geneva
- <sup>37</sup> Social Protection for the Unorganised Sector –India ; ILO Geneva.
- <sup>38</sup> Social Security Options for Developing Countries by S.Guhan
- <sup>39</sup> *ibid*
- <sup>40</sup> Ninth Five year Plan 1997-2002 Planning Commission, 1999; para 1. 117
- <sup>41</sup> Social Security Options for Developing Countries by S.Guhan Research Project on Strategies and Financing of Human Development Centre for Development Studies Tiruvananthapuram
- <sup>42</sup> Cooperating Financing for Health Care in Rural India by William c Hsiao & Priti Dave Sen; Research Project on Strategies and financing for Human Development Centre fro Development Studies Tiruvananthapuram
- <sup>43</sup> Final Report of the Second Regional Consultation on Strategies for the Development of Social Security Health Programmes ( Medellin, Columbia, 1985); Primary health care and Health Strategies in Latin American Social Security 1986 , ILO in collaboration with the Pan American Health organisation and the Permanent Inter American Committee on social Security, p. 256
- <sup>44</sup> Social Protection for the Unorganised Sector : India International Labor office , Geneva.
- <sup>45</sup> Social Security for Widows in India by Martha Alter Chen (Mimeo) 1997
- <sup>46</sup> See Social Assistance programmes p.37
- <sup>47</sup> See Social Assistance Programme p.39

- <sup>48</sup> Annual Report , Ministry of social Justice and Empowerment 1999-2000
- <sup>49</sup> Annual Report Ministry of Social Justice and Empowerment 1999-2000
- <sup>50</sup> Lessons from Erwadi by R.Srinivasa Murthy, Professor of Psychiatry, National Institute of Mental Health and Neuro Sciences, Bangalore, The Hindu, August 14, 2001
- <sup>51</sup> Coping with calamity by Indira Menon and Visalakshi Menon ( Times of India)
- <sup>52</sup> When disaster strikes Interview with Dinesh Mohan Head , WHO Collaborating Centre on Research and Training in Safety Technology
- <sup>53</sup> A compendium of Micro Insurance Schemes by Shookpul Lee; ILO/STEP – WIEGO Workshop on Social protection for women in the Informal Economy; ILO., Geneva, 1999
- <sup>54</sup> Social Protection for Women in the Informal Economy ILO-STEP and WIEGO , 1999
- <sup>55</sup> World Labor Report, 2000, ILO Geneva, p.87-88
- <sup>56</sup> Basic Social Security in India by Shashi Jain in Social Security for the Excluded majority ed by wouter van Ginneken, ILO Geneva, 1999, p.54.

## CONCLUSION

When the new economic policy was announced in 1991 the then Union Finance Minister had given an assurance that the new policy would not be implemented on the backs of the poor people and that a social safety net would be created to protect those who would be affected by the new policy. No such social safety net has been created yet. In the meantime as a result of the globalisation and liberalisation programmes being implemented lakhs of people have lost their jobs. Many of them are committing suicide not being able to bear the burden of life. Indeed it is said that the lack of a social safety net is coming in the way of the rapid implementation of the economic reforms. It is believed that it is in this context that the National Commission on Labour was asked to suggest "the minimum level of labour protection and welfare measures and basic institutional framework for insuring the same". This report has been drawn up in this background and it suggests a framework of a social security system which is by no means ambitious and in the opinion of the Study Group is the minimum level of protection required by the people by way of economic support in times of need, valuable services to enable them to organise themselves and to make their presence felt and their voice heard and generally to empower the poor and the vulnerable to manage their own affairs. In making its recommendations the Study Group was conscious of the argument that the country can ill afford a very ambitious programme of social security. The Study Group has therefore made its recommendations deliberately modest and it hopes that they will be found feasible and acceptable.

## SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

### Introduction

1. The economically developed countries have established safety nets on which they are spending up to 40 % of their GDP. Developing countries generally and India in particular, are lagging behind in this area as well. According to the World Labour Report, 2000, the public expenditure on social security in India is 1.8 % of GDP against 4.7 % in Sri Lanka and 3.6 % in China. It is one of the measures of human development these countries have achieved and the distance they have yet to travel. This report is designed to provide a guide map for better progress in this journey (para 1.1)

### Conceptual Framework

#### 2. Right to Social Security to be a fundamental right

In view of the fact that the right to social security is regarded as one of the basic human rights and the Government of India has recognised it as such by ratifying the Covenant on Social Economic and Cultural Rights the Study Group is of opinion that it should be given the status of a Fundamental Right under the Constitution of India and necessary resources should be allocated to it. The Study Group accordingly suggests that the National Commission on Labour make a strong recommendation for amendment of the Constitution so as to make the right to social security a Fundamental Right (para 2.1.1)

#### 3. Responsibility of the State to provide social security should be included specifically in the Directive Principles

The constitutional mandate to provide social security is implied in the Directive Principles of State Policy. The Study Group is of the view that in order to give better focus to social security a more direct approach is called for especially in the context of the commitment made to the United Nations by ratifying the Covenant of Social Economic and Cultural Rights. The Study Group therefore suggests that pending amendment of the Constitution to make the right to social security a Fundamental Right, the responsibility of the State to provide social security be included among the Directive Principles of State Policy specifically (para 2.1.2)

#### 4. Social security policy

The Working Group on Labour Policy for the Ninth Plan had recommended that a national policy on social security should be announced with a view to ensuring compulsion and direction. The Study Group endorses the recommendation of the Working Group and suggests that while evolving the policy the Directive Principles of State Policy of the Constitution concerning social security should be kept in view. (para 2.2)

## **5. Definition of social security**

The Study Group is of opinion that in the Indian context the term social security should be used in its broadest sense. It may therefore be defined as consisting of all types of measures preventive, promotional or protective, as the case may be, designed to-

- (a) prevent deprivation (preventive measures)
- (b) to assure everyone of a basic minimum income which would be adequate for meeting the basic needs of oneself and one's family or dependants (promotional measures)
- (c) to protect the income against loss or diminution due to the occurrence of any contingency including sickness (protective measures.)

The measures may be statutory or non statutory, public or private.;

The term encompasses social insurance, social assistance, social protection, social safety net and other such terms currently in vogue. (para 2.3)

## **6. Approach to social security**

The Study group feels that, in the Indian context, no single approach to the exclusion of the others would be adequate and the problem will have to be addressed by a multi pronged approach and all the approaches discussed above would be relevant in different contexts. (para 2.4)

## **7. Social security plans and programmes**

Social Security policy and plans and programmes should be tailored to the needs of the diverse sections of the people, especially those which are vulnerable (para 2.5)

## **8. Social security needs**

In the view of the Study Group the root cause of the social insecurity in India is poverty and that is largely due to lack of adequate or productive employment opportunities. It is described as "chronic or structural social insecurity, a 'first-order' type of social insecurity arising from insufficient degree of overall economic development." It is associated with the other insecurities "emanating from conventional contingencies such as the loss of employment, disability, old age, death, etc." which are called the "second-order" type of insecurities or conventional social insecurity. We have to address both

Provision of adequate and stable income will enable the poor to satisfy their basic needs and thereby their other social security needs as well. Till then the State has to assume the basic responsibility of providing social security, especially in respect of those contingencies which would be difficult for individuals to cover without assistance from the State. The State also has the responsibility to provide the means of livelihood to those who cannot work and earn their living due to early childhood, old age or other infirmities (para 2.7)

### **9.Strategies for providing social security**

Having considered the various strategies discussed above the Study Group has come to the conclusion that in the Indian context no one strategy will be adequate in all circumstances. On the other hand the Study Group feels the preventive mitigating and coping strategies advocated by the World Bank as well as the various measures advocated by the ILO, the models developed in India and the measures recommended by Guhan all are relevant in the complex socio- economic conditions obtaining in India in different contexts and in relation to different target groups.(para 2.8)

### **10.Classification of the people**

From the point of view of social security first priority has to be given to people of the last category, namely the old, the infirm and the young persons who are destitute and constitute the liability of the State and the first charge on the resources of the State. Admittedly social security for this class of people has necessarily to be provided by means of social assistance .

Above this class are the unemployed The priority need of this class of people is employment and a source of income. The entire development plan is geared to meet this need by means of expanded economic activity and growth. This is however a long term goal. One cannot wait until this goal is reached. In the short term therefore in order to prevent starvation for want of purchasing power it will be necessary to undertake employment schemes, in the nature of public works to provide employment and income to the unemployed and the under employed

Next above this class of people are the people who are employed on casual temporary or intermittent basis. They need continuity of employment. The various decasualisation measures would be relevant in this context.

The self employed persons also belong to the same class. They too need protection of their employment against the vagaries of nature and the market.

Above all these classes are the people who are in regular employment with assured income .They only need protection of their income against. loss or diminution due to the occurrence of any contingency.

All the people irrespective of the class to which they belong need food security, health security , old age security , provision of clothing and shelter, if they are below the poverty line and cannot make their own provision therefor.

Women need maternity protection; they also need protection against widowhood, desertion and divorce. Special measures would have to be taken to increase their participation in gainful employment and to raise their economic status

Children need care and nutrition

Old people also need care especially when they are ill and emotional support

Broadly speaking social insurance types of schemes will be appropriate in respect of those for whom contributions may be made by the beneficiaries themselves or others. In respect of those for whom no contributions can be recovered social security protection will have to be provided under social assistance schemes.

The social insurance schemes which may be occupational or area wise. While occupational schemes may be appropriate in the case of well organised occupations it may be necessary to adopt area based schemes in other cases.

Welfare funds can be an appropriate model to provide social security to workers in the unorganised sector. Welfare funds may be of social insurance type or social assistance type. In either case they would be of occupational in nature..

As however there are numerous occupations in the unorganised sector for whom neither the conventional types of social insurance schemes can be applied nor can welfare funds set up the most appropriate strategy to provide them social security would appear to be by way of area based schemes (para 2.9)

#### **11. Principles governing Social Security Policy/Plan**

The Study Group suggests that the Social Security Policy/Plan for India may be based on the following principles:

- (i) Classification
- (ii) Participatory
- (iii) Equity and efficiency
- (iv) Occupation specific or area specific and need specific
- (v) Gendered
- (vi) Adequacy
- (vii) Unified Administration

Basic social security should be provided by the State. It may be supplemented by other institutions (para 2.10)

### **III .Structure of the proposed Social Security system**

11. The Study Group feels that in considering the question of evolving an integrated and comprehensive system of social security in India one needs to have a broad vision and develop a structure which will encompass the whole population of diverse needs It cannot

be a single scheme but a combination of schemes catering to the needs of different target groups with different needs and different paying capacities. In India there is already a three tier system which can be expanded and consolidated. In the first tier there is the National Social Assistance Programme and other social assistance programmes. At the second tier there are the social insurance schemes namely the ESI Scheme, the Schemes framed under the EPF Act, the employers' liability schemes and such others. At the next level are the numerous voluntary health insurance and old age pension schemes which are being run by LIC, GIC, the UTI and other financial institutions. Lately a new set of schemes have appeared on the scene and they are the welfare funds, subsidised insurance schemes, self help groups, micro credit, micro finance and micro insurance schemes etc. Each of these tiers needs to be expanded to cover the whole population, especially the vulnerable sections

The system envisaged by the Study Group comprises of four tiers, namely:-

- (i) Social assistance programmes financed wholly tax based and financed from the exchequer
- (ii) Schemes which are partly contributory and partly subsidised by the State
- (iii) Wholly contributory social insurance schemes
- (iv) Voluntary Schemes

Destitutes and people below the poverty line who cannot make any contribution for their security may be covered under the tax based schemes in the first tier. Workers in the unorganised sector who have some contributory power but cannot be self sufficient may be covered under the subsidised schemes in the second tier. Those who either by themselves or jointly with their employers can make adequate contribution to the schemes so as to be self sufficient may be covered under the social schemes in the third tier. Others who are comparatively affluent and can make their own provision for meeting the contingencies or risks as they arise may be covered under voluntary schemes which the new insurance companies can provide. The various recommendations made by the Study Group in the previous chapters conform to this pattern and the Study Group commends it for adoption. (para 3)

#### **IV. Social Assistance Programme**

12. The National Social Assistance Programme has undoubtedly served the long felt need for uniform national minimum standards for providing social assistance to the weaker sections of society. But the programme provides only a few benefits, namely, old age pension maternity benefit and family benefit. It is however envisaged that more such benefits may be added in due course. There is an obvious need for expansion of the Programme. (para 4.1)

Article 41 of the Constitution requires the State to make effective provision inter alia for "public assistance in cases of unemployment old age, sickness and disablement and in



other cases of undeserved want” The NSAP is said to introduce a National Policy for such public assistance. However it falls short of this Article in so far as no provision has yet been made for unemployment, sickness and disablement, and other cases of undeserved want. The Programme needs to be expanded for fulfilling the Directive Principle enshrined in this Article. (para 4.1)

The program should ensure that all the people who are not able to work and earn their living have the necessary means of livelihood and that their basic needs such as food, clothing and shelter are met adequately (para 4.1)

Specifically, the program should be extended to other equally deserving categories of people such as physically and mentally handicapped persons and widows. The old age pensions in many States cover these categories but there is no uniformity in the eligibility criteria or the quantum of benefits. A national standard needs to be established for such benefits also (para 4.10)

It is recognised that the assistance provided under the NSAP should be linked to other social assistance packages for poverty alleviation and provision of basic needs so as to supplement the assistance provided. but no such linkage seems to have been established. Apart from the NSAP there are several schemes under which social assistance is provided for various purposes such as follows

- (a) PDS including Annapurna and Antyodaya Anna Yojana Schemes
- (b) Schemes under which supplementary nutrition is provided to women and children including the Midday Meal Scheme
- (c) Housing schemes for economically weaker sections, including schemes for old age homes orphanages, homes for deserted women, beggars etc..
- (d) Schemes under which assistance is provided for self employment
- (e) Schemes under which cash assistance is given to the unemployed
- (f) Schemes under which old age disability and death benefits are provided under subsidised insurance schemes

It is desirable to integrate all such programmes so as to assure every one of a minimum range of benefits and to avoid overlapping of the benefits provided under different programmes: The integrated National Social Assistance Programme should be placed on a statutory footing so as to make it binding on the Government/s (para 4.1)

### **13 Old age pension**

The rate of old age pension is Rs.75 per month. Considering that the floor level minimum wages fixed by the Central Government meant for three consumption units is around Rs.45 per day the cost of subsistence of one consumption unit comes to Rs.15 per day or Rs.450 per month. Granting that a pension may not exceed fifty percent of a wage the minimum

pension should not be less than Rs.200 at current prices The current rate of pension is far below this level and needs to be enhanced.

The rate of pension was fixed in 1995 Since then as there has been a considerable rise in the consumer prices the real value of the pension has been reduced . There is however no mechanism to adjust the pension to the rise in the consumer price index.. It should either be linked to the index or revised periodically so as to maintain its real value.

The Study Group suggests that the income criteria for eligibility for the pensions be reviewed and revised on a uniform basis.

All old persons having an income of less than Rs.8000 per annum at the current level of prices should be entitled to old age pension under the Scheme

As the old age pension is now admissible under a national scheme there is no justification to exclude any person from the benefit on grounds of domicile

When the benefits are subject to a means test, imposition of numerical and financial ceilings would appear to be discriminatory as they exclude from the benefits those who are eligible for the benefits but are denied the same for the reason that they are in excess of the ceilings. The ceilings should therefore be removed. The benefits should be paid to all the persons who qualify for them under the Scheme.

The eligibility criterion of having none to support the elderly should be removed for eligibility for the old age pension.

The population of the elderly has been rising. The budget provision for the old age pension scheme should be increased from time to time corresponding to the increase in the population of the elderly. The selection of persons should be made by local authorities and all eligible persons should be paid pension as due by the local authorities (para 4.2.1).

#### **14. Widows' pension**

The Gujarat Scheme of widows' pension is commended for adoption as the national norm. Under this Scheme widows who have not attained the age qualifying for old age pension are given pension for a limited period of one year during which they are given training for acquiring a skill whereby they earn a livelihood.. At the end of the training an equipment grant of Rs.1000 is given. Additionally the widows are paid Rs.80 per month per minor child for maintenance of their children subject to a maximum of two children each. Further the widows are also paid a stipend of Rs.80 per month Regular old age pension is paid to the widows after they attain the prescribed age. The Study Group feels that a national scheme may be drawn on these lines with the following modifications:

- (a) Widows may be entitled to old age pension at age 60 and above
- (b) Widows between the age of 18 and 60 may be paid pension for a limited period of two years during which period they may be given training to enable them to take up employment
- (c) During this period they may also be paid a supplementary pension of Rs.80 per child for two children for their maintenance .
- (d) At the end of the training they may be paid an equipment grant of Rs.5000

The Study Group does not feel the need for payment of a stipend during the period as they would already be drawing a pension (para 4.2.2 )

#### **15.Pension for the physically Handicapped**

The Study Group suggests that a national scheme may be drawn up for payment of a pension to all the physically disabled persons who are ab initio incapable of doing any work and earning their livelihood or who have lost their earning capacity by more than 70 percent due to any accident or disease. The rate of pension should be the same as suggested above for the elderly. The lack or loss of earning capacity may be assessed by the same procedure as is prescribed for workmen's compensation under the Workmen's compensation Act or disability benefit under the ESI Act..(para 4.2.3 )

#### **16.Other pensions**

Some States have special pension schemes for journalists, artists agricultural workers and others. It is suggested that all such schemes be integrated with a National Pension Scheme with standardised components comprising of an old age pension, invalidity pension or disability pension and a family pension including a widows pension, a children's pension or allowance (para 4.2.4) .

#### **17.National Pension Scheme**

If the recommendations concerning the integration of all pensions schemes are accepted it is further suggested that the National Old age Pension Scheme be renamed as National Pension Scheme and this Scheme may provide for payment of pension at a uniform rate of Rs.200 each linked to the cost of living index as follows;

- (a) All men and women of and above the age of 65 years and all widows of and above the age of 60 and all disabled persons with loss of earning capacity to the extent of not less than 70 percent above the age of 18 (on the assumption that up to the age of 18 they will be looked after by their parents/guardians) subject to an income test related to the poverty line
- (b) All widows between the ages 18 and 60 for a period of two years during which time they may be given training to enable them to earn their livelihood; additionally they may be given financial assistance for maintenance of not more than two minor children at the rate of Rs.80 per child and an equipment grant of Rs.1000 each (para 4.2.5)

## **18. Family Benefit Scheme**

The Family Benefit Scheme is in the nature of survivors' benefit. If a widows' pension with supplements for children is introduced on a national scale the lump sum payment under the Family Benefit Scheme can be reduced, to say Rs.2500, for meeting the cost of funeral and associated expenses. It may be supplemented by the subsidised Group Insurance Scheme called the Janashree Bima Yojana which also provides for a survivors' benefit. This way the two schemes may be integrated. (para 4. 3)

## **19. Maternity Protection**

The responsibility of the State to provide social assistance for maternity benefit or otherwise should be limited to persons below the poverty line. Maternity protection of women workers should be taken care of by the Maternity Benefit Act and the ESI Act. Other non workers should make their own provision through appropriate private insurance schemes.

The Study Group suggests that the quantum of maternity benefit should be raised. In this connection the following facts are relevant. According to ILO Convention the rate of maternity benefit should not be less than 75 percent of the wages last drawn. Assuming the woman qualifying for the maternity benefit under the National Maternity Benefit Scheme is employed on minimum wages for which the Central Government has fixed a floor level of Rs.45 the maternity benefit may not be less than Rs.30 per day or Rs.900 per month. The period for which maternity benefit is normally paid being 12 weeks or four months the total amount of maternity benefit will come to Rs.2700. To this may be added an additional provision of Rs.300 for supplementary nutrition etc. Thus the total amount of cash benefit to be paid will come to Rs.3000 per child birth (para 4..4)

The Study Group further suggests that adequate arrangements be made by the Governments at the Central and State levels to provide day care services for children in the age group 0-5, in the form crèches or otherwise, complementary to the National Maternity Benefit Scheme, to enable all working women to leave their children under proper care in a safe environment removing the burden from the shoulders of their siblings. (para 4.4)

## **20 PDS**

The off take from the PDS has been poor especially in some States like Bihar. It could be due to the fact that as the economic cost has been going up the prices at which food grains are supplied to people below the poverty line are also going up and they cannot afford to buy them at those prices. It could also be due to the poor quality of the foodgrains supplied through the PDS. Besides the quantities supplied at subsidised prices do not suffice for sustenance of the whole family and the people have to supplement them by purchase from the open market. Thus the implementation of the PDS does not seem to be serving the purpose of making food grains available to people at affordable prices fully. The Study Group feels that the food security policy calls for a review and rationalisation (para 4.5)

## **21 Distribution of cloth**

The Study Group is of the opinion that the Central Government should devise a similar scheme for supply of cloth to destitutes free of cost and to the other persons below the poverty line at subsidised prices. The Study Group also suggests that the Janta Cloth scheme may be revived

Assuming that the total number of destitutes is 6 million ( same number as the number of persons entitled to old age pension under the National Old age Pension scheme) and the average cost of supply of cloth is Rs.150 per capita per annum total estimated cost of supplying cloth free of cost will be Rs.90crores. Assuming that the number of below the poverty line is 250 million ( 25% of the population ) supply of cloth to them at subsidised prices at a cost of rs.50 per head will come to Rs.1250 crores the cost of subsidy (para 4.6)

## **22. Housing**

It is difficult to appreciate the discrimination between the rural and urban poor on the one hand and between members of different occupational groups on the other. in the matter of housing subsidy . The Study group suggests that a uniform policy be adopted in providing subsidy for housing (para .4.7)

## **23. Economic security**

The Scheme aims at providing employment to the unemployed failing which to give an unemployment allowance There are already several programmes designed to provide employment to the unemployed and the Government is already committed to incur bulk of the expenditure involved in such a scheme. The only additional feature of the guarantee scheme is to pay an unemployment allowance when the State is not able to provide jobs. Assuming that such an allowance would have to be paid only to the unemployed persons who are below the poverty line the burden of such an allowance may not exceed Rs.350crores. as pointed out in the chapter on Unemployment Relief The Study Group therefore feels that this is the kind of safety net that the country needs in these days of globalisation. It appears that this was also the view of the Planning Commission when they said that "the effort to implement a National Employment Assurance Scheme is of considerable importance " The Study Group is also of the opinion that such a scheme would not be infeasible and should be given a fair trial

An attendant problem concerning wage employment relates to the quantum of wages. A recent study has revealed that in many States the rates of minimum wages fixed are very low and they do not take into consideration the minimum amount required for the subsistence of an average worker's family. The methodology adopted for fixing the rates of minimum wages vary and they do not conform to any scientific basis The wages actually paid are much lower than even such wages. The Supreme Court has laid down certain guidelines

for fixing the minimum wages. at a subsistence plus level The Study group feels that these norms should be enforced and the level of minimum wages should be raised and more effective measures should be taken to ensure that no one pays wages below the minimum wages as that will constitute forced labour.. While promoting wage employment, the States should adopt and enforce a rational minimum wage policy.(para 4.8 )

#### **24. Unemployment relief**

The Study Group feels that the Central government should consider introducing a National Scheme of Unemployment Relief to the unemployed persons subject to a means test.

While the problem of unemployment and under employment has to be tackled mainly by means of programs which generate employment on short term or long term basis there will always be a number of persons unemployed or under employed. According to the Ninth Five Year Plan the sub stratum of the unemployed will be about 7 million till the year 2002 and it is likely to go down to 4.1 million by 2007 <sup>20</sup>

A.P. and Karnataka Governments have also taken similar measures to provide relief to weavers and maize producers .

The problem is of continuing nature and it cannot be solved by such one time measures. It is necessary to institutionalise the arrangements . for preventing starvation.

The programmes to generate wage employment and to promote self employment are undoubtedly designed to alleviate poverty but considering the incidence of destitution resulting in such tragic events it would be obvious that these programmes are not reaching the most needy and they need to be supplemented by an unemployment relief measure.

Assuming that the total number of the unemployed is about 7 million and 25 percent of them belong to families below the poverty line about 1.75 million people will require such relief.

The rate of unemployment relief varies from State to State.. Whatever relief is provided should be adequate for ones subsistence. On the basis of the floor level minimum wage fixed by the Ministry of Labour (Rs.45 for three consumption units) the amount required for subsistence at that level will be around Rs.15 per day. In order that the unemployed do not choose to be on dole in preference to employment, the rate of the unemployment relief will have to be less than the minimum wage. It may therefore be fixed at Rs.7.50 per day. or Rs.200 per month ( Rs.2400 per annum), the same amount suggested for old age pension.

The estimated cost of such a scheme will be Rs.420 crores per annum (para 4.9)

## **25. Land Reforms**

Generating greater access of landless rural poor to land is considered an important component of the effort aimed at poverty alleviation. It is therefore necessary to ensure better implementation of the programme. As however land reforms is a State Subject the Central Government can only advice and monitor the progress . The Study group suggests that this function may at least be executed diligently. (para 4.10)

## **26 .Health Security**

Having regard to these observations and recommendations the Study Group has come to the conclusion that while basic health security has to be provided by the primary health care infra structure it may be supplemented by one or more of the various options indicated above. Considering the size and diversity of the population in India no one model would be adequate. It may be necessary to have a combination of schemes . As most of these schemes will be voluntary development of such schemes may be left to the initiative of the people to form groups and to organise them according to their felt needs and solutions (para 4.11)

The Study Group however feels that the health insurance scheme of the ESI has an important role to play in supplementing the public medical service. It is therefore necessary to take all possible measures to improve its working and its expansion (par 4.11)

## **27 Nutritional support**

The Study Group has heard of some complaints about the working of the Midday Meal Scheme. It suggests that these complaints be looked into and the programmes made more effective. (Para 4. 12)

## **V. Social Security for certain vulnerable sections of people**

### **28. Social Protection of women**

The Study Groups has suggested introduction of a National Widow Pension Scheme coupled with a training programme to help the younger ones to be self sufficient

#### ***(b) Maternity Benefit***

Maternity benefit is one of the important social security benefits provided to women. There are several legislative and other measures under which this benefit is given but their coverage is limited . In some cases the quantum of benefit is also lower.

The Study Group has suggested significant enhancement of the quantum of benefit admissible under the Scheme

Even within the limited coverage the benefits of the schemes are not being fully utilized. This could be due to ignorance, cumbersome procedures and other reasons. It is therefore necessary to simplify the procedures and to create greater awareness among the beneficiaries. N.G.O.s can render better service in this regard. It should be tapped.

**(c) Family Benefit Scheme**

The Study group has suggested connecting this Scheme with the National Widow Pension Scheme and Janashree Bima Yojana

Having regards to all these aspects the Study Groups feels that the social security concerns of women and the programmes designed for meeting their social security needs should be integrated into the social security programmes of all the people whether in the organised sector or unorganised sector and they should be given high priority in the implementation of those programmes. Specifically, the Study groups suggests that priority should be given to extend maternity benefit, child care through crèches widow pension and such other schemes to all women living below or at the poverty line (para 5.1)

**29. Social Protection of Children**

The basic cause for the sad state of children in India is poverty. Unless this problem is tackled it cannot be improved.. The various poverty alleviation programmes are designed to meet this problem but they donot seem to be adequate. The Study Group therefore feels that a special social security scheme needs to be introduced to supplement the income of the poor for the maintenance of children. on the lines of the Family benefit provided under the ILO Conventions

There is social security dimension to the problem of child labour. In most case children are sent to work because of the inability of the parents to educate them and their need to supplement their income with the income of the children. If the families below the poverty line can be given some financial assistance for the maintenance of their children in the form of a family benefit it may go a long way to enable them and encourage them to withdraw their children from labour. Such schemes already exist in some States where financial assistance is given to SC/ST families as an incentive to send their children to school. The scope of such schemes need to be widened. The Study Group therefore suggests that a national scheme may be designed for payment of children's allowance on a universal basis subject to a means test to persons below the poverty line. This would be one way of integrating social security schemes with poverty alleviation programmes

The Government of South Africa is reported to have introduced a Scheme of State Support of Children of Poor Families. There are similar schemes in India for members of Scheduled Castes and Tribes who are given monetary incentives for sending their children to school. The Study group suggests that the scope of these schemes may be extended to cover all



families below the poverty line whereby the parents may be given a cash allowance for the maintenance of children

According to the 1991 Census the total population of children was about 320million. Assuming that this number has gone up to 350 million by the year 2001 and that 25 percent of them are below the poverty line the number of children for whom such assistance would have to be given would be about 90 million Assuming again that the rate of children's allowance to be paid would be Rs.50 per child the total cost of the scheme would be about Rs.5400crores per annum

Additionally the Study Group suggests that special measures may be taken to prevent sickness and to promote the overall well being of children of below the poverty line families. In particular, special care should be accorded to girl infants and children . Village based crèches and day care centres, should set up for the children of poorest families from birth to six years These centres should provide custodial care health nutrition and child development services including cognitive and emotional development (para 5.2)

### **30. Social Protection of the elderly**

The Study group has suggested liberalisation of the eligibility criteria and enhancement of the rate of pension and its linkage to the Consumer Price Index.

Assuming that at least 1 % of the aged require institutional care, facilities would have to be created for providing institutional care to about fifteen lakh persons. It is doubtful if voluntary organizations will come forward to set up so many old age homes. There is therefore no alternative to the Central and State Governments taking the initiative to set up their own homes in sufficient numbers.

It is necessary to develop appropriate social health insurance schemes for the elderly which may be linked to pension insurance.

With the growth of the population of the aged, the associated problem of caring for the aged is becoming increasingly important. Lately it has been systematized in the form of social care insurance as a part of social security. It has been reported that in 1991, in Germany, approximately one-third of the social security expenditures was devoted to care provision. The concept of care dependency is distinct from treatment for illness and covers help with daily tasks that do not fall under any medical treatment plan, e.g., personal hygiene, feeding, mobility or housework.

The normal and preferred arrangement for taking care of the aged is to encourage them to live with their families. Where there are either no families or the families cannot look after them, they would have to be provided with institutional care. Appropriate schemes would need to be designed for the purpose.

Assuming that at least 1 % of the aged require institutional care, facilities would have to be created for providing institutional care to about fifteen lakh persons. It is doubtful if voluntary organizations will come forward to set up so many old age homes. There is therefore no alternative to the Central and State Governments taking the initiative to set up their own homes in sufficient numbers.

One cannot be content with the setting up of the homes. The quality of service provided in these homes needs to be monitored. The existing arrangements in this regard are less than adequate. It is therefore necessary to establish a well organised regulatory system to ensure that standards are maintained and exploitation avoided.

Appropriate schemes would need to be designed for the health care as well as long term care of the elderly

The Study Group welcomes the move to amend the Cr.P.C. (regarding maintenance) and suggests that the ceiling on the amount to be paid for maintenance of dependants may be removed as was proposed by Tamilnadu and it may be left to the courts to decide the amount depending on the facts of the case

In order to that the elderly people keep healthy it is necessary that they should remain gainfully active. Their services should therefore be utilised in various activities of the community such as manning child care centres cultural clubs, vocational training centres etc for which they may be paid appropriate remuneration. (para 5.3)

### **31. Social Protection of the disabled**

Since the Ministry has itself recognised the deficiencies in the existing arrangements for social protection of the disabled there is not much that the Study Group can say in the matter The Study group however feels that it is necessary to prepare a comprehensive plan of action covering inter alia the following aspects:

(i) Removal of the disabilities, whenever possible, should be the basic objective of any such plan. Where the disabilities cannot be removed, measures should be taken to bring the disabled persons on to the mainstream by providing them appropriate education and skill training.

(ii) The PWD Act already provides for a 3% reservation in identified posts in all government and public sector offices for disabled persons. Steps should be taken to enforce this provision strictly The feasibility of extending this requirement to employment in private establishments as in Germany may be considered.

(iii) Provision of adequate employment opportunities should be the second priority in any scheme for the welfare of the Disabled.

(iv) But it may not be possible to provide employment to all the disabled as their capacity to work would not be uniform. In cases of persons who cannot work, the State should provide a safety net by providing them food, clothing and shelter at its own expense.

There should be proper assessment of the numbers involved and schemes prepared to cover them.

**The Study group suggests that the feasibility of opening District Rehabilitation Centres in all the districts and in all the States and U.T.s. may be considered. It would be desirable to route all social assistance for disabled persons through such centres**

Many States have extended the old age pension schemes to the physically handicapped persons with relaxation of age. The Central Government should consider evolving a National Scheme so as to make it applicable to all States /U.T.s. Destitution is the eligibility criterion as in the case of old age pension except in some States like Haryana where poverty has been the criterion. Percentage of disability would be a better criterion as in the case of Disablement Benefit under the W.C. Act and the ESI Act. The quantum of the pension should be such as will be adequate to meet the basic needs. The Study Group has suggested the introduction of a National Scheme of Pensions for the physically handicapped (para 5.4)

## **32.Social security for cultivators and agricultural workers**

### **(a) Cultivators**

In spite of several schemes having been designed for promoting and protecting the interests of cultivators) reports are appearing in the press of death by suicide of several agriculturists due to their inability to cope with the loss of income for various reasons including crop failure or the after effects of globalisation. It is therefore obvious that the various protective schemes drawn up by the government need to be strengthened and enlarged to cover those who are outside their umbrella ( para 5.5.)

### **(b).Agricultural workers**

The Union Finance Minister in his budget speech for the year 2000-01 announced the proposal to introduce a new Social Security Scheme for agricultural workers called the Khetihar Mazdoor Bima Yojana. The Scheme is reported to have been launched on the

The Study Group welcomes the initiative taken by the Government in introducing the Scheme (Khetihar Mazdoor Yojana). It seems however to be a departure from the original

proposal to establish an employment board and a welfare fund for the workers. The Study Group suggests that the proposal to set up a Welfare fund may not be given up

In the past contributory schemes of this kind have not been successful. Much depends upon the kind of extension work that is done to promote the Scheme. As the Scheme is yet to be operationalised it is premature to say what will be the result of this Scheme. The study Group hopes that it will be successful

There are several occupational groups sharing the socio economic conditions of agricultural workers. To target a single group for such a scheme may be discriminatory. The Study Group therefore suggests extension of the scheme to other workers also in the unorganised sector.(para 5.5)

### **33.Leprosy affected persons**

It is satisfying to note that a large number of leprosy affected persons have been cured but the number of persons yet to be cured is by no means small. They need not only treatment for the disease but also assistance for their living as they may not be able to work and earn their livelihood except through beggary. Even in the case of leprosy cured patients it is doubtful whether they can be totally self reliant. The Government of Kerela has therefore introduced a pension scheme for such patients. Brief particulars of that scheme are given in Annexure VI. The Study Group suggests that a national scheme be drawn up for payment of pension to leprosy affected persons on the same lines as the pension for the physically handicapped persons with the rate of pension being raised to Rs.200 per month (para 5.6 )

### **34.Mentally ill persons**

The Study Group suggests that a National Scheme be drawn for providing institutional care and payment of a pension to those mentally sick people who are unemployable and who cannot eke their livelihood, the rate of pension being the same as for old age pension (para 5.7 )

### **35. Beggars**

While able bodied beggars should be given training and helped to get employed so as to enable them to give up beggary there may be many persons who may not be able to work and earn their living. In such cases the State would have to provide them the means of livelihood. This can be done either by maintaining them in beggar homes or by giving them a pension on which they may subsist. The Study Group suggests that a National Scheme be drawn up for the purpose. (para 5.8)

### **36.Scavengers**

The Study Group while commending the initiatives taken by the Central Government to eliminate the obnoxious practice of manual handling of night soil and filth suggests that

effective measures be taken after discussion with the representatives of the States for weaning the people engaged in that profession and to rehabilitate them in other employments

There is a proposal to establish one or more welfare funds for rag pickers. It is suggested that the feasibility of setting up similar welfare funds for the other scavengers also may be considered( para 5.9.).

### **37 .Study of the working of the schemes**

The ILO in its report on Social Protection for the Unorganised Sector has drawn attention to the following issues concerning implementation of social assistance schemes and suggested a study of the same

- (i) To determine the criteria for eligibility (income, assets, niradhar status etc.)
- (ii) to improve targeting and delivery by
  - (a) assessing what are the best modes of payment,
  - (b) designing a rigorous poverty assessment method that will be the base for fixing budget ceilings at the block level
  - (c) defining a mechanism by which benefits can be adjusted for inflation
- (iii) link up social assistance programmes with other antipoverty programmes”

The Study Group suggests that a study of these issues should be carried out before embarking on the expansion of the existing schemes or introduction of new schemes The Study Group further suggests the continued relevance of the criteria underlying the schemes may be kept under constant watch by means of periodical review. .(para 5.10.79)

### **38.Social Security against natural calamities**

It is obviously necessary to augment the resources for meeting the cost of natural disasters.

In the UK a set of guidelines have been issued by the Home Office for dealing with Disaster. These guidelines identify the agencies responsible for handling the situations arising out of disasters and how they should function: The guidelines also set out the command and control mechanism to be set up for handling disasters Similar arrangements need to be made in India

The enormity and complexity of the problem. would suggest the need for initiating action on many fronts. The starting point for such action would be to develop a comprehensive disaster response and mitigation policy and a legal, and administrative framework to implement it. The Study Group is in no position to suggest outlines of the policy or the framework but it suggests an expert group being constituted to work them out (para 6. ).

## VII. Social Security for Workers in the un-organised Sector

### 39 .Insurance Schemes

The Study Group therefore suggests that the Insurance Companies may be required to develop two or more plans providing coverage for the major risks faced by the people namely health, life, widowhood, accident, loss of assets etc with a uniform rate of subsidy and leaving it to the individuals to exercise the choice among them depending on their capacity. The services of organisations of the people and NGOs should be utilised to promote the policies and also to service them. The schemes may be implemented through the local branches of the insurance companies with the peoples organisations and NGOs functioning as agents or as nodal agencies to collect the premia and to process the claims

The Study Group feels that one of the reasons, if not the main, for the unsatisfactory response to the social security insurance schemes being implemented through the LIC and the GIC is that being commercial organisations these corporations have not been able to give adequate attention to the unprofitable social security schemes especially in the context the opening of the Insurance sector to private enterprise. It was for this reason that the Malhotra Committee that went into the question of restructuring the insurance industry had, while recommending the opening of the insurance industry to the private sector, suggested that the role of running social security insurance schemes that were being run by the LIC and the GIC should be run through a separate exclusive organisation to which the insurance industry both public and private could be asked to contribute

The Insurance Regulatory and Development Authority (IRDA) has, in terms of the powers vested in it under the amended Insurance Act, through the regulations issued by it, provided that every insurance organisation licensed by it to do insurance business, life or general, must provide social insurance cover to the prescribed number of persons belonging to the weaker sections in the unorganised sector every year. This provision is likely to lead to a variety of schemes providing dissimilar benefits to the weaker sections. The Study Group therefore suggests that a separate organisation be set up to administer these schemes and the insurance companies licensed by the IRDA be asked to make appropriate contributions to this organisation instead of trying to fulfil the obligations laid down in the regulations directly.

Indeed the Economic Survey 2000 says that the Government has decided to set up an exclusive organisation for implementing the National Agricultural Insurance Scheme. The Study Group suggests that the same or another similar organisation may be entrusted with the administration of all subsidised insurance schemes (Para 7.1)

In the course of its meeting with the representatives of Insurance Companies the Study Group was informed that the amount available in the Social Security Fund with the LIC may not be adequate to meet the cost of subsidy if large number of persons were to avail of it. A suggestion was therefore made that it should be augmented by earmarking a part of the service tax being levied on insurance business. The Study Group feels that it is a good idea and commends it for consideration of Government

#### **40. Welfare Funds**

(a) Welfare funds could be a model for providing social security to the workers in the unorganised sector.

(b) A welfare fund may be set up for each of the major employments with large number of persons employed such as follows:

- (i) agriculture,
- (ii) building and construction industry including brick kiln industry,
- (iii) beedi industry
- (iv) handlooms and power looms
- (v) fishing and fish processing,
- (vi) toddy tapping
- (vii) headload workers
- (viii) railway porters
- (ix) agarbathi
- (x) rag pickers and other scavengers
- (xi) rickshaw pullers
- (xii) salt workers
- (xiii) carpet weaver
- (xiv) leather workers, etc.

(c) As regards the other minor employments it might not be practical to set up a Welfare Fund for each such employment. It would be necessary to bring them under an umbrella type of legislation with a common Welfare Fund

(d) The Welfare Funds should be contributory but the contributions that workers could make to such Funds would necessarily be small and would not, by themselves without a contribution by either the employers or the Government, be adequate to provide them any meaningful social security. The employers would therefore have to make more significant contribution to the Welfare Funds.

But it would not be easy to collect contributions from the employers except where they are required to obtain a permit or a license or where they were required compulsorily to register themselves. In other cases collection of contributions would require an effective administrative machinery which might not be cost effective.

If the welfare activities were combined with regulation of employment through Welfare Boards whereby the employers as well as workers would be required to register themselves compulsorily it would be possible

- (i) to ensure regularity of employment
- (ii) to fixation and revision of wages on a rational basis compensating the workers for increase in the cost of living and also to give them the benefit of higher productivity and profitability;
- (iii) to provide for all the essential welfare benefits

The Study Group noted that the Mathadi Boards which had combined welfare with regulation of employment and wages were working well and could be deemed to have been successful in achieving their objectives. The Study Group therefore suggests the adoption of that model wherever possible

(e) If the foregoing suggestion is not found feasible the only alternative is for the Government to provide the supplementary finance to the funds by levying a tax in the form of a cess or surcharge at a rate which would yield sufficient revenue, or otherwise. Where a separate Welfare Fund is set up for a particular employment it might be easy to identify the source of the tax revenue, but in the case of a Common Fund the source of revenue would have to be of general nature.

If a tax were to be levied of a general nature for financing social security of the large majority of workers in the unorganised sector it might be more appropriate to adopt the area based approach recommended by the ILO which is akin to the system obtaining in Australia or New Zealand or the system that was recommended for the U.K by Lord Beveridge.

In this context the essential point to be noted is that while in the organised sector employers are required to make contributions to a social insurance scheme at a rate higher than or equal to the rate of contributions by the workers, in the unorganised sector the State will have to take the place of the employer if the employer cannot be identified or made to pay his share of the contributions.

It is more so in the case of self employed persons for whom there no employers at all. (para 7.2).

#### **41. Restructuring of the Central Welfare Funds**

The only social security provision in the conventional sense made in the welfare fund laws is health care. The Welfare funds can however be transformed into instruments of social security if they can be restructured suitably as indicated below:

- (a) the coverage of the funds should be expanded,
- (b) the range of benefits provided under the welfare funds should be broadened .
- (c) the financial arrangements for providing those benefits should be modified.; and



(d) finally the administration of the funds should be decentralised and made participatory. Specific suggestions in this regard are given in Annexure IX (para 7.2)

#### **42. Employment Boards**

The Study Group met the officials administering these boards, the representatives of workers as well as employers and after talking to them formed the impression that the boards were working well. The Study Group has therefore no hesitation in commending that model for adoption in other similar cases. In particular the Study Group suggests that the welfare Board model be extended to

- (a) Headload workers.
- (b) Security guards
- (c) Beedi workers
- (d) Building workers
- (e) Fish processing workers
- (f) Ragpickers

There are already such boards for head load workers in Kerala and Maharashtra. They may be set up in other States as well. The National Campaign Committee for Central Legislation for construction workers headed by Justice V.R. Krishna Iyer has been demanding the establishment of such boards for the building industry. They may be set up in some States like Tamilnadu where the demand is very strong on an experimental basis before extending to other States. ( para 7.3)

#### **43. Area Based Schemes**

The ILO in its report on Social Protection for the unorganised sector has recommended that in order to universalise access to social protection for the self-employed and workers in the unorganised and informal sectors a reasonable alternative to the various occupation based schemes currently in vogue, would be to design a scheme on area basis which would move away from the vertically organised spheres towards a person oriented approach with the aim of covering within a compact geographical area.

The proposal concerning Area Based Schemes appears to be eminently suitable for application to the workers in the unorganised sector who are too numerous to be covered under occupation based schemes. The Study Group suggests that it may be tried out on experimental basis in some States before extending it to other States. ( para 7.4)

#### **44. Micro Credit /Micro Insurance**

The Study Group feels that the current trend towards poverty eradication through social mobilisation, i.e., organising the unorganised workers, needs to be encouraged and expanded .

Unorganised workers may be mobilised and organised to form –

- (a) self help groups : these may focus on savings and credit and /or producing goods like crafts salt minor forest produce processing agricultural produce etc.
- (b) Local workers economic organisations: these are organisations at taluk level or preferably district level associations and federation of self help groups
- (c) District level cooperatives producing goods and services ; e.g. milk cooperatives land and agro -forestry based cooperatives, child care and midwives cooperatives, etc.
- (d) Village based mahila mandals or yuvak mandals or kisan sanghs

Once organised into small medium or large workers organisations they could be actively involved in-

- (a) provision of credit
- (b) micro insurance by linking with savings and credit supplying groups or organisations and
- (c) social security services through the area based approach

These local decentralised organisations would be involved in district level goal setting for social security the implementation of all social security programmes ( both work based and area based) and in monitoring of these programmes

In this way a suitable mechanism to reach much needed social security to geographically scattered unorganised sector workers will be developed . Provision of services will then encourage the invisible unorganised workers to organise and build their own organisations (para 7.5)

## **Social Security for workers in the Organised Sector**

### **45. International standards**

The Study Group feels that while it may not be possible to ratify the conventions immediately it is desirable to plan for their eventual ratification by upgrading the laws and practices gradually. The Study Group suggests that at the minimum steps should be taken to ratify the Minimum Standards Convention within a reasonable time frame (Para 8.2)

### **46. Employment Injury Benefit**

(a) Suggestions for further extension of the coverage of the Act.

The following steps may, therefore, be taken for further extension of the scope of the Act.

- (i) The term 'workman' may be replaced by the term employee so as to make the Act applicable to all categories of employees doing away with the distinction between clerical staff, supervisory and managerial staff and others, on the one hand, and between persons employed on casual basis or otherwise on the other.
- (ii) The term 'employee' may be defined to mean any person employed in any employment specified in Schedule II..

(iii)The entries in Schedule II may be revised as per the Standard Industrial Classification so as to make it applicable to all classes of employees progressively within a time frame, if not immediately, with an omnibus provision as contemplated earlier, referred to by the Economic Administration Reforms Commission.

(iv)The following types of restrictive clauses where-ever they occur in the schedule may be omitted :

“Otherwise than in clerical capacity”

“ in which on any one day of the preceding twelve months ten/twenty/twenty-five/ fifty or more persons have been so employed”

“whose depth from the highest to the lowest point exceeds twelve feet” etc.

#### **(b) Other reforms**

The ESI Act provides that

(i)an accident arising in the course of employment should be presumed in the absence of evidence to the contrary to have arisen out of that employment.

(ii)an accident is deemed to arise out of and in the course of employment notwithstanding that the insured person was at the time of accident acting in contravention of the provisions of any law or of any orders given by or on behalf of the employer or that he was acting without instructions from the employer under specified circumstances.

(iii)an accident occurring while travelling in employers' transport is deemed to have arisen out of and in course of employment under specified conditions.

(iv)an accident happening while meeting an emergency is deemed to have arisen out of and in course of employment under specified conditions.

Similar provision does not exist in the Workmen's Compensation Act. as the nature of the contingency, namely, occupational injury against which employees are sought to be protected under the two laws is the same there seems to be no justification in making a distinction between the two laws as to what constitutes an occupational injury. It is, therefore, suggested provision may be made in the Workmen's Compensation Act also on the foregoing lines.

When a person meets with an accident or is suffering from an occupational disease, he needs medical care more than anything else. While medical care is provided under the ESI Act in all cases of injury whether occupational or not automatically there is no provision for provision of medical care under the Workmen's Compensation Act. It is necessary to make a provision in that Act also that the workmen who meet with accidents arising out of and in the course of employment or suffer from occupational diseases should be provided medical care at the cost of the employer.

An employee who is partially disabled will not be able to live on the compensation that is paid which would be proportionate to the loss of earning power. He needs to be vocationally

rehabilitated to supplement his income. Many collective agreements make provision for such vocational rehabilitation. A provision may be made in the Workmen's Compensation Act also in that regard. As employers employing small number of employees may not be able to absorb the disabled persons in their establishments this provision may, if necessary, be restricted to comparatively large establishments.

The liabilities arising out of the Act may prove to be heavy especially for small employers. They are, therefore, apt to avoid them by denying the liabilities and contesting the claims. This is the major defect of the law. It is, therefore, essential that there should be provision for compulsory insurance of the liabilities. The best course is to bring them under the ESI Act by extending the coverage of that Act for the occupational injury benefits only if not for others to the maximum extent possible.

The alternative is to introduce a separate social insurance scheme for employment injuries and occupational diseases only in replacement of the Workmen's Compensation Act, 1923 and the provisions in the ESI Act for disability and dependants benefits with contributions from the employers only.

Another alternative is to prescribe compulsory insurance as suggested by the Economic Administration Reforms Commission or to set up a Fund as suggested by the National Commission on Labour.

There can be no doubt that unless the risks are insured one way or the other there are little chances of the benefits under the Act flowing to the beneficiaries in the ordinary course.

In the case of workmen for whom employment boards or Welfare funds are established payment of compensation for occupational injuries may be made through those boards or welfare funds. This proposal is explained in another section.

The Workmen's Compensation Act provides for payment of compensation in case of disability or death in the course of employment. It is one of the earliest and primary forms of social security. but the application of the Act is subject to severe limitations and restrictions for which there is no obvious justifications So long as the Act requires compensation to be paid for injuries caused in course of employment and arising out of employment there is no reason why the Act should not be made applicable to all employees.

There is however no doubt that broadening the scope of the Act will add to the liabilities of the employers. Some of the small employers may not be able to bear the burden especially after the minimum quanta of benefits have been enhanced. It is therefore necessary that provision should be made for compulsory insurance of the liability under the Act. Where an establishment is covered by the ESI scheme, this problem does not arise. The solution

therefore lies in extending the coverage of the ESIC or to set up a separate Corporation for the purpose.

Having regard to the foregoing observations there is need for reform of the Workmen's Compensation Act on the following lines :

- i. Conversion of the scheme of the Act from employers' liability to social insurance.
- ii. Extension of the coverage progressively to more employments and classes of employees and removal of the restrictive clauses in Schedule II.
- iii. Arrangement for more effective monitoring the implementation of the Act.(para. 8.4)

#### **47. Maternity Protection**

So far as the organised sector is concerned the existing provisions for maternity benefit should be extended so as to be applicable to all women workers There are three ways of doing so: one is to extend the application of the Maternity Benefit Act, the other is to extend the application of the ESI Act and the third is extend the scope of Welfare Fund and other special employment schemes. The ESI Scheme being a composite scheme its extension is conditioned by many factors. Suggestions have therefore been made elsewhere that it should be restructured in such a way whereby it may be possible to extend the provisions of that Act so far as employment injury and maternity benefits are concerned throughout the country to all classes of establishments subject to such limits as necessary with respect to the number of persons employed In the meantime the application of the MBA may be extended to all classes of establishments where women are employed in large numbers.

As stated above, the Maternity Benefit Act is presently applicable to all factories, mines, plantations, shops and establishments and a few other classes of establishments. There are many other classes of establishments where women are being employed increasingly to which the Maternity Benefit Act is not applicable. It is suggested that those classes may be brought within the scope of the Act on priority basis by following the Standard Industrial Classification. Some of these are mentioned below:

- (i)Aviation
- (ii)Building and Construction industry
- (iii)Transport and communications
- (iv)Trade and commerce
- (v)The Services Sector, namely
- (vi)Educational and scientific services
- (vii)Medical and health services
- (viii)Religious and welfare services
- (ix)Legal services
- (x)Business services

- (xi)Community services and trade and labour associations
- (xii)Recreation services
- (xiii)Personal services
- (xiv)Other services, etc.

The Maternity Benefit being based on the principle of employer's liability the financial feasibility of the extension of the Act depends upon the capacity of the employers to pay the benefit. This capacity varies according to several factors and cannot be generalized with reference to the nature of the industry or occupation. According to the Convention 103 of the ILO in no case should the employer be individually liable for the cost of the benefits. It is therefore very essential that the scheme of the Act should be converted into social insurance. This object can be achieved if the Maternity Benefit Act is integrated with the ESI Act ; if that is not feasible the question of introducing a separate social insurance scheme exclusively for maternity benefit or in combination with the employment injury benefit may be considered.

Maternity benefit consists of several elements, which are set out in the ILO Convention No.3 as follows:

- (i)Women are forbidden to work during the six weeks following their confinement;
- (ii)They have the right to leave work on presentation of a medical certificate proving that they are likely to be confined within six weeks;
- (iii)The employer is prohibited from giving a female worker notice of dismissal during the prescribed period of absence;
- (iv)A female worker, while absent from her work on account of pregnancy or confinement must be paid benefits sufficient for the full maintenance of herself and her child;
- (v)They will be entitled to free attendance by a doctor or a certified midwife; and
- (vi)They must in any case, if they are nursing the children, be allowed half an hour twice a day during the working hours for this purpose.

The Maternity Benefit Act provides for all these except item 5 for which a provision of a medical bonus is made. The current provision for medical bonus is Rs.250, which needs to be enhanced. Alternatively provision may be made for medical attendance and treatment at the expense of the employer during the period of pregnancy, confinement and postnatal period including any illness during this period.

The ESI Act provides for items 4 and 5 and is silent about the others. It needs to be amended to make provision for all these items.

Studies have indicated general dissatisfaction about the working of the various legislative measures. In the case of the ESI Act the complaints are about the inadequacy of the hospital and dispensary facilities, delays in payment and payment of cash in lieu of hospitalisation

facilities. In the case of the Maternity Benefit Act the complaints relate to alleged bias against women in employment, lack of awareness on the part of the women about their entitlements. Appropriate measures should be taken to remedy these defects.

So far as women in the unorganised sector are concerned there is undoubtedly need for a separate legislation for providing not only maternity benefits but also other social security benefits. The legislation may make provision for maternity benefit through welfare funds where such funds are established or through area based scheme elsewhere to all women whether gainfully employed or not (para 8.5)

#### **48 ESI Scheme**

The object and scope of the Scheme needs to be reviewed in the current context when public as well as private medical service has developed

The Study Group feels that the pre-eminent position given to medical benefit in kind should be reconsidered. The ESI Scheme is basically an insurance scheme which is a finance function. Medical service can be provided directly or indirectly. It is not necessary that direct provision of medical services should be an essential part of the scheme. The service may be provided by anyone who has the facilities and the Corporation may for it under an appropriate arrangement. Indeed the whole world is moving in the direction of market based methods of providing health care. The ESI Scheme itself has taken certain steps in that direction.. That being so, the argument that provision of medical benefit being the primary function of the ESI Scheme it cannot be extended for cash benefits only without the medical benefit is no longer valid. The study Group therefore strongly urges that the benefit structure of the ESI Scheme be unpackaged and provision be made for extension of the scheme for one or more benefits separately or in groups. The Study group further suggests that immediate steps be taken to extend the scope of the Act for purposes of employment injury benefit and maternity benefit throughout the country without waiting for the corresponding provision for medical benefit.

There is a view that the cash benefit component of the scheme cannot be separated from the medical benefit because the title to cash benefits is based on the medical certificates issued by the Authorized Medical Officers. However, considering that the WC Act and the Maternity Benefit Act are being implemented without any provision for medical care, and also the fact that arrangements can be made to accept certificates issued by Government and other qualified Medical Officers, the study group feels that arrangements for own medical care set up is desirable but not essential for administration of cash benefits.

When the constraints on extension of the ESI Scheme are removed as suggested above there would be no justification for retaining the other restrictions on the application of the

Act , namely, the number of persons employed , the areas and sectors of employments to be covered and the wage ceiling . They may all go. If necessary there may be a ceiling on wages for purposes of contributions and benefits only as in the Payment of Bonus Act and the Workmen's Compensation Act.

Casual and contract workers may be covered for limited benefits at reduced rates of contribution as recommended by the various committees and the ILO

The existing medical facilities available with the corporation, along with purchase of services from other agencies with whom corporation can enter into agreements may be used for providing services to all classes of workers who wish to join the scheme.

There is provision in the Act for grant of exemptions to establishments having arrangements to provide similar or superior benefits . The Corporation however is not in favour of granting exemptions on the ground that it would go against the principle of solidarity on which the scheme is based This objection seems to be unsound when the Corporation has been unable to cover large sectors of employment for lack of necessary medical facilities. If the pressure on the existing facilities can be released by grant of exemption to those who can make their own arrangements other establishments who cannot make their own arrangements can be covered. The fear that this may lead to adverse selection would also be unfounded because it cannot be said that any particular section of people or sector of employment are more prone to sickness than others. The Study group therefore feels that there is no harm in granting exemptions to those who wish to exit provided correspondingly the door is thrown open to others who wish to enter the scheme The Study group therefore suggests that although there may be a number of policy considerations against the granting of exemptions the practice of granting exemptions in cases where the establishments satisfy the prescribed conditions may reasonably be continued .

.The primary responsibility for administration of medical benefit under the ESI Scheme rests with the ESIC. A part of the responsibility is delegated to the States who function practically as the agents of the Corporation. the authority and responsibility of an agent vis-à-vis the principal are limited. They cannot take full responsibility for the administration of the scheme nor can the ESIC assume the responsibility and administer the Scheme directly in the absence of necessary infrastructure. As their perceptions differ they cannot also act jointly and unitedly. There is thus a dichotomy in the administration of the medical benefit. The situation cannot be remedied by any patch work. It calls for a surgical operation. The scheme needs to be restructured. One way to do it is to divest the States of their responsibility for medical benefit and to transfer the function to the Corporation. Another way is to create a separate organisation for administration of medical benefit, the ESIC being responsible for cash benefits only . The present thinking seems to be in favour of the first



alternative but it may not be easy for a single corporation to administer hundreds of ESI hospitals all over the country. The Study Group has suggested elsewhere the constitution of a Central Board of Social Security with functional divisions , one of the divisions being responsible for medical benefit and the other for cash benefits. Such an arrangement will make for separating medical benefit from cash benefits without a divorce. The Study Group therefore favours the second alternative.

The Study group is of the view that as in any other insurance scheme in order to ensure financial stability of the scheme, the rates of contribution should be fixed on actuarial basis and be free from collective bargaining.

Employees whose daily wage is below a specified amount are exempted from payment of their contribution. The exemption limit in terms of wages is being raised from time to time but there seems to be no rationality in fixing the limits.. The Study Group feels that it should be related to the minimum wage.

The Study group is of the view that as in any other insurance scheme in order to ensure financial stability of the scheme, the rates of contribution should be fixed on actuarial basis and be free from collective bargaining.. Employees whose daily wage is below a specified amount are exempted from payment of their contribution.

The exemption limit in terms of wages is being raised from time to time but there seems to be no rationality in fixing the limits. The Study Group feels that it should be related to the minimum wage.

When any section of insured person are granted exemption from payment of contribution the cost of the benefits provided to them would have to be met from other sources. Unless the rates of contributions are so fixed as to compensate for the loss of revenue due to the exemption by recovering additional amount from other insured persons. the Corporation would have to be subsidised by the government .

When any section of insured person are granted exemption from payment of contribution the cost of the benefits provided to them would have to be met from other sources. Unless the rates of contributions are so fixed as to compensate for the loss of revenue due to the exemption by recovering additional amount from other insured persons . the corporation would have to be subsidised by the government . Although the case for a general contribution by the Central Government on per capita basis is not strong, the ESIC has a legitimate claim for subsidisation of the cost of covering weaker sections of people with low income who are not able to make nay contribution and have to be exempted from making the contribution. The Corporation would also need to be subsidised for extending the scheme to areas which are uneconomical so that the Corporation may not refrain from covering such areas on the grounds of being uneconomical

The State Governments make a contribution to the Scheme to the extent of one 12 ½ % of the cost of medical benefit eight. In addition they are required to bear the expenditure in excess of the ceiling fixed by the Corporation for purposes of reimbursement. Imposition of the ceiling appears to be unrealistic and has been resented by the State Governments, who are demanding its withdrawal. Imposition of the ceiling appears to be one of the reasons for the unsatisfactory service provided by the State Governments in the ESI hospitals and dispensaries run by them.. The Study group therefore suggests review of the decision to impose the ceiling and the level of the ceiling and to consider the desirability of its withdrawal

It is said that the real issue and indeed challenge in the administration of a health insurance scheme is for the executive to understand the multi disciplinary character of the tasks involved in both health insurance and the delivery of healthcare. The managers will have "to develop a strong professional cadre within the system": In other words the management of the scheme should be professionalised. While a tripartite body may continue to remain the general body, day to day administration may be entrusted to a body of experts who should constitute the governing body.

The ESI Act provides for payment for funeral expenses to the extent of Rs.2500 per case to defray the expenditure on the funeral of a deceased insured person . The welfare fund Schemes of Kerela and Tamilnadu provide for payment of financial assistance for marriage and such other occasions. The Study Group feels that there is need for making similar provision in the Central Acts. The Study Group therefore suggests that the term "funeral expenses" in the ESI Scheme be substituted by the term "emergency expenses" and provision be made for financial assistance to insured persons for meeting the expenditure on the following types of occasions:

- (a) Care of the sick and the elderly members of the family
- (b) Marriage of ones daughters
- (c) Higher education of children
- (d) Funeral expenses of the members of the family (para 8.6)

#### **49. Provident funds**

There is an obvious multiplicity of Provident Funds in the country. The legislative and other provisions in respect of the funds would naturally vary. In a similar situation Sri Lanka is reported to have enacted a law as early as in 1975 to consolidate all the Provident Funds into the Employees Provident Fund. A similar law to place all the Provident funds under a common regime seems to be called for in India too.

##### **(i) Object**

The Study Group is of the view that after the introduction of the Employees Pension Scheme there is need for a redefinition of the object of the Act and it is particularly necessary in the

context of the suggestions from various quarters to deliberalise the provisions in the EPF Scheme permitting premature withdrawal from the provident fund which tend to reduce the amounts available for old age.

### **(ii) Application of the Act**

The Study Group reiterate these recommendations (extension of coverage) and suggests that the Act be made applicable to all classes of establishments subject to such exceptions as may be considered necessary for specified reasons

.The Study Group suggests that these recommendations (with respect to the reduction in the number of persons employed for application of the Act) be implemented without further delay.

The Study Group suggests that the special dispensation granted to cooperatives is not warranted and should be removed early

The Study Group agrees with this view and suggests that the wage ceiling for application of the Act be removed but an enhanced wage limit, of say Rs.10,000, be applied for purposes of contributions and benefits. This wage limit should also be reviewed periodically and revised corresponding to the rise in the wage index.

The Study Group further suggests that there should be uniformity in the application of wage ceilings in all the Social Security laws.

### **(iii) Coverage of casual workers and contract workers**

The Study Group too reiterates these recommendations (regarding the issue of identity cards). It is however not sanguine that by issuing the identity cards the problems of casual workers will be solved totally. The Study group however wishes to emphasise that it is an obligation of the EPFO to see that the poor workers are not deprived of the benefit of the contribution they make from their hard earned wages. If the organisation is unable to make satisfactory arrangements for accounting for the contributions and paying them back when due the Study Group suggests that the basic issues whether such workers should be covered at all and if so whether there should be any modification in the scheme for application to them should be re-considered.

The Study Group further suggests that appropriate provision be made in the Act to enable the Organisation to frame different schemes with different contributory and benefit packages for application to different classes of establishments employees and persons. This is particularly necessary to make the Act applicable to self employed people.

#### **(iv) Exemptions**

The representatives of the workers on the C.B.T. have been generally opposed to exemption. On the other hand, the representatives of the employers favour the continuance/extension of the exemption. The argument against the exemption is that the employers of the exempted establishments tend to misuse the funds. The protagonists of exemption, on the other hand, say that the exempted establishments render better services to the workers than the EPF organization which has tended to be ineffective.

The E.P.F. Act has been amended recently to the effect that the Central Government may on application made to it in this behalf by the employer and majority of the employees in relation to an establishment employing 100 or more persons authorize the employer to maintain a provident fund account in relation to the establishment subject to such terms and conditions as may be specified in the Scheme. This amendment is yet to be given effect. The Study Group understands that there is a proposal to delete this provision

Considering the likely expansion of the coverage of the Schemes under the EPF Act, there seems to be a greater need for decentralising the administration of the schemes. One way to decentralise the administration is to authorise more and more employers to administer their own Provident Funds, the EPFO acting as a regulatory authority. But this should be done without prejudice to the interests of the subscribers.

Having regard to these facts the Study Group suggests that the EPFO organise an inquiry into the working of all exempted funds by an independent agency and to review the entire scheme of granting exemptions from the provisions of the Act.

#### **(v) Contributions**

In the circumstance the Study Group suggests that the Act be amended so as to do away with the distinction between different classes of establishments for purposes of the rate of contribution. This is however without prejudice to the suggestions made elsewhere to provide for different packages of contributions and benefits for different classes of employees

#### **(vi) Arrears**

The Study Group has not been able to go into details of the procedure( for clearance of the arrears of contributions). Considering however the ever increasing arrears the Study Group feels that fool proof methods should be evolved to minimise the arrears. The Study Group suggests that the EPFO streamline the procedure for tackling the default employers speedily and to recover the arrears promptly. (p.139)

### **(vii) Investments**

The Study Group has considered the matter (suggestions for better investment of the provident fund balances . Some of the suggestions of the Committee ( OASIS) are unexceptionable but the others are some what controversial. The Study Group suggests as follows:

(a) The EPFO should have its own mechanism for investment of its balances as the LIC, and the GIC have; and for this purpose financial experts should be inducted into the organisation at various levels .

(b) Investment pattern should be further liberalised

(c) Government may consider issue of indexed bonds for investment of PF balances assuring a fixed real rate of return

### **(viii) Rate of interest**

The Study Group suggests that the investors in these schemes should be assured of a minimum real rate of interest above the rate of inflation

### **(ix) Statements of Accounts**

The Study Group therefore suggests that effective measures be taken to bring down the arrears in posting the accounts and the issue of statements of accounts early

### **(x) Partial withdrawal**

The Study Group is also of the opinion that the provision for premature withdrawal of funds should be restricted

The Study Group feels that while there may be some justification for partial withdrawal for the specified purposes there cannot such justification for permitting premature final withdrawals. The Study group suggests that appropriate measures should be taken to discourage if not to stop such withdrawals (para 8.7)

### **50 Employees Deposit Linked Insurance Scheme**

The Study Group understands that with the same amount of contributions by the employers and without any amount of contributions by the employees or the Government, the LIC is able to provide better benefit through its Group Insurance Scheme than is admissible under the EDLI Scheme The Study Group therefore suggests that the need for continuance of the Scheme be reviewed and revised if necessary.

In this connection the Study Group was also given to understand that there were proposals to integrate the Payment of Gratuity Act with the Scheme and also to introduce an Unemployment Insurance Scheme as part of the Scheme. The Study Group welcome these proposals and hopes that it will be possible to implement them soon (para 8.8)

## **51 Employees Pension Scheme**

The Study Group has considered the various comments on the scheme and the replies of the EPFO and the Actuary. As the comments are of technical nature the Study Group refrains from expressing any opinion on the matter. The Study Group however feels that some of the comments are of serious nature and need to be addressed by the Government. Ordinarily, insurance schemes are subjected to valuation by independent valuers periodically. The EPS is also subject to valuation annually for purpose of adjusting the rates of pension to inflation. This valuation is done by the same Actuary who designed the scheme. It is desirable that a three yearly or five yearly valuation is done by an independent valuer different from the one who designed it. As it is already more than five years since the inception of the Scheme it is high time such an independent valuation is done. The Study Group therefore suggests that such a valuation by an independent valuer/s be done and all the comments against the scheme be referred to the valuer/s for a technical evaluation.

The Study Group also suggests that all the ambiguities in the interpretation of the Scheme be referred to the actuary and the Scheme be amended suitably as per his advice (para 8.9)

## **52. Gratuity**

The Task Force on Social Security set up by the Ministry of Labour has recommended inter alia that the Payment of Gratuity Act may be integrated with the Employees Provident Fund Act and converted into a social insurance scheme. In the course of discussion the representatives of the EPFO gave the Study Group to understand that it was possible to do so and that would be advantageous to the employers in so far as they would be able to discharge their liability for payment of heavy amounts of gratuity lump when the employees leave the service by payment of an annual premium. Indeed the Study Group understands that many major establishments have establishments their own gratuity funds to meet the liability and some of them also insure their liability with the LIC which offers group gratuity insurance schemes. The Study Group is of the view that social insurance of the liability through the EPFO may be more economical.

Integration of the Payment of Gratuity Act with the EPFO will have an added advantage in that the its coverage will automatically be extended to all classes of establishments to which the EPF Act is currently applicable and may in future be made applicable. in terms of the suggestions made by the Study Group elsewhere in the Section.

It has been recommended elsewhere that the minimum number of employees in an establishment to be eligible for coverage under the Employees Provident Funds Act should be progressively reduced. It follows that in the event of integration of the Payment of Gratuity Act with the E.P.F Act, the minimum number of employees in an establishment for coverage under the Payment of Gratuity Act should also be reduced correspondingly.

.If these suggestions are not found acceptable for any reason the Study Group suggests that further extension of the Act may be examined with reference to the Standard Classification of Industries or Occupations and extended to all those classes of establishments to which it can be extended having regard to the capacity to pay and other relevant considerations. The least that could be done is to make the scope of the Act to be co-extensive with that of the EPF Act so that it may be regarded as complementary to the Employees Pension Scheme.(para 8.10)

### **53. Lay off and Retrenchment Compensation**

.It would thus appear that new concepts of retrenchment compensation are coming into vogue calling for a fresh look at the existing legislation.. There would appear to be some ambiguity about the nature and purpose of this compensation. If it is regarded as a terminal benefit it overlaps with the Payment of Gratuity Act . If it is regarded as an unemployment benefit it will overlap with the proposed unemployment insurance The

Study Group feels that a uniform rational policy needs to be evolved by integrating the payment of lay off and retrenchment compensation with the payment of gratuity on the one hand and unemployment insurance on the other so as to avoid duplication and to minimise the burden on the employers.

The Industrial Disputes Act is applicable to industrial establishments as defined therein. Although the term industry has been defined broadly it does not comprehend all cases of employment. The provision for payment of lay off and retrenchment compensation would not be applicable to those employed in the establishments which do not fall under the definition of industry in the Act. There is no reason why they should be deprived of this benefit. The alternatives are either to make the I.D. Act applicable to all employment's or to make separate provision for non-industrial establishments.

Again the provisions regarding payment of lay off and retrenchment compensation are applicable to establishments employing not less than 50 persons. It is difficult to appreciate the need for such limitation.

As the First National Commission on Labour stated that the payment of lay off and retrenchment compensation will impose a burden on the employers when they are in financial difficulty. It is therefore desirable to provide for insuring the liability.

The Study Group suggests that an integrated insurance scheme providing for gratuity unemployment benefit, lay off and retrenchment compensation may be evolved and entrusted to the EPFO for its implementation either in lieu of or in addition to the existing EDLI Scheme (para 8.11)

#### **54. Unemployment Insurance**

Having regard to these facts, the Study Group came to the conclusion that an unemployment insurance scheme could play a substantial role in coping with unacceptable levels of unemployment resulting from the implementation of the structural adjustment programme and other economic reforms. Urgent measures should therefore be taken to introduce the Unemployment Insurance Scheme

The scheme should preferably be implemented through the EPFO organisation and be applicable to all establishments and employees to which the EPF Act is currently applicable and may be extended to in the near future with no wage ceiling for coverage but with a ceiling of Rs.10,000 for contributions and benefits

The rate of benefit should be 50 percent of last pay /wages drawn

The benefit should be payable for a period of one year or till reemployment whichever is shorter.

The scheme should be financed by a tripartite contribution to be determined actuarially. To begin with however the rates of contribution may be fixed. at 0.5 percent to be contributed by the employees ,1.5 % by the employers and the deficit if any being met by the Central Government from the NRF.

The Study Group noted that the EPFO had worked out a scheme of unemployment insurance which would be part of the EDLI and would require an additional contribution by the employer of less than one percent. It was decided to obtain the full particulars of the proposed scheme and if it was found feasible to support the same (para 8.12)

#### **55. Wage guarantee Fund**

The Study Group is of the view that there is a great need for such a fund and suggests that early steps be taken to establish one on the lines indicated above. The Study Group further suggests that the National Renewal Fund may be restructured to serve as a Wage Guarantee Fund (para 8.13)

#### **56.National Renewal Fund**

The Study Group suggests that the fund be utilised as the corpus for the proposed unemployment insurance scheme and for payment of the statutory dues of the workers in the event of the closure or bankruptcy of the establishments and the failure of the employers to pay the dues pending the winding up or liquidation proceedings. (para 8.14.)



### **57. Family Allowance**

The Study Group suggests that a provision be made for payment of educational allowance to all employees by amendment of the existing laws regulating employment and conditions of service of the employees (para 8. 15.)

### **Administration of Social Security**

### **58. Amendment of List III of Seventh Schedule to the Constitution**

The Study Group feels that items 23 and 24 of List III in Schedule VII of the Constitution need to be rationalised It suggests as follows:

Item 23 may be reworded as "Right to work, employment , unemployment including unemployment benefit and welfare of labour including wages, safety, health, work environment and other conditions of work

Item 24 may be reworded as "Social security including social insurance , employers' liability, social safety nets and other forms of social assistance ; medical care, sickness, workmen's compensation; invalidity or disability, maternity, mother and child care, family allowances, old age, and survivors' benefits (para 9. 2)

### **59. Creation of a separate Ministry or Department of Social Security**

The Study Group also feels that a separate Ministry of Social Security or a Department of Social Security preferably within the Ministry of Labour should be set up to provide secretarial support to the Authority (para 9.3)

### **60 Establishment of a National Social Security Authority**

The Study Group suggests that a National Social Security Authority of India be created on the foregoing lines (para 9.4)

### **61. Functional integration of social security organisations at the Centre**

The Study Group suggests that to begin with a functional integration of the various organisations be attempted by constituting the following divisions in the Central Board: of Social Security

(i)Medical benefit

(ii)Sickness, maternity and employment injury benefits

(iii)Old age invalidity survivors benefits including provident fund gratuity, family benefit and emergency expenses

(iv)Unemployment Insurance Lay Off and Retrenchment Compensation National Renewal Fund etc.

(v) Common services , namely registration, collection of contributions, inspection, penalties etc

Administrative merger of all the various organisations administering social security schemes may be attempted later, if considered necessary, after necessary preparation.

The Study Groups further suggests that for administering these Schemes the Central Board may set up State level and district level committees on tripartite or multipartite basis with adequate financial and administrative powers (para 9.5 )

## **62. Decentralisation of administration**

The Study Group is of the view that the mechanism for implementation of social security programmes should be based on two key principles:

- (a) It should be as decentralised and as close to the beneficiaries as possible; and
- (b) it should be a tripartite or multipartite mechanism, involving workers, employers governments and other stake holders

Administration of all social security programmes, whatever be their nature, whether social assistance, social insurance welfare fund insurance schemes or whatever, should therefore be decentralised to State levels and below. In order to plan implement and monitor the outreach and quality of social security each State should constitute a Social Security Board with representatives workers, employers Government departments NGOs and others . This Board should be able to make all decisions relating to the provision of social security in the State and to monitor the implementation of the programmes which should be entrusted to a district level committees.

The District Level Committee should also be tripartite or multipartite as the case may be. Its functions will include:

- (i) Identification of the beneficiaries and to issue them identity cards;
- (ii) Collection of contributions
- (iii) Dispensing the benefits
- (iv) Maintenance of relevant records.

Other States may also be encouraged to set up such ( Social Security) Authorities as in Kerela and Karnataka (proposed).

The States may also be encouraged to develop appropriate district level organisations as suggested above.

Services should be delivered at the doorstep of the beneficiaries through one or more of the following agencies:

## **District and Area level Committees**

Local bodies (Panchayat Samithis, Municipalities)

## **Micro Credit institutions/ Self Help Groups and**

Non-Governmental Organisations (para 9.6)

### **63. Adoption of uniform definitions**

The first step towards functional integration is to adopt uniform definitions of common terms such as employer, employee, establishment, wages etc. It is suggested that the following definitions used in the India Labour Code may be adopted in the integrated system:

#### **(a) "Appropriate government"**

"Appropriate government means-

(i) in relation to the following establishments the Central Government, namely:-air transport, atomic energy, banking, currency, defence, financial institutions, owned and controlled or managed by the Central government, Insurance- Life Insurance corporation. General Insurance Corporation, Employees State Insurance Corporation : major ports, mines including oilfields post and telegraphs including telecommunications provident funds, radio and broadcasting railways, shipping space and such other establishments as may be notified by the Central government after consultation with the national Labour Relations Commission and

(ii) in relation to all other establishments the government of the state where they are located."

The rationale of this definition is that, broadly speaking, the Central Government will be the appropriate government in respect of those establishments handling the subjects which are included in the Union List of the Seventh Schedule of the Constitution and the state governments will be the appropriate Governments in respect of those establishments which are handling the subjects included in List II. In the case of establishments dealing with the subjects included in the Concurrent List the Central Government will decide in consultation with the National Labour Relations Commission which is to be set up

#### **(a) Employee:**

Employee means any person employed by an employer, irrespective of the nature of his /her avocation to do any work for wages, hire or reward and includes an out worker and an agriculture worker but does not include a person

(iv) who is subject to the Army Act , 1950 (46 of 1950) or the Air force Act 1950, or the Navy Act , 1957; or

(v) who is employed in the police services or an officer or other employee of a prison;

(vi) who is employed as managing director, director, general manager, or person in charge of an establishment and exercises substantial powers of management

(b) Employer

Employer means an individual or an association of persons incorporated or otherwise irrespective of the nature of his avocation, employing an employee and includes a person engaging or employing an out worker or an agricultural worker

(c) Establishment

Establishment means any place where any industry trade business manufacture occupation or any other activity is carried on and one or more persons are employed

(d) Wages

Wages means all remuneration capable of being expressed in terms of money which would if the terms of employment, expressed or implied were fulfilled, be payable to an employee in respect of his employment or of work done in such employment, and includes-

(i) such allowances (including dearness allowance) as the employee is for the time being entitled to;

(ii) the value of any house accommodation, or supply of light water, medical attendance or other amenity or of any service or of any confessional supply of food grains or other articles;

(iii) any travelling concession;

(iv) any commission payable on the promotion of sales or business or both; but does not include

(1) any bonus

(2) any contribution paid or payable by the employee to any pension fund or provident funds or for the benefit of the workman under any law for the time being in force;

(3) any gratuity payable on the termination of his service.. (para 9.7)

#### **64 Administrative Reform of existing institutions**

Social security institutions around the world are engaged continually to reform their management practices in the face of mounting pressures to improve the delivery of services and to reduce their administrative costs by adopting modern technological tools. Many of them have also undertaken to reengineer their services. Similar exercises are necessary in India too where complaints on the working of the ESI and EPF Schemes abound.(para 9.8)

It is reported that many social security institutions, in their effort to match their service with that of private sector agencies are experimenting with outsourcing the services. Some Governments like that of Australia and U.K. have established semi-autonomous agencies to deliver direct services to social security clients. Although India has established such agencies they have not been given the necessary autonomy or authority. The Administrative arrangements of these agencies need to be reviewed and reformed. They could also be permitted to subcontract their services to voluntary organisations (para 9.8)

### **65. Public Relations**

Many poor and illiterate beneficiaries of social security shy away from approaching the social security institutions for fear and ignorance. A sympathetic Public Relations Network should be built into the system. One of the functions of this Network would be to educate the people about the schemes and how they can avail of the benefits and to create awareness of their rights (para 9.9)

### **66. Computerisation**

Modern technological tools should be fully harnessed for delivering service efficiently and economically (Para 9.10)

## **Financing of Social Security**

### **67 Packages of benefits and contributions**

Social insurance schemes are contributory and their viability depends upon the rate/s of contributions and the quanta of benefits paid out. The rates of contributions and benefits are ordinarily determined actuarially and they are meant to be self-financing. In the course of our discussions a point was however made that the uniform rates of contributions fixed for ESI and the schemes framed under the EPF Act are somewhat onerous for small employers and more so for workers employed on casual basis. A suggestion was therefore made that different packages of benefits with different rates of contributions should be designed to suit the capacity to pay of the contributors. The Study Group feels that there is merit in the suggestion and commends it for consideration (Para 10.1)

### **68. Whether schemes should be DC or DB**

The Study Group however feels that the Schemes should be benefit defined. We should first determine the nature and quanta of benefits to be provided and the estimated cost thereof. The rate of contributions or cesses to be levied should be fixed keeping in view the amounts they are likely to yield in relation to the amounts required. (para 10.1)

### **69. Estimated Cost of the proposals**

The estimated cost of the proposed system of social security will be as follows:

**(1) Old age pension**

The qualifying age for old age pension will remain at 65. The total number of persons qualifying for old age pension will be about 12 million as follows:

- |  |                          |
|--|--------------------------|
| (a) Estimated number of persons of the age of 65 and above           | 46 million <sup>21</sup> |
| (b) Estimated number of old person below the poverty line 25% of (a) | 11.50 million            |

The rate of pension may be enhanced to Rs.200 per month

Total amount of pension payable per annum Rs.3000crores

(2)All widows between the age of 60 will get pension at Rs.200 per month subject to their income being below the poverty line

Estimated number of widows of age 60 4.9 million

Estimated number or widows below the poverty line 1.25 million

Rate of pension Rs.200 per month

Estimated amount of pension payable to widows between the ages of 60-65 Rs.300 crores.

All widows between the ages of 18 and 60 will get pension for two years atRs200 per month a supplement of Rs.50 each for two children and an equipment grant of Rs.5000 each for self employment. The number of women who get widowed in this age group annually and for whom pension may have to be paid for two years cannot be estimated. The estimated amount of pension payable to them is therefore assumed as Rs.50 crores.

Additionally they will be given an equipment grant of Rs.5000 each for self employment. Assuming that about 100,000 widows will qualify for such grant it will cost about Rs50 crores

### (3) Pension for the Physically Handicapped

All physically handicapped persons with loss or lack of earning capacity of 70 or more will be entitled to pension at Rs.,200 per month

According to National Sample survey the estimated number of physically handicapped people is about 5% of the total population which comes to about 5 million. Information about the number of persons who have no or who have lost earning capacity to the extent of 70% is not available. It is therefore assumed as 10 percent of the total number of disabled persons which comes to 0.5 million

On this assumption the estimated amount of pension payable to the disabled will be Rs 12. crores..

### (4). Maternity Benefit

The quantum of Maternity Benefit will be increased to Rs.3000 per child birth

Estimated number of child births per annum is 20 million

The number of child births below the poverty line ( 25 %) qualifying for maternity benefit under social assistance programme will be .5 million

Estimated amount of maternity benefit payable Rs.1500 crores

**(5) Unemployment Relief**

Estimated number of unemployed persons 7. million<sup>22</sup>

Estimated number of unemployed qualifying for relief

(25% of the above) 1.75 million

Estimated amount payable as unemployment relief @Rs.200 per month Rs.420 crores

**(6). Distribution of Cloth**

(i) Estimated number of Destitutes 6 m<sup>23</sup>

Estimated cost per head Rs.150 per annum

Total estimated cost of supplying cloth free of cost 90

(ii) Estimated number of people below poverty line 250 m

**Proposed rate of subsidy per head Rs.50**

Total cost of subsidy 1250

**(7) Family Benefit (Survivors' Benefit)**

Estimated number qualifying for the benefit 350,000<sup>24</sup>

Rate of benefit Rs.2500 ( reduced from the existing rate of Rs.10,000in consideration of the

introduction of a National Widow Pension scheme

Amount required 350,000x 2500 87.50

**(8)State support to children of poor families**

Estimated population of children 350million.

Number of children below poverty line (25%) 90 million

Rate of children's allowance Rs.50 per child per month

Estimated total cost of the scheme 5400

**(9) Insurance Schemes**

It is assumed that one member in each family in the unorganised sector will be covered under the agricultural workers insurance scheme or any other analogous scheme

Estimated number of families 70 million ( 350 m divided by 5)

Rate of subsidy Rs.750 per policy/family

Total amount of subsidy 5250

**(10) Welfare funds**

It is assumed that the welfare funds will be mostly contributory and self financing. Where they are to be financed from the exchequer it is assumed that special specific purpose levies will be levied. In either case



it is difficult to estimate the amount required A token provision is therefore made

1000

A summary of the above assessment is given in the following table below:

**Estimate of cost of the proposals made in the foregoing report**

Nature of Benefit	Rs. in crores per annum
(1) National pension	
(a) Old age pension	3000
(b) Widows	350
(c) Disabled persons	12
(2) Equipment grant for 100.000 widows	50
(3) Maternity benefit	1500
(4) (a) Family benefit	90
(b) Family allowance	5400
(5) Distribution of cloth	1340
(6) Unemployment Relief	420
(7) Insurance Schemes	5250
(8) welfare funds and area schemes	1000
<b>Total</b>	<b>18,412</b>

The foregoing table excludes the estimated cost of on going schemes in respect of which no change is proposed in money terms such as the PDS or which are expected to be self financing such as the ESI (para 10.2)

**70. Social Security Fund**

A Social Security Fund of India and a Social Security Fund of each State may be set up. The funds should be vested in and be administered by the Central Board of Social Security or the State Board of Social Security as the case may be. (para 10.3)

**71. Types of Schemes**

There will be three kinds of social security schemes : social insurance type of contributory schemes, subsidised insurance/welfare fund type of partly contributory and partly socially assisted schemes and social assistance schemes which will be wholly non contributory (para 10.4)

## **72. Social Insurance Schemes**

In the case of social insurance schemes, every employer of an establishment to which a social security scheme applies should make a consolidated contribution for the various social security benefits to the employees of the establishment at the prescribed rate not exceeding 30% of the wage bill or any other amount which may be specified in the law or the scheme as the case may be every month; and

every employee to whom the scheme applies should make a consolidated contribution to be eligible for the social security benefits at the prescribed rate, not exceeding 20% of his wage or any other amount which may be specified in the law or scheme as the case may be.

In the case of persons employed on casual basis the following options may be considered:

- (a) Differential rates of contributions may be prescribed
- (b) Contributions by the workers may be optional while the contributions by the employers will be compulsory
- (c) They may be exempted from making any contribution

The employees whose actual wages do not exceed the amount prescribed by the appropriate government may be exempted from making any contribution. The loss to the Board due to such exemptions may be made good by the appropriate Government

The appropriate government may, after due appropriation by Parliament or Legislature as the case may be make such further contributions to the Social Security Fund as it may determine (para 10.5)

## **73. Social Assistance Schemes**

In the case of the last two categories of schemes the rates of contributions and assistance will be determined by making an assessment in each case of the funds required and the resources available.

The expenditure on social assistance should be shared between the Central Government and the State government at agreed rates.

For providing social assistance wherever necessary the appropriate Government may impose a social security surcharge on all or any of the taxes and duties levied by it and the proceeds of the surcharge after deducting the proportionate collection charges may be credited to the Social Security Fund (para 10.6)

<sup>1</sup> Ninth Five year Plan 1997-2002 Planning Commission, 1999; para 1. 117

<sup>2</sup> Census 2001

<sup>3</sup> Ninth Five Year Plan para 4.12

<sup>4</sup> As per the ceilings in the guidelines for the NSAP

<sup>5</sup> As per the ceilings in the guidelines for the NSAP

# REPORT ON SOCIAL SECURITY

## ANNEXURE

- I. Definition of Social Security
- II. Guidelines for National Social Assistance Programme
- III. Health Insurance Schemes
- IV. Crop Insurance Scheme and other Schemes for Cultivations
- V. Khatihar Mazdoor Bima Yojana
- VI. Kerala Schemes for Leprosy Patients and Other Indigent Persons
- VII. Janshree Bima Yojana
- VIII. Welfare Funds
- IX. Mathadi Boards, Security Guards Boards and Kerala Headload Workers Welfare Fund
- X. Area Based Schemes
- XI. International Standards for Social Security
- XII. ESI Scheme
- XIII. Provident Fund Schemes
- XIV. Micro Insurance in India
- XV. Employees Schemes

## Annexure - I

### Definitions of Social Security

There is no commonly accepted definition of social security. The term has been defined differently by different authorities as follows:

**(i) International Labour Organisation** has defined social security in the following words : "The expression has acquired a wider interpretation in some countries than in other but basically it can be taken to mean the protection which society provides for its members, through a series of public measures against the economic and social distress that otherwise would be caused by the stoppage or substantial reduction of earnings resulting from sickness, maternity, employment injury, unemployment, invalidity, old-age and death; the provision of medical care; and the provision of subsidies for families with children" .<sup>1</sup>(1)

The I.L.O. has prescribed the following criteria for a scheme to be considered as part of a national social security system.

- (a) The objective of the system must be to grant curative or preventive medical care, or to maintain income in case of involuntary loss of earnings or of an important part of earnings, or to grant supplementary incomes to persons having family responsibilities.
- (b) The system must have been set up by legislation which attributes specified individual rights to or which imposes specified obligations on a public, semi public or autonomous body;
- (c) The system should be administered by a public, semi public or autonomous body.<sup>2</sup>

**(ii) William Beveridge**, father of the British Social Security System, used the following definition : "The term Social Security is used to denote the securing of an income to take the place of earnings when they are interrupted by unemployment, sickness or accident; to provide for retirement through age, to provide against loss of support by the death of another person, and to meet exceptional expenditures such as those connected with birth, death and marriage. Primarily, social security means security of income upto a minimum, but the provision of an income should be associated with treatment designed to bring the interruption of earnings to an end as soon as possible".<sup>3</sup>

**(iii) The U.S. Department of Health Education and Welfare** has adopted the following definition :

"The term social security refers to programmes established by Government statutes which insure individuals against interruption or loss of earning power, and for certain special expenditures arising from marriage, birth or death. Allowances to families for the maintenance of children are also included in this definition"<sup>4</sup>.

**(iv) Pierre Laroque, former President of the National Social Security Fund in France** has broadened the concept of Social Security.

"Social Security, though sometimes assimilated to social insurance, is in reality a basically new development. It represents a guarantee by the whole community to all its members of the maintenance of their standard of living or at least of tolerable living conditions, by means of a redistribution of incomes based on national solidarity. It thus excludes the use of insurance techniques and particularist categories. It is essentially general both as to the population covered and as to the elements of insecurity against which individuals and families are protected".<sup>5</sup>

**(v) The Committee of Experts** who were appointed by the I.L.O. to study the future of social security in the developed countries have stated as follows:

" The fundamental aim of social security is to give individuals and families the confidence that their level of living and quality of life will not , in so far as possible, be greatly eroded by any social or economic eventuality. This involves not merely meeting needs as they arise but also preventing risks from arising in the first place and helping individuals and families to make the best possible adjustment when they are faced with disabilities and disadvantages which have not been , and could not be, prevented. To achieve these aims, not only cash benefits but also a wide range of services are required"<sup>6</sup>.

**(vi) Mr. Francis Blanchard, the former Director-General of the I.L.O.** in his preface to the Report of the Experts has put it more clearly. "In the long term, social security has much more far-reaching objectives than the mere fight against poverty. Social security must aim at the maintenance of the level and quality of life and at the strengthening of the individual feeling of security".

**(vii) Dr. Amartya Sen and Jean Dreze** have said : "The basic idea of social security is to use social means to prevent deprivation and vulnerability to deprivation"<sup>7</sup>.

**(viii) According to Robin Burgess and Nicholas Stern** the objective of social security is "the prevention by social means of very low standards of living irrespective of whether these are the results of chronic deprivation or temporary adversity."<sup>8</sup>

**(ix) Mr I.P.Getubig says**

Conventional usage defines social security as "The protection provided by society to its members through public measures against economic and social distress which otherwise would be caused by the stoppage or reduction of earnings arising from contingencies".

This definition, which evolved largely from the experience of industrial countries with their well-developed economies and labour relations, come under increasing criticism as being highly inappropriate in the context of the socio-economic and political realities of the less

developed countries. It fails to take due cognizance of the fact that the large majority of the population in most developing countries have still not been integrated in the formal economic sectors, and are mostly poor, or very poor.

There is thus a need to redefine the concept of social security to adequately capture the true situation of societies in developing countries, thereby paving the way to more realistic analyses of their social security problems and the various ways in which these could be addressed. In this context, social security could be defined more broadly to mean “any kind of collective measures or activities designed to ensure that members of society meet their basic needs (such as adequate nutrition, shelter, health care and clean water supply), as well as being protected from contingencies (such as illness, disability, death, unemployment and old age) to enable them to maintain a standard of living consistent with social norms”. Applied in this manner, the concept of social security becomes flexible enough to address both the social security needs and the various types instruments (formal, informal and traditional) for meeting these needs, of all the members of society-those in the urban as well as rural, in the formal as well as informal sectors, the rich as well as the poor.<sup>9</sup>

**(x) Social Security Association of India** has adopted the following definition of social security:

“Social Security is the security provided by the State or the Society to an individual against social and economic distress, temporary or chronic, caused by the lack or loss of the opportunity or ability to work and the means of livelihood”

**(xi) Social Security is a Multi Dimensional Concept**

Social Security is a multi dimensional concept. It has two basic components: promotional and protective. Jean Dreze and Amartya Sen have described these components as follows:

“It is useful to distinguish at the outset between two different aspects of social security- what we may call respectively ‘protection’ and ‘promotion.’ The former is concerned with preventing a decline in living standards in general and in the basic conditions of living in particular. The problem of protection is paramount in the context of famine prevention and also in dealing with other kinds of sudden economic crises and sharp recessions.

This contrasts with the objective of enhancing the normal living conditions and dealing with regular and often persistent deprivation. This promotional aspect of social security is, in a sense, more ambitious, in wanting to eradicate problems that have survived thousands of years. The strategic issues involved in promotional social security may differ very considerably, as we shall see, from those in protective social security”<sup>10</sup>

Robin Burgess and Nicholas Stern distinguish between chronic deprivation and temporary adversity and between direct and indirect means of preventing them: They say..

"Deprivation and vulnerability are integral to the lives of many in poor countries. In developed countries unfavourable outcomes in economic activity frequently mean real hardship but in poor countries they often lead to death or destitution. For many, severe deprivation is not a matter of an unfortunate fall from a previously more comfortable position but is a chronic state arising, for example, from the absence of any asset or resource that can ensure adequate livelihood. A crucial policy issue is therefore how lives and livelihoods can be made more secure against adversity and deprivation. Accordingly, we define the objective of social security as being the prevention, by social means, of very low standards of living, irrespective of whether these are the result of chronic deprivation or temporary adversity. The term 'social security' may then be viewed as a measure of success in meeting this objective. It should, however, be made clear from the outset that we will be restricting the set of means under consideration by examining only those social means which have a direct bearing on deprivation and vulnerability. This restriction is twofold. First, the restriction to social means excludes a wide range of other factors (for example, climatic change, industrialization) which may contribute to our objective but which none the less cannot be considered primarily as part of a social-security agenda. Second, the restriction to those social means which directly influence deprivation and vulnerability further focuses us on a limited set of measures which include direct interventions, alternations in market functioning, and re-distributive policy. We are using 'direct' here to distinguish from 'indirect' measures, in which we include the general development of the economy and society. There is no doubt that such developments can contribute to greater security, but that is not our main subject matter. In essence our approach is to focus attention on the role of public action at the State, community, and family level in improving social security."<sup>11</sup>



<sup>1</sup> Introduction to Social Security ILO Geneva; p.2

<sup>2</sup> A comparative Study of Social Security Systems in East and South East Asian Countries by Nelson Chow; p.2

<sup>3</sup> ibid p.3

<sup>4</sup> Social Security Programmes throughout the World 1989, P.vii.

<sup>5</sup> Social Security and Social Development by Pierre Larouque Bulletin of ISSA, 1966, N.3-4

<sup>6</sup> Into the Twenty-first Century: The development of social security: ILO Geneva, p.103

<sup>7</sup> "Public Action for Social Security" by Jean Dreze and Amartya Sen in "Social Security in Developing Countries" ed by Ehtisham Ahmad et al; Clarendon Press, London; p. 5

<sup>8</sup> "Social Security in Developing Countries : What, Why Who and How" in Social Security in Developing countries ed by Ehtisham ahmad at al; Clarendon Press; p.43

<sup>9</sup> "Social Security and the Poor :An Introduction "by I.P.Getubig in "Rethinking of Social Security: Reaching out to the Poor" ed by I.P.Getubig and Soenke Schmidt; APDC/GTZ Asian and Pacific Development Centre, Malaysia, 1992; p .1

<sup>10</sup> "Public Action for Social Security " by Jean Dreze and Amartya Sen in Social Security for Developing countries ed by E.Ahmad et al Clarendon Press London p. 1

<sup>11</sup> Social Security in Developing Countries : What, Why, Who and How? by Robin Burgess and Nicholas Stern in "Social Security in Developing Countries" ed by E.Ahmad et al Clarendon Press London p. 43

## Annexure - II

### Guidelines for National Social Assistance Programme

#### I. Introduction:

1. The National Assistance Programme (NSAP) was included in the Central Budget for 1995 – 96. The details of the programme have been worked out by a Committee under the Chairmanship of Secretary (Rural Development) in consultation with the representatives of State Governments. The Prime Minister, in his broadcast to the nation on 28<sup>th</sup> July 1995, has announced that the Programme will come into effect from 15<sup>th</sup> August 1995.
2. This guideline sets out the features of the NSAP, procedures for its implementation, the regulation and release of Central assistance to States and other matters relevant to the NSAP.

#### II. Main Features and Objectives of the Programme

3. The NSAP will include, for the time being, three benefits as its components, viz.,
  - (i) National Old Age Pension Scheme (NOAPS)
  - (ii) National Family Benefit Scheme (NFBS)
  - (iii) National Maternity Benefit Scheme (NMBS)Much more schemes may be added in future.
4. The NSAP is a Centrally Sponsored Programme to extend 100 percent Central assistance to the States / UTs to provide the benefits under it in accordance with the norms, guidelines and conditions laid down by the Central Government.
5. The Programme will come into effect from 15<sup>th</sup> August, 1995.
6. The NSAP introduces a National Policy for social assistance to poor households. The Programme represents a significant step towards the fulfillment of the Directive Principles in Articles 41 and 42 of the Constitution recognizing the concurrent responsibility of the Central and State Governments in the matter.
7. In providing social assistance benefits to poor households in the case of old age, death of the breadwinner and maternity, the NSAP aims to ensure minimum national standards, in addition to the benefits that the States are currently providing or might provide in future. The intention in providing 100 percent Central assistance is to ensure that social protection to the beneficiaries everywhere in the Country is uniformly available without interruption. Accordingly, it should be ensured that Central assistance does not displace States' own expenditure in this respect and that the States / UTs may expand their own coverage of social assistance independently, wherever they wish to do so.
8. The NSAP provides opportunities for linking the social assistance package to schemes for poverty alleviation, old age pensions can be linked to medical care and other benefits for the old and the poor. Integrated Rural Development Programme (IRDP) / Nehru

Rozgar Yojana (NRY) assistance may be provided in addition to the family benefit for the families of the poor households who suffer the loss of the breadwinner. Maternity assistance can be linked to maternal and child care.

9. The NSAP shall be implemented by the Panchayats and Municipalities in the delivery of social assistance so as to make it responsive and cost – effective. In the process, the Panchayats and Municipalities will be strengthened and it may be possible for them to mobilize local resources for supplementing benefits from the Governments. Panchayats and Municipalities will be encouraged to involve voluntary agencies to the extent possible in taking these benefits to the poor households for whom they are intended. The responsibility for implementation shall, however, rest on the Panchayats and Municipalities.
10. The NSAP will be implemented in the States / UTs in accordance with the General Conditions applicable to all the components of the NSAP as well as the Specific Conditions applicable to each component. These are set out below.

### **III General Conditions:**

11. The scales of benefit under the NSAP would be as below:
  - (i) National Old Age Pension Scheme (NOAPS) — Rs. 75/- per month per beneficiary.
  - (ii) National Family Benefit Scheme (NFBS) — Rs. 5,000/- in case of death due to natural causes and Rs. 10,000/- in case of accidental death of the primary breadwinner to the bereaved household.
  - (iii) National Maternity Benefit Scheme (NMBS) — Rs. 300/- per pregnancy upto the first two live births.
12. Any scheme of social security operated in the State / UT with the Central funds provided for the National Social Assistance Programme (NSAP) will carry the name of the appropriate component of the NSAP such as, the National Old Age Pension Scheme (NOAPS), the National Family Benefit Scheme (NFBS) and the National Maternity Benefit Scheme (NMBS).
13. The State / Uts Governments will:
  - (i) ensure wide and continuous publicity to the benefits under the NSAP and the procedures for claiming them through posters, brochures, media and other means. They shall ensure that application forms are widely available in local languages. Verification of applications should be both prompt and strict. Sanctions should be expeditious. Delays and malpractices should be eliminated in disbursement. Adequate accounting arrangements should be instituted to enable proper post – audit. Every effort should be made through these means to ensure that only eligible persons obtain the benefits.
  - (ii) Subject to these and other guidelines issued by the Government of India from time to time, suitable procedures may be instituted for the implementation of the Programme and Government of India kept informed. They may also comply with any modifications that Government of India may indicate, based on review. In the procedures so indicated, the nodal authority for the NSAP as well as the sanctioning authority for each scheme under the NSAP at the district level will also be prescribed.
  - (iii) Intimate to the Government of India the number of beneficiaries under each component of the NSAP, district – wise. In order to facilitate smooth flow of funds to the

implementing agencies and to ensure prompt disbursement of benefits under NSAP, the State / UT Governments would arrange for opening of separate accounts at District level for the release of funds by the Central Government under the NSAP, for the district.

- (iv) Constitute State level and District level Committees for the purposes laid down in these guidelines in the implementation of the NSAP.

The State level Committee will be headed by the Chief Secretary and will include (a) concerned secretaries such as Finance, Rural Development, Municipal Affairs, Health and Welfare; (b) a nominee of the Union Ministry of Rural Areas and Employment; (c) a nominee of the Ministry of Urban Affairs and Employment; and (d) independent experts and representatives of NGOs. This committee will be responsible for monitoring and evaluation of the Programme and matters concerned therewith and to report to the Government of India.

The District level Committee will be headed by the Collector and will include (a) concerned members of Parliament; (b) about one – third of the members of the State Legislative Assembly from the district, as far as possible representing all political parties; (c) Chairperson of the Zilla Parishad and / or its relevant Standing Committee; (d) Heads of the relevant departments at the District level; (e) representatives from among Chairpersons of Panchayat Samities and Municipalities; and (f) independent experts and representatives of NGOs. The district level committee will be responsible for monitoring and evaluating the Programme and for matters concerned therewith.

14. The District Collector or any other officer given the nodal responsibility of implementing the NSAP at the District level, will be responsible for:
- (i) efficient implementation of the NSAP in accordance with these guidelines and the procedures instituted;
  - (ii) giving wide publicity to the NSAP and its procedures;
  - (iii) for convening meetings regularly of the District Level Committee;
  - (iv) for monitoring and compiling information about the implementation of the scheme and furnishing it to the prescribed authorities;

The District Collector / Sanctioning Authority, in turn, will be responsible for arranging the payment of the benefit to the beneficiaries.

15. The Panchayats / Municipalities will be responsible for implementing the schemes in their respective areas of operation and for:

- (i) Disseminating information about the NSAP and the procedures for obtaining benefits under it. In this task, they should encourage and involve the cooperation of voluntary organizations.
- (ii) Obtaining and forwarding, with appropriate recommendation, applications for benefits under the NSAP to the authorities designated for the purpose of the sanction. The lists of these applications shall be prepared by the Gram Panchayats and Municipalities, as the case may be. These lists along with applications will be forwarded to the concerned authorities for further action.
- (iii) Monitoring and following up delays, if any, in sanctions and disbursements.

#### **IV. National Old Age Pension Scheme**

##### **Specific Conditions:**

17. Central assistance under the NSAP will be available for old age pensions provided strictly according to the conditions in Paragraph 18 below. No other criterion will be valid.
18. For purposes of claiming Central assistance, the following criteria shall apply:
  - (i) The age of the applicant (male or female) shall be 65 years or higher.
  - (ii) The applicant must be a destitute in the sense of having little or no regular means of subsistence from his / her own sources of income or through financial support from family members or other sources. In order to determine destitution, the criteria, if any, currently in force in the States / UT Governments may also be followed. The Government of India reserves the right to review these criteria and suggest appropriate revised criteria.
  - (iii) The amount of the old age pension will be Rs. 75/- per month for the purposes of claiming Central Assistance.
  - (iv) The ceiling on the total number of old age pensions for purposes of claiming Central Assistance will be as specified for the State / UT in Table 1.
19. The Village Panchayats and relevant Municipalities shall report every case of the death of a pensioner immediately after its occurrence to the appropriate sanctioning authority. The sanctioning authority shall ensure that payments are stopped thereafter.
20. The sanctioning authority shall have the right to stop / recover payments of any pension sanctioned on the basis of false or mistaken information about eligibility.

#### **V. National Family Benefit Scheme**

##### **Specific Conditions:**

21. Central assistance will be available for a lumpsum family benefit for households under the poverty line on the death of the primary breadwinner in the bereaved family subject to the conditions in Paragraph 22 below.
22. For purposes of determining Central assistance the following criteria shall apply:
  - (i) The primary breadwinner will be member of the household – male or female – whose earnings contribute the largest proportion to the total household income.
  - (ii) The death of such a primary breadwinner should have occurred whilst he or she is in the age group of 18 to 64 years i.e. more than 18 years of age and less than 64 years of age.
  - (iii) The bereaved household qualifies as one under the poverty line according to the criteria prescribed by the Government paid to such surviving member of the household of the deceased who, after due local enquiry, is determined to be the head of the household. For the purpose of the scheme, the term 'household' would include spouse, minor children, unmarried daughters and dependant parents.
24. The sanctioning authority shall have the right to recover payments made on the basis of false or mistaken information about eligibility.

## **VI. National Maternity Benefit Scheme**

### **Specific Condition:**

25. The maternity benefit will provide a lumpsum cash assistance to women of households below the poverty line subject to the conditions in Paragraph 26 below.
26. For purposes of determining Central assistance the following criteria shall apply:
  - (i) The maternity benefit will be restricted to pregnant women for upto the first two live births provided they are of 19 years of age and above.
  - (ii) The beneficiary should belong to a household below the poverty line according to the criteria prescribed by the Government of India.
  - (iii) The ceiling on the amount of the benefit for purposes of claiming Central assistance will be Rs. 300/-.
  - (iv) The ceiling on the total number of maternity benefits for the purposes of claiming Central assistance will be as specified for the States / UTs in Table 1.
27. The maternity benefit will be disbursed in one installment 12 – 8 weeks prior to the delivery. It is desirable that the child receives one dose of oral polio and BCG vaccination at birth and the first dose of DPT and polio in the sixth week.
28. The sanctioning authority shall have the right to stop / recover payments made on the basis of false or mistaken information about eligibility.

## **VII. Monitoring and Evaluation**

29. Te State / UT Committee constituted as per Para 13 (iv) shall institute adequate and appropriate arrangements for monitoring and evaluation of the NSAP. For this purpose, they can utilize the District Level Committees, Government evaluation agencies and independent academic and other institutions.
30. An Advisory Committee will be established at the all India level to assist the Ministry of Rural Areas and Employment in the monitoring and evaluation of the NSAP and to advice on matters related to its effective implementation.
31. The State / UT Governments shall furnish to the Department of Rural Development in the Ministry of Rural Areas and Employment, which is the nodal agency at the Centre, quarterly and annual progress reports as per formats prescribed from time to time.

## **VIII. Central Assistance under the NSAP**

32. Central Assistance to States / UTs under the NSAP will be determined in the following manner:
  - (i) Table 1 indicates for each State / UT, the Qualifying Financial Entitlement (QFE) for Central assistance in respect of each of the three benefits. The QFE is the product of the financial ceiling for the benefit and the corresponding numerical ceilings in Table 1. The numerical ceilings for each state in respect of each of the beneficiaries have been worked out on the basis of the NSAP: Basic parameters furnished in Table 2. The parameters are liable to be updated from time to time. The method of computation has been explained in the Annexure.
  - (ii) Central Assistance to States / UTs shall be 100 % of the QFE for each State / UT under each benefit as specified in Table 1 or actual expenditure incurred by the State

under each benefit in the particular year whichever is less.

(iii) State / UT Government will be expected to maintain the level of their own current expenditure on social protection programmes and ensure that central assistance under the NSAP is in addition to the State budgetary outlays for the current year 1993 – 94, whichever is more, on such programmes. This consideration will be taken into account in determining the level of Central assistance. For this purpose, social protection outlays will be taken to include outlays on all social assistance pensions (such as for the old, agricultural labourers, widows, deserted women and the physically handicapped), survivor family benefits, maternity assistance, maternal and child care and child nutrition.

33. The procedure for the release of Central assistance will be as follows:

(i) The quantum of Central assistance will be arrived at as laid down in paragraph 32 above.

(ii) Central assistance for the financial year will be released in two installments during the year to the separate NSAP account opened at the District level for this purpose.

(iii) From 1996 -97 onwards, while the first installment of Central assistance could be released in the beginning of the financial year and the second installment will be released on receipt of the utilization certificate and audited figures of the actual expenditure for the year preceding the previous year.

(iv) While preferring claims for each installment of release of Central assistance, the States / UT will be required to submit copies of their latest Government Orders relating to each of the three social assistance benefits.

34. It is essential that the actual budgetary expenditure eligible for Central assistance incurred by the States / UTs should be clearly recorded in their financial accounts. For this purpose, heads on accounts will be prescribed in consultation with the Comptroller and Auditor General of India.

#### **Annexure**

1. The Central assistance to a particular state in any year in respect of each of the three NSAS benefits will be the Qualifying Financial Entitlement (QFE) for that state for the relevant benefit or the Actual Expenditure for the year, whichever is less.

2. The following examples indicate how the numerical ceiling and the QFE are worked out. The data used relate to an 'average' State and are based on Census 1991, SRS 1992 and the latest available poverty estimates. The basic parameters assumed in the illustrative examples for an 'average' State are the following:

(i) Population (1995): 58.73 million

(ii) Poverty ratio in total population: 29.9 %

(iii) Proportion of 65 + age group in total population: 3.9 %

(iv) Proportion of 20 – 59 age group in total population: 47.1%

(v) Age specific mortality in the 20 – 59 age group: 0.0053 (i.e. 5.3 per thousand)

(vi) Crude Birth rate: 0.0292 (i.e. 29.2 per thousand of population)

(vii) Proportion of first two live births in total births: 57.9%

**3. The scales of benefits are:**

- (i) Rs. 75/- per month (i.e. Rs. 900/- per annum) for old age pensions.
- (ii) Family Benefit of Rs. 5,000/- or Rs. 10,000/- for poor households on the death of the primary bread winner
- (iii) Maternity Benefit of Rs. 300 for women in poor households upto the first two live births.

**Numerical Ceilings and Qualifying Financial Entitlements:**

4. It is assumed that 50% of the population below the poverty line in the age group 65 + will qualify for old age pensions under the destitution criteria laid down. Accordingly, the numerical ceiling for old age pensions in the 'average' State chosen in the example will be: Population X Poverty Ratio X Proportion of 65 + age group in total population X 0.5 = 5,87,30,000 X 0.299 X 0.039 X 0.5 = 3,42,425 or 3,42,400 (to the nearest hundred). The QFE is Rs. 900 X the numerical ceiling = 900 X 3,42,400 = Rs. 3081.6 lakhs.
5. For the 'average' State, the number of deaths in the 20 – 59 age group in households below the poverty line can be estimated as: Population X Poverty Ratio X Proportion of 20 – 59 age group in the total population X age specific mortality in 20 – 59 age group = 5,87,30,000 X 0.299 X 0.471 X 0.0053 = 43,836. Half the number of such deaths is assumed to relate to the primary bread winner. The numerical will, therefore be: 0.5 X 43,836 = 21,918 or 21,900 (to the nearest hundred). Of these 90% of deaths or 19,710 (0.9 X 21,900) are assumed to be due to natural causes and the balance namely 2,190 are due to accidental causes. The QFE will accordingly be: Rs. 5,000 X 19,710 + Rs. 10,000 X 2,190 = Rs. 1204.5 lakhs.
6. The numerical ceiling for maternity benefits will be: Population X Poverty ratio X Crude Birth rate X Proportion of first two births in total live births = 5,87,30,000 X 0.299 X 0.292 X 0.579 = 2,96,888 or 2,96,900 ( to the nearest hundred). The QFE will be Rs.300 X 2,96,900 = Rs. 890.7 lakhs.



**Table 1: NSAS: Numerical Ceiling and Qualifying Financial Entitlement for States / UT**

State/ UT	Old Age Pension		Family Benefit		Maternity Benefit		Total Funds needed (Col. 3+5+7)
	Numerical Ceiling (nos.)	Qualifying Financial Entitlement	Numerical Ceiling (nos.)	Qualifying Financial Entitlement	Numerical Ceiling (nos.)	Qualifying Financial Entitlement	
1	2	3	4	5	6	7	8
1. Andhra Pradesh	466000	4194.0	30700	1688.5	388200	1164.6	7047.1
2. Arunachal Pradesh	1700	15.3	100	5.5	2100	6.3	27.1
3. Assam	73100	630.9	9100	500.5	93700	281.1	1412.5
4. Bihar	7744000	6969.6	48900	2689.5	602800	1808.4	11467.5
5. Goa	2200	19.8	100	5.5	2800	8.4	33.7
6. Gujarat	160100	1440.9	10700	588.5	124600	373.8	2403.2
7. Haryana	37700	339.3	2100	115.5	38200	114.6	569.4
8. Himachal Pradesh	11600	104.4	600	33.0	14500	43.5	180.9
9. Jammu & Kashmir	26600	239.4	1400	77.0	33200	99.6	416.0
10. Karnataka	316200	2845.8	17500	962.5	251500	754.5	4562.8
11. Kerala	144500	1300.5	4500	247.5	75100	225.3	1773.3
12. Madhya Pradesh	489800	4400.2	37000	2035.0	488800	1466.4	7909.6
13. Maharashtra	501700	4515.3	27600	1518.0	381400	1144.2	7177.5
14. Manipur	3500	31.5	200	11.0	4400	13.2	55.7
15. Meghalaya	3400	30.6	200	11.0	4200	12.6	54.2
16. Mizoram	1400	12.6	100	5.5	1700	5.1	23.2
17. Nagaland	2400	21.6	100	5.5	3000	9.0	36.1
18. Orissa	283400	2550.6	23100	1270.5	253400	760.2	4581.3
19. Punjab	36500	328.5	1800	99.0	26900	80.7	509.2
20. Rajasthan	200000	1800.0	1500	687.5	217100	651.3	3139.9
21. Sikkim	800	7.2	100	5.5	1000	3.0	15.7
22. Tamil Nadu	391900	3527.1	26000	1430.0	290500	871.5	5828.6
23. Tripura	5300	47.7	300	16.5	6600	19.8	84.0
24. Uttar Pradesh	1027500	9247.5	71700	3943.5	927700	2783.1	15974.1
25. West Bengal	353900	3185.1	24000	1320.0	289400	868.2	5373.3
1. A & N Islands	600	11.7	100	5.5	700	2.1	13.0
2. Chandigarh	1300	2.7	100	5.5	1700	5.1	22.3
3. Dadra & Nager Haveli	300	1.0	100	5.5	300	0.9	9.1
4. Daman & Diu	200	171.0	100	5.5	200	0.6	7.9
5. Delhi	19000	0.9	1000	55.5	23700	71.1	297.1
6. Lakshadweep	100	13.5	100	5.5	100	0.3	6.7
7. Pondicherry	1500	5.4	100	5.5	1900	5.7	24.7
All India	5335600	48020.4	352000	19360	4551400	13654.2	81034.6

- The numerical ceilings have been worked out with reference to the basic parameters for each state given in Table 2 following the procedure explained in Annexure. The figures are to the nearest hundred. The QFE is the numerical ceiling multiplied by the financial ceiling for the relevant benefit.
- These figures are under revision due to the change in age bracket

## Annexure - III

### Health Insurance

There have been a number of initiatives taken by groups of people, voluntary agencies, doctors and other medical staff, etc. to provide health services through organised community activity, often using elements of insurance. Some of these groups are directly providing the services to the target groups, some have concentrated only on the financing of primary health services while others have acted as intermediaries to make available health insurance under the schemes of the GIC. A brief look at a few such experiences will give valuable insight into the entire issue, help in broadly assessing the usefulness and popularity of these policies as well as indicate some of the possibilities and direction for health insurance in India.

#### 1.1 Managing and financing of healthcare

“ Working normally within localised areas, some of the voluntary agencies have exclusively organised the delivery of health services while others have done so as part of a larger welfare programme. A number of credit NGOs (Gupta 1994) are operating various (mainly primary health schemes) which include innovative ways of financing

The *Voluntary Health Service (VHS)* in Chennai, the *Samakhya* in Andhra Pradesh and the *Association for Health Welfare* in Nilgiris (ASHWINI) in the tribal area of Gudalur in Tamil Nadu (Eswara Prasad, 1998), each one has in different ways tried to bring the community together for providing medical care to their separate target groups. The approach adopted by most of them has been to collect contributions from the beneficiaries themselves for future contingencies following the insurance principle; and, to the amount realised, add donations, grants, etc., raised for the purpose. The total amount is then utilised for running the health centres or hospitals on a regular basis. These agencies have been successful in making available certain essential services, but they have had problems with regular collection of premium, with the result that many members stopped contributions after the initial one or two years. The VHS has found that although over 70 per cent of the members who are entitled to free services renewed their membership, barely 15 per cent of those who are required to pay renewals did so, and these were mostly people who were in immediate need of treatment. In the case of the *West Bengal Students Home*, students have received good services for over four decades, in return for a small premium of Rs.4 per annum collected through the schools. This scheme is also running into financial problems, because it is unable to raise the contribution rates in the face of lower donations and reduced availability of charitable professional services which had readily come forth in the initial years. (Banerji, 1995).

ASSEFA-an NGO specialised in credit-runs a number of health care centres at various villages in Kiriapathi Block to make available preventive and curative health services for minor ailments and referral advice for other problems. To start a centre, ASSEFA-Plan Programme provides medical equipment, pays the sum of Rs.20,000 for medicines and finances for the period of 3 years the honorarium for a qualified doctor contracted by the cluster committee. After that period, the cluster committee has to pay a fee of Rs.120 per day to the doctor for providing medicines and other expenses. In order to make the Centre financially viable, the cluster committees may take the following steps:

- (a) charge a sum of Rs. 50 per year from each family,
- (b) collecting the full costs for medicines and services availed by non-members,
- (c) provide each family member with a medical card.

Acute cases , if necessary, are referred for surgery or further treatment. While hospitals provide free bed, meals and nursing, two-thirds of the remaining costs are borne by ASSEFA contribution, but an increasing number of patients are treated within the scheme. It is now proposed that each cluster be given some income-generating activities, such as nursery, poultry, dairy, etc., so as to meet expenses on health and welfare.

Another such organisation is *MASS Education*, which includes 60 groups of women with about 9,000 members which works in rural development, education, sanitation and credit in the Parganas district in West Bengal. Its clinics cover almost 300 villages in the district and are run by part-time doctors and para-medical staff. About 50 families visit each of the clinics almost every day for which they have to pay Rs.2/- per visit. Medicines are charged on a cost basis. *MASS Education* also runs a fully equipped hospital, having both indoor and outdoor patient departments. While in the out-patient department (OPD), members are charged Rs.5/- per visit, the indoor patients have to pay a nominal fee.

The entire funding for the health service is presently being met by a Dutch organisation and by contributions from the local communities. The management of the organisation plans that the same will be self-sustaining within the next three years. It has now introduced a modified system of recovering the costs of services, with detailed tariffs for in-patient and out-patient services.

To be viable, the minimum number of members should be such that their contributions can meet the cost of a part-time doctor and midwife ("*dai*"). The monthly charges for these services could easily reach Rs.750, which means at least 100 members should contribute rs.7.50 per month. Under such a scheme, the doctor/*dai* will provide advisory/consultation services at no cost and medicines should be sold by the NGO on a no-profit basis.

## 1.2 Health insurance in collaboration with the GIC

The GIC offers group insurance policies for hospitalisation costs in cases of kidney diseases and transplants, strokes, heart operations, cancer, tuberculosis and encephalitis. The maximum premium is Rs.30/- for specified diseases and Rs.40/- for all diseases. The maximum limit per person is Rs.2,000 per year over the entire period.

The numbers covered by the GIC group insurance schemes are usually small, since they are limited to a few NGOs spread out over the country, such as the SPARC in Bombay, SEWA in Ahmedabad and ACCORD in Tamil Nadu. Even though their premiums are relatively low, they are difficult to support by workers in the unorganised sector. So, most of the premiums paid for GIC insurance policies are paid by the "nodal" intermediate agency. In the case of the SEWA comprehensive policy for example (see the next section), one quarter is paid by the insured persons, while the remaining part is paid by either SEWA itself or a foreign donor. Similarly, in the case of the ACCORD hospital cost insurance policy, more than two-thirds of the costs are financed by a foreign donor.

The GIC-as well as the LIC- will accept various groups to be covered by their insurance, such as a cooperative, a union of workers in the same occupation, or even a single employer. The so-called "nodal" organisation is the carrier of the insurance policy. The nodal organisation can be the group itself or any government or semi-government organisation (corporation). The nodal organisation decides the content of the insurance policy and the premium to be paid. In some cases, the nodal organisation pays the premium on behalf of its members, otherwise the individual members pay directly to the LIC/GIC. All claims have to be submitted to the nodal agency which verifies and certifies the necessary documents and then sends them on to the LIC/GIC who-after a second round of verification- pays the claimed benefits to the nodal agency.

SEWA, a unique organisation registered as a trade union and working for the unorganised women workers, got interested when a number of women members defaulted in the repayment of their instalments; an analysis of the reasons indicated death (in many cases during maternity) and illness of self or family members as the main causes for default (Vyas and Chatterjee, 1995). SEWA introduced an integrated insurance scheme for its members through which several benefits were offered for a consolidated premium of Rs.45 per annum. While SEWA itself provided some benefits, it also worked as a nodal agency and arranged to get cover under various policies separately for specific benefits from different insurance companies. The risks covered included health costs (up to Rs.1,000), natural or accidental death including disablement of the woman member or husband (for varying amounts up to Rs.10,000) and a maternity benefit (of Rs300).

In SEWA's experience while acting as an intermediary for the medical insurance, which required a per-member premium of only Rs.15 per annum, there was decidedly a very

positive response; in fact, it was felt that it gave a boost to the other activities of the organisation. The membership for health insurance rose from 7,000 in 1992 to 15,000 in 1995. The number of women who placed a lump sum amount (Rs.500) in fixed deposit to cover the future premium costs also substantially increased during this period. In fact, the organisation found that there was considerable willingness amongst the women members to pay for need-based social security services.

The presence of the Lok Swasthya (*i.e.*, public health) co-operative, two municipal hospitals in Ahmedabad town as part of the SEWA movement, strengthened the referral linkages and thus provided a useful service. the co-operative provides primary healthcare services, health education, and they sell quality drugs-well below open market prices. child care is provided by a special cooperative which is financed from a variety of sources- by employers (particularly tobacco factories), by the local village panchayat municipality, by government grants (such as ICDS) and by welfare funds.

Nevertheless, the SEWA members were not fully satisfied with the scheme or the services provided. They felt that the benefits and procedures needed to be improved. Need for extending health coverage to the families was acutely felt, as also for illnesses which were treated while at home, as well as for maternity, gynaecological problems and chronic diseases. On the administrative side, SEWA members reported difficulties with delays of up to three to six months in the processing of claims, rejections, incomplete documentations, travel and photocopying costs. Registration of only bigger hospitals by insurance companies and short-term policies requiring annual renewal were seen to have added to operational problems. Insofar as the adequacy of the insurance amount of Rs.1,000 is concerned, it has been found to cover the medical expenses actually incurred by the women workers in about 50 per cent of the cases.; while another 35 per cent would have been covered if the ceiling had been enhanced to Rs.2,000. It was observed that the expenditure incurred in obtaining treatment from private hospitals was around 2.5 times more than the cost in public hospitals. Generally, there have been difficulties with procedures even though SEWA shares the responsibility for documentation(Chatterjee and Vyas, 1997).

*The Apollo Hospital Association (AH)*, a non-profit organisation registered as a society, also provides health care by acting as an intermediary for a group of medi-claim policy with insurance companies (Pinto, 1995). The AHA offers a credit facility to the insured members in case of hospitalisation and processes their claims with the companies for reimbursement. AHA, which has declined from 80,000 to 10,000 when the out-patient facilities were no longer available. in order to make the health cover truly attractive, it was felt by the members that chronic ailments and non-hospitalisation treatment should also be included as eligible for reimbursement. As well, delay in finalising claims was found to be problematic, especially where the bills were referred to the panel of doctors and investigators. The AHA as the mediator, in addition, felt that it suffered financial losses on account of the loading charges

imposed by the insurance company whenever claims exceeded 80 per cent of the premium, which AHA was unable to pass on to the insured persons. On the other hand, the AHA also observed that there were cases of under advantage being taken by the latter through drawing up of policies after there was positive evidence of disease. Modifications were thus called for to take care of the interests of all parties.”<sup>1</sup>

### 1.3 “Some options for the future

It is evident from the above review that there is both a need and a vast scope for extension of health insurance (Jain, 1995): both for raising additional finances so as to increase access to medical services, and for enhancing their quality. The need is for optimal utilisation of private and public resources and facilities. The question as to which strategies may be adopted in this direction and which benefits may be provided through what kind of administrative and financial arrangements remain to be answered. Although the 1983 *National Health Policy reform encouraged health insurance services*, there has been only a limited extension of such insurance through GIC-sponsored schemes since that time.

From the available evidence, it is not clear what are the health insurance priorities for workers from the unorganised sector. Hsiao and Sen(1995) claim that most of them are more interested in ensuring the provision of primary and some secondary health services than to insure themselves against (much less frequently occurring) hospitalisation costs. This is in a way corroborated by the experience of the AHA which found that health insurance membership declined sharply when out-patient treatment facilities were no longer available.

If workers prefer to contribute to primary and some secondary health services, one could use the new concept of managing and financing of health care, particularly in rural areas, as recently developed and proposed by Hsiao and Sen (1995). Under the CHC scheme, the provision and financing of health care will be undertaken by communities characterised by strong social bonds and mutual trust. The CHC would provide preventive services, immunisation, health promotion, family planning, maternal and child care, and outpatient services to all its members, including drugs, for which a co-payment would be levied. Each community of about 1,000 people would have a health post serviced by one health worker paid by CHC and a stock of generic drugs specified in the WHO essential drug list. The CHC would also establish a primary health centre for a population of about 15,000 people, staffed by a doctor, a mid-wife, a clinical nurse, a primary care practitioner, a pharmacist, and an assistant. These centres would refer patients to the regional centres for tertiary care, possibly on the basis of a packaged fee or a capitation payment. Patients have the choice of obtaining free health services at the health posts and primary health centres or from private practitioners. When the service is obtained from a private practitioner, the CHC will only reimburse the patient 50 per cent of its costs. This new organisation would mean a significant improvement over services currently provided by the government, which finances

one sub-centre for a minimum of only 5,000 people and one primary health centre for 30,000 people.

Estimating the package on conservative basis would lead to an average annual per capita cost of about Rs.100. According to four large household interview surveys in the early 1990s the approximate per capita cost for primary care and acute services paid by patients out of pocket ranged from Rs.115 to Rs. 200. The economic benefits to the CHC members could even be much larger if the government is willing to channel to the CHCs a large part of the savings resulting from the reduction of its costs for supporting the full range of existing government sub centres, primary health care centres and family planning programmes. More empirical information is needed to assess whether CHCs are viable and can produce more benefits than other alternative ways of financing and organising health care for its rural population. If these studies find that CHC is viable in rural India then demonstrations projects should be developed to test the organisational form and management that would be most suitable..

If the preference of workers is for insurance to counter the cost of hospitalisation then it may be advisable to follow the model developed by SEW. It appears from their experience that the extension of worthwhile health coverage should be possible at affordable premium levels. In SEWA'S reckoning a satisfaction level of 50 percent could be achieved towards reimbursement of a member's health expenses against a small annual premium of rs.15. Taking this as a broad indicator premium amounts would need to be enhanced if the health of entire families is to be protected, as it must be, and the scope of the coverage is to be enlarged by removing the exclusion which have proved to be an irksome feature. On the other hand, there would seem to be a fair possibility of reducing the premium through an enlargement of the group ( it may be recalled that GIC offers a group discount of 66.7 % for group policies covering more than 50,000 members and a family discount of 0 percent) . Moreover, to the extent of government support, relief would also become available to the insured and, commensurably, their premium amounts would reduce.

As for the level of benefits, stipulation of certain ceilings on the amount of expenditure that may be incurred per insured family would seem to be essential.. Such ceilings would of course be expected to take into account the nature of illness besides having reference to the contribution. In addition, GIC or NGOs could offer a choice from few graded benefit packages related to different contribution rates."<sup>2</sup>

<sup>1</sup> ibid

<sup>2</sup> Social Protection for the Unorganised Sector : India International Labor office , Geneva.

## **Annexure IV**

### **Crop Insurance Scheme and other Schemes for Cultivators**

#### **SOCIAL SECURITY SCHEMES FOR WORKERS IN THE UNORGANISED SECTOR**

##### **1. Cultivators**

In the case of the National Crop Insurance Scheme, 50 per cent of the premium is subsidised and it will be shared equally by the Government of India and the State Government concerned. The estimate of cost of the Scheme is not given. According to the Economic Survey the actual insurance charges for Rabi 1999-2000 and Kharif 2000 (upto September 2000) was Rs.145 Crores. The sum assured was Rs.5211 crores. If the claims exceed the premium collected, the excess up to the extent of the sum assured will also have to be shared by the Governments. The liability on this account is not indicated. According to the Annual Report of the Ministry of Agriculture, the total outlay for crop insurance during the Ninth Plan was fixed at Rs.730 Crores. During the three years from 1997-98 to 1999-2000, Rs.428 Crores were released to the GIC for implementation of the scheme. The revised estimate for 2000-2001 was Rs.289 Crores. It may be assumed that the liability on account of Crop Insurance will be about Rs.300 Crores annually.

Agriculture is the largest occupation in India. It provides employment to about 200 million people. The persons employed in agriculture are broadly of two classes: cultivators and agricultural workers. According to 1991 census the total number of cultivators was 107 millions and the total number of agricultural workers was 74 millions.

##### **Cultivators:**

Cultivators, who are also called farmers are basically self employed persons. They are exposed to vagaries of weather and are subject to the operation of the market forces. Their income is affected by famine, drought, floods and other natural calamities. It is also affected by the fluctuations in the supply of and demand for agricultural commodities.

The following are some of the schemes designed for promoting or protecting the interests of cultivators:

1. Crop and Livestock Insurance Schemes
2. Minimum Support Price
3. Fertiliser Subsidy
4. Subsidy on Sale of Electricity



Crop and cattle insurance schemes being operated by the GIC are an important form of relief to farmers affected by natural calamities or by mortality of cattle which dispossesses them of a basic means of production and sustenance

Brief particulars of these Schemes are given in the annexure.

## **Crop Insurance**

### **Overview**

1. India is an agricultural country and agriculture plays an important role in India's economy. It provides gainful employment to a large population of the country, particularly the rural population which is about 70 per cent of total population. In order to understand the magnitude of problems of crop insurance in the country, it is necessary to look into some basic data which is as follows :

### **Geographic & Demographic Parameters of the Country :-**

- A billion people.
  - 110 million farm holdings.
  - 328 million hectares of geographical area.
  - 185 million hectares of cropped area.
  - 25 States and 7 Union Territories.
  - 120 Agro climatic zones.
  - Irrigated area less than 40 per cent of the total cropped area.
  - Average Landholding size of mere 1.55 hectare.
  - Per capita food grain availability of 183 kilograms per annum.
2. Large scale crop failure have very adverse effect on the economic condition of farmers who are already the poorest section of the society. Such crop failures occur every year in some parts of the country or other due to natural calamities such as drought, flood, hailstorm, cyclones etc. Recent super-cyclone in Orissa which severely affected 14 districts damaging the crops and other livestock and widespread instances of drought in the States of Gujarat, Rajasthan, Andhra Pradesh etc. caused large scale crop damage. As a result of such crop failure, farmers in general and small and marginal Farmers in particular not only lose their current crop but are also left with no money to invest in the next crop season. Non-payment of bank loans render these farmers as defaulters and they are not eligible for fresh loans.
  3. In order to help such farmers, the subject of crop insurance was discussed since independence and a number of Committees were formed to suggest suitable and viable crop insurance scheme so that if a workable scheme is devised, it can provide timely

compensation to farmers and minimize their suffering due to crop failure. However, the reports of such Committees could not be implemented due to financial implications. At that time, no private Insurance Company was willing to implement any crop insurance scheme because of expected heavy losses.

1. A Crop Insurance Scheme based on 'Individual' approach is ideal but formulating such a Scheme in Indian context is beset with problems such as:
  - Non-availability of past records pertaining to land surveys, ownership/tenancy and yields.
  - Huge number of farmers and farm holding which are small, scattered and fragmented.
  - Inaccessibility of farm holdings.
  - A large variety of crops and varied agro-climatic conditions.
  - No standard package of practices and high variability of yields even from field to field.
  - Simultaneous harvesting of crops in large tracts.
  - Collection of small premium from large number of farmers.
  - Prohibitive costs due to huge requirement of men and materials.
  - Disputes over fixing guaranteed yield and loss assessment.
  - Farmers may not take proper care of his crop once claims are expected. This may lead to national loss and shortfall in production.

In advanced countries, Schemes based on 'Individual' approach are feasible due to the following reasons:

- Limited number of farmers cultivating/owning large farms which are commercially viable.
  - Ready availability of authentic past records including yield data.
  - Standardized mechanized cultural practices.
  - Availability of trained professional loss adjusters.
5. However, a beginning in Crop Insurance was made by Life Insurance Corporation of India (General Insurance Department) in 1972 by implementing an Experimental Scheme for Hybrid – 4 Cotton in few districts of Gurajat State. This Scheme was based on individual approach and uniform guaranteed yield was offered to selected farmers. This Scheme was taken over by nationalized set up of General Insurance Corporation of India and was extended further to Andhra Pradesh, Karnataka, Madhya Pradesh, Maharashtra, Tamil Nadu and West Bengal. The Scheme covered only 3110 farmers for a premium of Rs.4.54 lakhs against claims of Rs.37.88 lakhs. These Schemes continued till 1979 and it was concluded that under the situation prevailing in the country, Crop Insurance Scheme based on individual approach is not feasible and economically viable to implement on large scale. Hence, these Schemes were phased out.

6. On the basis of feasibility study conducted by (late) V.M.Dandekar, a Pilot Crop Insurance Scheme based on "Area Approach" meant for loanee farmers in selected areas for selected crops was implemented from 1979 to 1984-85. The essential features of this Scheme were:

- (i) It was based on 'homogenous Area Approach.
- (ii) It was confined to loanee farmers on voluntary basis.
- (iii) Crops covered were Cereals, Millets, Oilseeds, Cotton, Potato, Gram and Barley.
- (iv) State Governments were co-insurers sharing with the General Insurance Corporation of India (GIC), premiums and claims in the ratio of 1:2.
- (v) Subsidy of premium of Small & Marginal Farmers to be jointly shared by the Central and State Governments.
- (vi) The maximum Sum Insured per farmer was 100% of the crop loan.
- (vii) The premium rate and guaranteed yield in each stratum were to be determined on the basis of yield data.

The Scheme was implemented in 13 States and covered 6.27 lakh farmers for a sum insured of Rs.61.50 crores and earned a premium of Rs.196.95 lakhs against claims of Rs.157.05 lakhs.

7. Based on the experience of the Pilot Crop Insurance Scheme, Government of India decided to implement a Comprehensive Crop Insurance Scheme (CCIS) from Kharif 1985 season. The salient features of the Scheme are detailed as under :

The salient features of the Scheme were:

- (1) Crops covered:** (i) Rice, Wheat and Millets (ii) Oilseeds and Pulses.
- (2) Premium Rates (Insurance Charges):** 2% of sum insured for Cereals, Millets and 1% for Oilseeds & Pulses. Subsidy to Small and Marginal Farmers – 50% of premium.
- (3) Farmers Covered:** All farmers availing of crop loans from Co-operative Credit Institutions, Commercial Banks and Regional Rural Banks for raising the aforesaid crops in the notified areas.
- (4) Sharing of Risk between Government:** The coverage in respect of crops insured in any State shared between the Government of India and the respective State Government in the ratio of 2:1.
- (5) States to which the Scheme Extended:** The Scheme extended to all States/Union Territories who would signify their concurrence to participate.
- (6) Area Approach:** The Scheme operates in Defined Areas for each crop as may be notified by the Crop Insurance Fund Committee constituted by each State Government. A Defined Area may be a District/Tehsil/Taluka, Block or other smaller contiguous area.

- (7) **Nature of Coverage:** If the actual average yield per hectare of the insured crop for the Defined Area determined on the basis of crop cutting experiments in the insured season, falls short of the specified threshold yield, all the insured farmers growing that crop in the Defined Area are deemed to have suffered shortfall in their respective yields and the scheme provided coverage against such contingency.
- (8) **Limit of coverage i.e. sum Insured:** The sum insured per insured farmer was 150% of the loan disbursed for growing the crop in the Defined Area during the insured season (reduced to 100% of crop loan subject to maximum of Rs.10,000/0 per farmer per season).
- (9) **Basis of Indemnity :** If there is a shortfall in the actual average yield per hectare of the insured crop, each of the insured farmers growing that crop in the Defined Area will be eligible for indemnity calculated as follows :-

$$\frac{\text{Shortfall in yield}^*}{\text{Threshold yield}} \times \text{Sum Insured for the farmer}$$

(\* Threshold yield less the actual average yield for the defined area).

The methodology for working out the claims under the Scheme is explained below :

**Example :**

**Paddy Crop**

Loan amount availed by the farmer	Rs.5,000
Sum Insured	Rs.5,000

Premium payable by the farmer at the rate = Rs.100  
of 2% (in case of Small or Marginal farmers  
Rs.50/- is extended as subsidy)

Guaranteed Yield	=	2000 kg of paddy per Hectare
Actual Yield	=	1600 kg of paddy per Hectare
Shortfall in yield	=	400 kg of paddy per Hectare
Indemnity payable	=	400/2000 x 5000
Net claim payable	=	Rs.1000

### Modifications in CCIS :

To improve viability of the Scheme without raising premium rates, Government of India introduced the following modifications, since 1988 :-

1. Sum insured was reduced from 150% to 100% of the crop loans
2. Coverage per farmer in each season was restricted to Rs.10,000/- irrespective of the quantum of loan disbursed.
3. Crop strata have been classified as Low, Medium and High risk categories based on the Degree of Variation in the yield rates and limit of indemnity fixed accordingly as under :

<i>Category of areas</i>	<i>Variation in yield (Coefficient of variation)</i>	<i>Indemnity in terms of % of past average yield</i>
Low risk	Up to 15%	90%
Medium risk	16% to 30%	80%
High risk	Above 30%	60%

### Administration of the Scheme :

The Comprehensive Crop Insurance Scheme is a multi-agency Scheme requiring active participation by the Government of India, the State Government, GIC and the Banks. The responsibilities are as follows :

#### Government of India

- Policy Matters
- Approving Claims
- Sharing 2/3<sup>rd</sup> share of Claims.
- Sharing 50 percent of subsidy of Small Marginal Small farmers.
- Issuing necessary instructions to State Government and other Agencies.

#### State Governments

- Issue of Notification – a State Crop Insurance Fund (SCIF) Committee is formed to decide the crops and areas to be covered.
- Sharing 1/3<sup>rd</sup> share of Claims.
- Sharing 50 per cent of subsidy of Marginal farmers.
- Conducting Crop Cutting Experiments And furnishing yield data.

#### G.I.C. of India

- Implementing Agency
- Managing Central Crop Insurance Fund.

#### Banks

- Collection of premium while disbursing crop loan to farmers.
- Filling of crop-wise and area-wise declarations.

- Processing of Declarations & Claims Settlement.
- Disbursement of Claims.
- Liaisoning with other Agencies.

The summary of coverage and claims particulars of CCIS from 1985-86 to 1998-99 is as follows :

S.No.	Parameter	Quantum
1.	Farmers covered	7.07 Crores
2.	Area (Hectares) covered	11.86 Crores
3.	Sum insured	22141.80 Crores
4.	Insurance Charges	359.53 Crores
5.	Total Claims	1843.23 Crores
6.	Claims ratio	1:5.12

Majority of the claims were paid in the States of Gujarat (44%), Andhra Pradesh (21%), Maharashtra (11%) and Orissa (6%) and one of the reasons for the high claim ratio is low premium rate of 1% for Oilseeds and Pulses and 2% for Rice, Wheat and Millets.

Further, the States having adequate irrigation facilities like Punjab and Haryana did not participate in the Scheme, while some of the States like Rajasthan, Uttar Pradesh have opted out of the Scheme after implementing the same for few years.

#### **Experimental Crop Insurance Scheme (ECIS) :**

In addition to CCIS, Government of India introduced **Experimental Crop Insurance Scheme (ECIS)** during Rabi 1997 season in 24 selected districts of eight States. However, the Scheme could be implemented only in 14 districts of five States. The Scheme was meant for non-loanee Small & Marginal Farmers and full premium and claims was borne by Government of India and State Government in the ratio of 4:1. The purpose of implementing this Scheme is to cover non-loanee farmers as this category of farmers are not covered under CCIS.

The Scheme covered 4,54,555 farmers for a Sum Insured of Rs.168.11 Crores in five States viz. Andhra Pradesh, Assam, Karnataka, Orissa and Tamil Nadu. The claims were Rs.37.80 Crores against the premium of Rs.2.84 Crores.

The Scheme was withdrawn after implementing for only that season.

**National Agricultural Insurance Scheme (NAIS) :**

The Government of India considered the demands from various quarters and launched "National Agricultural Insurance Scheme (NAIS)" w.e.f. Rabi 1999-2000 season replacing CCIS. The Scheme was dedicated to the Nation by the Hon'ble Prime Minister on 22<sup>nd</sup> June, 1999.

**Some of the salient features of the Scheme include :**

- Coverage of all farmers including share croppers and tenant farmers.
- Coverage of Food crops and Oilseeds and annual commercial/horticultural crops.
- No restriction of Sum insured per farmer and per hectare being as high as 150% of average yield.
- Experimenting assessment of crop losses on individual basis for localized calamities.
- Rationalizing premium rates etc.

The major changes and comparison of NAIS with CCIS is as under :

<b>S.No.</b>	<b>Parameter</b>	<b>CCIS</b>	<b>NAIS</b>
1.	Farmers covered	Loanee farmers	All farmers
2.	Crop covered	Food crops and Oilseeds	All CCIS crops + 3 annual commercial/ hort. Crops, viz. Cotton, potato & Sugarcane in the 1 <sup>st</sup> year and all other annual comm./hort. crops by 3 <sup>rd</sup> year.
3.	Premium	2% for Cereals & Millets and 1% for Pulses and Oilseeds	(a) Food crops & Oilseeds Kharif: 3.5% for Bajra and Oilseeds and 2.5% for other crops or actuarial rate which ever is lower. Rabi : 1.5% for Wheat and 2% for other crops or acturial rate whichever is lower. (b) Annual Commercial / Hort. Crops – actuarial rates.
4.	Premium subsidy	50% for Small & Marginal	50% for Small & Marginal farmers farmers in the first year, but to be phased out in five years.
5.	Limit sum Insured	Rs.10,000 per farmer	Up to the value of 150% of average yield. However, sum insured exceeding value of threshold yield shall attract premium at actuarial rate.
6.	Sharing of risk	2:1 by Central and State Governments	Food Crops & Oil seeds : Until complete transition is made to actuarial regime, all claims beyond 100% or premium shall be borne by the GOI and States on 50:50 basis. Thereafter, all claims up to 150% of premium for a period of three years and 200% of premium for an extended period of additional three years, thereafter shall



be met by IA.

Annual Commercial/hort, Crops :

IA shall bear claims up to

150% of premium in the first

three years and 200% of

premium thereafter subject to

satisfactory claims experience.

The claims beyond the limits of IA

shall be paid out of Corpus fund.

7.	Participation by farmers	Compulsory for Loanee Farmers	Compulsory for Loanee farmers and optional for non-loanees
8.	Participation by States	Voluntary basis	Extends to all States/U.Ts.
9.	Approach of the Scheme	Area approach	Area approach. However, in case of localized calamities, individual assessment will be experimented in limited areas.
10.	Administration Expenses	The GOI reimburses 50% of Expenses to GIC	The GOI / States reimburses 100% expenses in the 1 <sup>st</sup> year which will reduced on sun-set basis. from 6 <sup>th</sup> year onwards, all expenses shall be borne by the Implementing Agency.

Participation : Nine States/ UTs, viz. Assam, Goa, Gujarat, Himachal Pradesh, Kerala, Madhya Pradesh, Maharashtra, Orissa and Pondicherry implemented the Scheme during Rabi 1999-2000 season. The Scheme as on 30<sup>th</sup> April, 2000 covered 5,23,152 farmers for a sum insured of Rs. 264.85 Crores and earned a premium of Rs.4.51 Crores.

Seven more States/UTs, viz. Andhra Pradesh, Bihar, Karnataka, Meghalaya, Tamil Nadu, Uttar Pradesh and Andaman & Nicobar Islands are implementing the Scheme during Kharif 2000 season.

**Pilot Scheme on Seed Crop Insurance :**

In addition to National Agricultural Insurance Scheme (NAIS), the Government of India introduced a Central Sector "Pilot Scheme on Seed Crop Insurance (PSSCI)" from Rabi 1999-2000 season covering Breeder Seeds, Foundation Seeds and Certified Seeds of all major crops in 10 States. It is a path-breaking Scheme introduced for the first time to provide financial security and income stability to the seed growers; stimulate seed production of newly released varieties and to give boost to the modern seed industry. The Scheme shall cover losses both at field stage and seed certificate stage. It is a commercial scheme to be implemented on sound insurance principles. The important features of the Scheme are as follows :

1. **Crops Covered :** Paddy, Wheat, Maize, Jowar, Bajra, Gram, Tur, Groundnut, Soyabean, Sunflower and Cotton (some more crops are included during Kharif 2000 season).
2. **States/areas covered :** Seed growing areas in the States of Andhra Pradesh, Gujarat, Haryana, Karnataka, Madhya Pradesh, Maharashtra, Orissa, Punjab, Rajasthan and Uttar Pradesh.
3. **Farmers covered :** All farmers who have applied for certification and registered with State Seed Certification Agency (SSCA).
4. **Sum Insured :** It is equivalent to average seed yield of the area multiplied by Procurement Price.
5. **Premium Rates :** Ranges from 2% to 5%.

During Rabi 1999-2000 season, a premium income of Rs.4.55 lakhs was earned covering a Sum Insured of Rs.1.38 Crores.

**National Agricultural Insurance Scheme :**

1. To provide insurance coverage and financial support to the farmers in the event of failure of crops as a result of natural calamities, pests and diseases.
2. To encourage farmers to adopt progressive farming practices, high value inputs and higher technology in Agriculture.
3. To help stabilise farm incomes, particularly in disaster years.

**Salient features of the scheme :****1. Crops Covered :**

- All Food Crops (Cereals, Millets and Pulses) and Oilseeds.
- Cotton, Sugarcane & Potato in the 1<sup>st</sup> year and other annual Commercial/Horticultural crops in a period of three years.

**2. States and areas to be covered:**

The Scheme extends to all States and Union Territories.

**3. Farmers to be covered:**

All farmers including sharecroppers, tenant farmers growing insurable crops on :

- (a) **Compulsory basis:** All farmers growing insurable crops and availing Seasonal Agricultural Operations (SA) loans from Financial Institutions *i.e.* Loanee Farmers.
- (b) **Voluntary basis:** All other farmers growing insurable crops (*i.e.*, Non-Loanee farmers) who opt for the Scheme.

**4. Risk covered:**

The Scheme provides comprehensive risk insurance against yield losses, *viz* :

- (i) Natural Fire and Lightning.
- (ii) Storm, Hailstorm, Cyclone, Typhoon, Tempest, Hurricane, Tornado etc.
- (iii) Flood, Inundation and Landslide
- (iv) Drought, Dry spells.
- (v) Pests/Diseases etc.

**5. Sum insured/limit of coverage:**

The Sum Insured (SI) extends to the value of the threshold yield of the crop, with an option to cover upto 150% of average yield of the crop on payment of extra premium.

**6. Premium Rates:**

(a) Food Crops and Oilseeds:

- Kharif season – 3.5% of sum insured for Bajra and Oilseeds and 2.5% of sum insured for other Food Crops.
- Rabi season – 1.5% of sum insured for Wheat and 2.0% for other Food crops and Oilseeds.

(b) Annual Commercial/Horticultural crops : Actuarial rates.

**7. Premium Subsidy:**

50% subsidy in premium is allowed to Small and Marginal Farmers which will be shared equally by the Government of India and State Government/Union Territory.

**8. Scheme Approach:**

- (a) **Widespread calamities:** The Scheme would operate on the basis of 'Area Approach' *i.e.*, Defined Areas for each crop. The Defined Area may be a Gram Panchayat, Mandal, Hobli, Circle, Phirka, Block, Taluka etc. to be decided by the State Government/Union Territory. **However, each participating State Government/Union Territory will be required to reach the level of Gram Panchayat as the unit in a maximum period of three years.**

- (b) **Localised Calamities:** The Scheme would operate on individual basis for localized calamities such as hailstorm, landslide, cyclone and flood, on experimental basis.

#### **9. Levels of Indemnity and Threshold Yield:**

Three levels of Indemnity, viz., 90%, 80% and 60% corresponding to Low Risk, Medium Risk and High Risk areas shall be available for all crops. The insured farmers of a unit area may also opt for higher level of indemnity on payment of additional premium.

The Threshold yield (TY) or Guaranteed yield for a crop in a Insurance Unit shall be the moving average based on past three years average yield in case of Rice and Wheat and five years average yield in case of Other crops, multiplied by the level of indemnity.

#### **10. How to buy Insurance?**

- **Loanee farmers:** From Financial Institutions where crop loan is availed.
- **Non-Loanee farmers:** From Financial Institutions.

#### **11. Loss Assessment and Indemnity:**

- **Widespread calamities:** If the 'Actual Yield (AY) per hectare of the insured crop for the Defined Area falls short of the specified 'Threshold Yield (TY) all the insured farmers growing that crop in the Defined area are deemed to have suffered shortfall in their yield. The Scheme seeks to provide coverage against such contingency.
- **Localized calamities:** Loss assessment and settlement of claims in case of occurrence of localized perils, such as hailstorm, landslide, cyclone and flood, will be on individual basis.

#### **12. Corpus Fund:**

To meet Catastrophic losses, a Corpus Fund shall be created with contributions from the Government of India and State / U.T. on 50:50 basis.

#### **13. Implementing Agency (IA):**

An exclusive Organization, would be set up in due course, for implementation of Rashtriya Krishi Bima Yojana. Until such time as the new set up is created, the 'G.I.C. of India' will continue to function as the implementing Agency.

#### **14. Benefits expected from scheme:**

The Scheme is expected to:

- Be a critical instrument of development in the field of crop production, providing financial support to the farmers in the event of crop failure.
- Encourage farmers to adopt progressive farming practices and higher technology in Agriculture.

- Help in maintaining flow of agricultural credit.
- Providing significant benefits not merely to the insured farmers, but, to the entire community directly and indirectly through spillover and multiplier effects in terms of maintaining production and employment, generation of market fees, taxes etc. and net accretion to economic growth.

#### **Pilot Scheme on Seed Crop Insurance :**

##### **Objective:**

1. To provide financial security & income stability to the seed breeders/growers in the event of failure of seed crop.
2. To strengthen confidence in the existing seed breeders/growers and stimulate participation of new breeders/growers to undertake seed production programme of newly released hybrid/improved varieties.
3. To provide stability to the infrastructure established by the State owned Seed Corporations/State Farms.
4. To give a boost to the Modern Seed Industry to bring it under Scientific Principles.

##### **Salient Features :**

#### **1. Crops covered**

- Paddy, Wheat, Maize, Jawar, Bajra and Ragi
- Groundnut, Soyabean, Sunflower, Castor, Mustard
- Gram, Red gram, Black gram, Green gram and Pea
- Cotton, Potato

#### **2. Type of Seed covered**

- Breeder, Foundation and Certified Seed

#### **3. States/ Areas Covered**

Seed growing area under sub-offices/ area-officers of SSCA will be identified and treated as UNIT for insurance coverage in the States of Andhra Pradesh, Gujarat, Haryana, Karnataka, Madhya Pradesh, Maharashtra, Orissa, Punjab, Rajasthan and Uttar Pradesh.

#### **4. Farmers / Organisations covered**

- All farmers who have applied for certification and registered with SSCA.
- All Seed Producing Organisations (SPO), under Government or private control.

#### **5. Risk covered**

All non-preventable natural risks at the following stages.

**A. At Field Stage**

A1. *Failure of seed crop* field either in full or in part due to natural fire, lightning, storm, hailstorm, cyclone, typhoon, tempest, hurricane, tornado, flood, inundation, landslides, drought, dry spells, excessive rain, large scale incidence of pests and diseases.

The compensation payable shall be 40% of sum insured if the seed crop fails within 45 days of sowing and 80% if the seed crop fails after 45 days and until the crop is harvested.

A2. *Loss of Expected Raw Seed Yield* : Loss in expected raw seed yield over a large contiguous area due to the perils mentioned under para A1 and prevalence of excessive rain, blowing of hot and/or cold wind excessive hot weather during flowering or seed setting stage.

A3. *Loss of Seed Crop after harvest* : Damage to harvested seed crop due to operation of above mentioned perils whilst lying on the field until the seed is removed from the field for transportation to the processing plant.

**B. At Seed Certification Stage**

Rejection of Seed in 'Germination Test' due to operation of any of the insured perils mentioned in para A1 and A2 above.

**6. Sum insured**

Sun Insured is equivalent to average of preceding three or five year's foundation and certified Seed Yield of the identified unit area multiplied by 'Procurement Price' of the seed announced during the previous season by National Seed Corporation (NSC) / State Seed Corporations (SSC).

**7. Salvage**

The seed produced, if failed to qualify as "seed", shall have salvage value. The value of salvage ranges from 20% to 40% for Hybrids and 20% to 60% for "Other varieties". The salvage is applicable in case of losses at Certification stage only.

**8. Premium Rates**

Wheat and Groundnut – 2%, Sunflower – 2.5%, Paddy – 3%, Jowar – 3.5%, Gram, Red Gram, Cotton, Bajra, Soyabean and Maize – 5%.

**9. Loss Assessment method****(a) Field Stage Losses**

Based on reports of SPO/SSCA, the insurer shall arrange for surveying the loss and the compensation shall be estimated and paid subject to Scheme provisions.

Excess : 20% of all admissible claims shall be borne by the Insured.



on 50:50 profit/loss basis.

The Minimum support price and Market Intervention Schemes are in the nature of a guarantee to the producers that the prices will not be allowed to fall below the stipulated levels. In the event of prices falling below the economic levels, the Government through designated nodal agencies intervenes in the market and undertakes procurement operations at the minimum support price as fixed.

The policy has been credited with having paid rich dividends and having been thoroughly successful in making the country not only self-sufficient in food grains but also in generating exportable surplus in respect of certain agricultural commodities. The price policy has also succeeded in providing adequate raw material to the industry.

National Agricultural Cooperative Marketing Federation of India Ltd (NAFED) is the apex cooperative marketing organisation dealing in procurement, distribution and export and import of selected agricultural commodities. NAFED is a central nodal agency of the government of India for undertaking price support operations for non perishable commodities like pulses, oilseeds and market intervention in perishable horticultural items like potatoes, onion, grapes, kinnoo, oranges, eggs, apples, chillies, black pepper etc. During the period January 1997 to February 1998 market intervention was implemented for 13 items in various parts of the country. The target of turnover for NAFED for the year 1997-98 was Rs.810 crores,

### ***Buffer Stocking Policy***

The importance of building up a buffer stock of food grains to stabilise the food economy of the country has long been recognised. In fact adequate size of buffer stock of food grains is an essential element of the national food policy. Bufferstock of food grains is necessary not only to impart interseasonal stability to food grains supply and prices but also to ensure food security and meet emergent situations arising out of unexpected crop failure due to natural disasters, etc. The government has been prescribing the minimum stock levels for rice and wheat from time to time. The current prescribed levels are:

Month	Rice	Wheat	Total (Million Tonnes)
April	11.8	4.0	15.8
July	10.00	14.3	24.3
October	6.5	11.6	18.1
January	8.4	8.4	16.8



### Fertiliser Subsidy

Phosphatic and Potassic fertilisers including DAP, MOP and complex grade fertilisers were decontrolled in August 1992. Only Urea (nitrogenous fertilisers) continues to operate under a price control system involving a heavy subsidy. The import of fertilisers as well as fertiliser raw materials and intermediaries were also progressively decanalised between March 1992 and March 1994. Consequent on decontrol, prices of phosphatic and potassic fertilisers rose sharply. To offset the impact of the sharp rise in DAP, the Government has been paying a subsidy.

The total amount of fertiliser subsidy paid during 1996-97 was Rs 6648 crores. About fertiliser subsidy Economic Survey 1998-99 states as follows:

*" Fertiliser Production and Subsidy*

Domestic production of nearly 13 million tonnes of nitrogenous and phosphatic fertilisers (NP) falls short of consumption by over 20 per cent. Domestically produced nitrogenous fertiliser, urea, is still price controlled and involves a heavy subsidy. The shortfall in domestic production of NP is met from imports which invariably involves a subsidy since domestic selling prices are kept low compared to the landed cost of imported fertilisers. In case of potash (k) the entire requirement is imported. In 1998-99 the production of NP is expected to increase to 13.42 million tonnes.

To encourage balanced fertiliser use the Central Government continues to provide subsidy on decontrolled fertilisers such as DAP and MOP. For Rabi 1998 season (October to December) this subsidy ranged from Rs.3000 per tonnes for MOP to Rs.4440 per tonne for indigenous DAP. On complex fertiliseers it ranged from Rs.2477 to Rs.4071 per tonne.

Subsidy for Urea in 1998-99 was estimated at Rs.6983 Crore out of a total fertiliser subsidy of RS 9983 Crore (BE) Administered price of Urea was raised from Rs.3.66 per KG to Rs.4 per Kg with effect from January 1999 which will offset some proportion of the subsidy in the next financial year."

### *Subsidy on Supply of Electricity :*

The Cultivators also enjoy substantial subsidy on the sale of electricity. The Gross subsidy involved on account of sale of electricity to Agriculture was as follows:

Year	Rupees in Crores
1991-92	5,938
1997-98	19,090.7
1998-99	21,321.5 (RE)
1999-2000	23,847.2 Annual Plan Projection)

(Source: Economic Survey 1998-99)

The subsidy is given by way of lower prices. In some States electricity is supplied to agriculture free of cost. There is a move to abolish or at least to reduce the subsidy.

## ANNEXTURE - V

## KHATIHAR MAZDOOR BIMA YOJANA

## SOCIAL SECURITY SCHEME FOR AGRICULTURAL WORKERS

## 2.1 Profile of Agricultural Workers :

- Agricultural workers constitute a high percentage of the workforce in India.
- According to 1991 Census, out of the total workforce of 315 million, agricultural workers accounted for 74.6 million.
- In addition, out of 110 million cultivators (large, medium and small), about 50% belong to the category of small and marginal farmers. Many of these small and marginal farmers, because of small and uneconomical holdings and low yield, also work on the land of others. Thus about 55 million small and marginal farmers would also qualify as agricultural labourers.
- Further, a significant number, about 6 million, are engaged in rearing livestock, forestry, fishery, orchardry and allied activities.
- The total number of agricultural workers, therefore, as per the 1991 Census, would be about 135 million.

## 2.2 Socio Economic Conditions of Agricultural workers :

- A significantly high percentage of agricultural labourers are from a very indigent and economically backward strata of society.
- 40 per cent of these workers belong to Scheduled Castes and Scheduled Tribes and are in one way or the other, victims of social discrimination and economic exploitation.
- Poor economic conditions and low bargaining power denies them stable and durable employment opportunities, sometimes leading to distress migration. This has its inherent ill effects of social elimination, disruption of children's education and mental and physical trauma, etc.
- Low income of agricultural labourers, forces them to take loans from moneylenders, shopkeepers etc. at usurious rates of interest and is one of the factors resulting in bonded labour. Data regarding the purpose of such debts, reveals that both Scheduled Castes and Scheduled tribes borrow money mainly for consumption purposes.
- Studies have also shown that the **Green Revolution** has not contributed significantly to the betterment of agricultural labourers, except for marginal gains in terms of increased wages in some States.
- The process of casualisation of labour is going on unabated in rural India which is reflected in the proportion of casual wage labour to total wage labour.

### 2.3 Labour Laws applicable to Agricultural Workers:

- The most important legislation applicable to agricultural workers is the Minimum Wages Act, 1948. Both the Central Government and State Governments, as appropriate Government, have notified minimum rates of wages for agricultural workers. These range from about Rs.35/- to about Rs.90 per day.
- Another important legislation which has far reaching impact on the lives of agricultural workers is the Bonded Labour System (Abolition) Act, 1976.
- Besides the above, a number of other legislations are applicable to plantation labour and have enabling provisions to extend them to agricultural workers.
  - The Payment of Wages Act, 1936;
  - The Employees State Insurance Act, 1948;
  - The Maternity Benefit Act, 1961;
  - The Personal Injuries (Compensation Insurance) Act, 1963;
  - The Payment of Gratuity Act, 1972.
- In addition, the Workmen's Compensation Act, 1923, the Employees Provident Fund and Misc. Provisions Act, 1952, the Contract Labour (Regulation and Abolition) Act, 1970, the Equal Remuneration Act, 1976, the Inter-State Migrant Workmen (RECS) Act, 1979 and the Child Labour (Prohibition and Regulation) Act, 1986 are also applicable to agricultural workers in one form or the other.
- However, these provisions have not been able to safeguard the interests of agricultural workers adequately and have also not been able to provide any specific welfare measure to them. Particularly the existing legislations do not provide for security of employment for agricultural workers, prescribed hours of work, machinery for settlement of disputes, social security measures and a system of identification of agricultural labourers so that specific welfare measures can be directed for their benefit.

### 2.4 Existing Schemes for the benefit of Agricultural Workers:

- The existing schemes which directly or indirectly benefit agricultural labourers can be broadly classified into two groups (a) promotional social development schemes and (b) protective social security schemes.
- Promotional Social Development Schemes are those which aim to provide employment opportunities such as :-
  - Swarnjayanti Gram Swarozgar Yojana
  - Jawahar Gram Samridhi Yojana
  - Employment Assurance Scheme
  - Drought Prone Area Programme
  - Desert Development Programme
  - Integrated Waste Land Development Programme
  - Employment Guarantee Scheme (Maharashtra)

- Accelerated Rural Water Supply Programme
  - Minimum Needs Programme
  - Indira Awas Yojana
  - Rural Sanitation Programme
- Protective Social Security Schemes aim to provide some form of social security such as: -
- National Social Assistance Programme which includes the earlier schemes of National Old Age Pension and National Maternity Benefit Scheme. Apart from the National Old Age Pension Scheme, certain states like Gujarat, Maharashtra, Karnataka, Kerala and Tamil Nadu operate their own old age pension schemes, which are also extended to agricultural workers.
  - Financial assistance is given by States like Gujarat, Kerala, Tamil Nadu to destitute / deserted widows and divorced women.
  - Pension is also given to handicapped persons by states like Gujarat, Kerala, Haryana, Nagaland and West Bengal.
  - The Government of Kerala has introduced a death-cum retirement benefit scheme for artisans and skilled workers. Under this scheme, a retirement benefit is paid on completion of 40 years of enrolment or if the beneficiary dies before the completion of this period, it is paid to their families.
  - The LIC has recently introduced a comprehensive insurance scheme in rural areas called Janashree Bima Yojana. Persons below the poverty line in the age group of 18 years to 60 years are covered under this scheme.
  - Benefits under most of the above mentioned schemes are, technically speaking, available also to agricultural labourers. However, in view of their weak social status, these benefits invariably do not reach this section. Poor economic conditions deny this section the benefits of insurance schemes, as they are unable to pay their share of the premium.

## **2.5 Efforts made to Bridge the Gap.**

### **2.5.1 Legislation:**

- In order to specifically address the needs of agricultural labourers two draft legislation's were prepared in 1980 and again in 1997.
- These were discussed by the National Commission on Rural Labour (1987-91), State Labour Minister's Conferences in 1975, 1981, 1988, 1993, 1997 & 2000 and in the meetings of several Parliamentary Committees attached to the Ministry of Labour. However, no consensus has emerged.

### 2.5.2 Welfare Scheme :

- Since a comprehensive legislation for agricultural labourers has not been enacted so far, a proposal regarding formulating a specific scheme for the benefit of agricultural labourers was mooted and referred to Ministry of Finance. Finance Minister on 25.8.2000 has suggested that since agricultural workers are the targeted beneficiaries of many schemes of Ministry of Rural Development, Agriculture, Human Resource Development, etc., in order to ensure optimum utilization of public funds, Ministry of Labour may take up the matter with these Ministries to cover agricultural workers.
- The matter was taken up with these Ministries. Ministry of Human Resource Development, Ministry of Health and Family Welfare and ministry of Agriculture have informed that they have no specific schemes under implementation exclusively for agricultural workers.
- In order to identify the gaps in the existing schemes of different Ministries an inter-ministerial meeting was convened on 21.12.2000 under the chairmanship of Additional Secretary (Labour). The meeting was attended by Ministry of Rural Development, Insurance Division of Department of Economic Affairs, LIC, GIC and National Labour Institute. In the meeting, it became clear that there are four crucial areas in which intervention can be thought of for benefiting the agricultural labourers. These are superannation, medical facilities, life and accident insurance and higher and vocational education.
- The options were further discussed in a meeting with Labour Minister on the same day and it was decided that a Social Security Scheme for agricultural workers may be prepared which should concentrate on two areas, namely, superannation and life and accident insurance. For the health aspect, the ESIC system could be tapped.
- In view of the above decision a social security scheme for the agricultural workers covering life cum accident insurance, money back facility and superannation benefits was prepared in consultation with Insurance Division, Ministry of Finance and LIC. The draft scheme was discussed in a meeting, on 31.1.2001, with the Finance Secretary in which Special Secretary, Insurance Division, Chairman LIC, Chairman GIC and representatives from other Ministries were also present. In the light of the suggestions made in the meeting the scheme has been revised.

### 2.6. Project Outline:

#### 2.6.1. Aims and Objectives:

- To identify agricultural workers in certain identified blocks in identified districts covering all States and Union Territories.
- To provide life-cum-accident insurance to agricultural workers in the age group of 18 to 60.
- To provide superannuation benefit to agricultural workers of 60 years and above.

- To study the implementation of scheme after a year for extension to other blocks and districts of the country.

### **2.6.2. SWOT (Strength, Weakness, Opportunities and Threat) Analysis Strength:**

- The Scheme targets one of the most vulnerable sections of our society who have not benefited proportionately from the developmental efforts made so far.
- It bridges the identified gap in the various welfare schemes of the Government.
- Agricultural labourers would be able to avail the benefits of insurance facilities which covers both life insurance and accident insurance. This is a major aspect of social security which is surely needed in rural areas.
- The Superannuation benefits would help the agricultural labourers when they are out of the productive age and need money the most for their basic requirements.
- By implementing the Scheme in 100 carefully chosen districts with a limited target group with a time bound action plan, it would be possible to monitor closely the impact of the above welfare measures for possible replication in the rest of the country.

#### **Weakness**

- The coverage is limited to agricultural labourers.
- There are large numbers of other similarly placed workers who are also in need of such benefits.
- The Scheme will cover only two aspects whereas there are other needy requirements such as education of children, small loans for meeting social obligation etc.

#### **Opportunities**

- This will be the first such scheme which aims to directly target agricultural labourers, the largest segment in the unorganized workforce.
- This would help in fulfilling as many as 38 Assurances of Parliament.
- This will fulfill the recommendations of various major Commissions and Committees of the Ministry of Labor.
- This will meet the demand of major Trade Unions and Associations of agricultural workers.

#### **Threat**

- There is an acute cash crunch in Government and therefore, financial sanctions may not be easy to obtain or may not come in the anticipated scale.
- The existing economic instructions of Government make it difficult even to obtain resources already approved in the Budget.
- There is an increasing concern in Government to discourage subsidies in any firm.
- Individual agricultural workers may not have the financial capabilities to contribute their share.

### 2.6.3 Coverage

- The Project will be initially launched in 100 carefully chosen districts.
- The selection of the districts will be made on the basis of agricultural intensity of the States/UTs and also taking into consideration the extent of agricultural workers. From each such chosen district, a cluster of 5 to 6 villages will be selected for coverage.
- 28 States/7 UTs – 100 Districts – 100 Blocks – 2.0 million agricultural workers @ 20000 per block.
- All the agricultural labourers in the identified blocks will be covered.

### 2.6.4. Definition of Agricultural Workers

- For the purpose of this Project, agricultural labor may be defined as a person who follows one or more of the following agricultural occupations in the capacity of a labourer on hire, whether paid in cash or kind or partly in cash and partly in kind ; (a) farming (b) dairy farming (c) production, cultivation growing and harvesting of any horticulture commodity (d) raising of livestock, bee-keeping or poultry farming and (e) any practice performed on a farm as incidental to or in conjunction with the farm operation (including any forestry or timbering operations and the preparation for market and delivery to storage or to market or to carriage for transportation of farm products.)

### 2.6.5 Survey

- For the identification of villages and agricultural labourers a reputed research organization/institution would be identified in each State/UT.
- The research organization will carry out a quick survey to identify the agricultural labourers (the target group) in the district and prepare a Project Report. This organization will also be involved in implementation and monitoring of the Project and to prepare an evaluation report after two years of the implementation of the Project. This evaluation report will be used for extending the Project to other areas in the country.
- The following are the States / U.Ts., and suggested Districts for introducing the Scheme :

S.No.	State	No. of Districts
1.	Andhra Pradesh	1. East Godavari, 2. West Godavari, 3. Krishna 4. Guntur, 5. Kurnool.
2.	Arunachal Pradesh	1. Lower Subansiri. 2. Tirap
3.	Assam	1. Dhubri, 2. Nagaon
4.	Bihar	1. Bhagalpur, 2. Saharsa, 3. Purba Champaran, 4. Pashchim Champaran, 5. Rohtas
5.	Chattisgarh	1. Rajpur, 2. Bilaspur, 3. Indore
6.	Goa	1. North Goa

7.	Gujarat	1. Ahmedabad, 2. Kheda, 3. Vadodara, 4. Bharuch, 5. Surat
8.	Haryana	1..Hissar, 2. Rohtak, 3. Sirsa
9.	Himachal Pradesh	1. Kangra, 2. Shimla, 3. Mandi
10.	Jammu & Kashmir	1. Jammu, 2. Srinagar
11.	Jharkhand	1. Ranchi, 2. Ghatsila.W.Singhbum
12.	Karnataka	1. Raichur, 2. Gulburga, 3. Dharwad, 4. Bijapur, 5. Belgaum
13.	Kerala	1. Palakkad, 2. Thrissur, 3. Alapuzha, 4. Thiruvananthapuram.
14.	Madhya Pradesh	1. Raipur, 2. Durg, 3. Bilaspur, 4.Jabalpur, 5.West Nimar,
15.	Maharashtra	1. Yavatmal, 2. Amaravati, 3. Akda, 4. Nanded, 5. Solapur
16.	Manipur	1. Thoubal, 2.Imphal
17.	Meghalaya	1. West Garo Hills, 2. East Khasi Hills
18.	Mizoram	1. Aizwal, 2. Lunglei
19.	Nagaland	1. Kohima, 2.Tuensang
20.	Orissa	1. Ganjam, 2. Korapur, 3. Cuttack, 4. Sambalpur
21.	Punjab	1. Patiala, 2. Sangrur, 3. Faridkot
22.	Rajasthan	1. Kota, 2. Udaipur, 3. Pali, 4. Ajmer, 5.Ganganagar
23.	Sikkim	1. East Sikkim
24.	Tamil Nadu	1. Madurai, 2. Thangavur, 3. Tiruchchappalli, 4. Salem, 5. South Arcot.
25.	Tripura	1. North Tripura, 2.South Tripura
26.	Uttar Pradesh	1. Deoria, 2. Allahabad, 3.Muzaffarpur, 4. Varanasi, 5.Gorakhpur
27.	Uttranchal	1. Almora, 2. Pithoragarh, 3. Tehri Garhwal
28.	West Bengal	1. West Dinapur, 2. Murshidabad, 3. Barddhaman, 4. Madinapur.
29.	A & N Islands	A & N Islands
30.	Chandigarh	Chandigarh
31.	D & N Haveli	D & N Haveli
32.	Daman & Diu	Daman & Diu
33.	Delhi	Delhi
34.	Lakshadweep	Lakshadweep
35.	Pondicherry	Pondicherry



#### 2.6.6. Welfare Activities under the Scheme:

- The following welfare activities will be provided under the scheme: -
  - Life-cum-accident insurance
  - Money back
  - Superannuation benefits
  
- **Eligibility:** All agricultural Workers between age 18 and 59.
  
- **Contribution:**
  - The worker will contribute Rs.365/- per annum (Re. 1/- per day) **plus**
  - The Government of India will contribute Rs.730/- per annual per worker
  - For pension eligibility minimum period of contribution will be 10 years.
  
- **Benefits:**
  - Lump sum payment of Rs.20,000 on natural death
  - Lump sum payment of Rs.50,000 in case of death due to accident
  - Return of contribution plus interest on pension for family

#### On disability due to accident before age 60:

- Lump sum payment of Rs.50,000 in case of permanent total disability or Rs.25,000 in case of permanent partial disability due to accident.

#### On surviving up to age 60:

- Pension per month which ranges from Rs.100 to Rs.1900 and a lump sum payment to the family on death which ranges from Rs.13000 to Rs.2,50,000 depending on the age of entry to the scheme.

**Examples :**

Age of Entry	Survival Benefits up to age 60	Pension per month from age 60 or above	Lump sum on death after commencement of pension from age 60.
50	Rs.4,000/0 at age 60	Rs.100/-	Rs.13,000/-
40	Rs.4,000/- at age 50 Rs.8,000/- at age 60	Rs.320/-	Rs.26,000/-
30	Rs.4,000/0 at age 40 Rs.8,000/- at age 50 Rs.12,000/- at age 60	Rs.800/-	Rs.1,05,000/-
20	Rs.4,000/0 at age 30 Rs.8,000/- at age 40 Rs.12,000/- at age 50 Rs.16,000/- at age 60.	Rs.1,900/-	Rs.2,50,000/-

**2.6.7 Project Society:**

- For operationalising the scheme a Project Society will be set up on the pattern of the National Child Labour Projects registered under the Societies Act. The Project Society may be called Agricultural Labourers (Welfare) Project Society (ALPS).
- The following would be the composition of the Project Society :
  1. District Collector – Chairman
  2. Chief Executive Officer / Chief Development Officer – member and *ex-officio* Project Manager.
  3. Chief Medical Officer – Member
  4. District Agricultural Officer – Member
  5. Representative of the Lead Bank in the District – Member
  6. Representative of the Academic Institutions entrusted with the task of preparing the Project Report etc.

7. BDO
8. Block Pramukh
9. Representative of Labour Department
10. Representatives of ESIC
11. Representatives of the District Police Office
12. Representative of the LIC.
13. Two representatives of active NGOs in the area

There shall be at least two women members and two members from SC/ST community in the society. The Society may co-opt four members to meet this requirement and to give representation to any other stake holders or representative groups in the area which may have direct or indirect bearing on the successful implementation of the project.

#### **2.6.8. Functions of the Project Society**

- The Society will register the agricultural labourers identified by the research institution for targeting the benefits under the scheme.
- It will issue identity cards to all the beneficiaries.
- It will collect the premium for the insurance and other activities under the scheme from the beneficiaries.
- The contribution of Central Government towards insurance scheme will also be disbursed to the Project Society which will consolidate the contribution of the beneficiary and the Central Government and deposit it with the insurance agency.
- It will liaison with insurance agency for the quick settlement of claims in case of death or disability and other benefits which is due to the beneficiaries.
- It will endeavour to converge the benefits from other schemes to the target group under this scheme to built necessary synergy.
- The Project Society will take the help of Central Board of Workers Education (CDWE) to popularize the scheme and to explain the benefits of these measures to the workers.

#### **2.6.9. Project Advisory Committee:**

- In order to oversee the functioning of the Project Society every block will have a Project Advisory Committee which will be Chaired by the MP of the area which may include the local MLA, the Chairperson of the District Panchayat and the District Collector may be the Member- Convenor of the Committee. The PAC may meet as often as required but not less than once in a year.

**2.6.10. Cost Estimates:****(1) Grant-in-aid to Research Institutes for each district**

- b) Survey and Project Report = Rs.2.00 lakhs  
Rs.2.00 lakhs x 100 districts = Rs.200.00 lakhs per year

**(2) Grant-in-aid Project Society:**

- a. Honorarium to The Chief Executive Officer/Chief Development Officer and ex-officio Project Director @ Rs.1500/- p.m. x 12 = Rs.18000/-  
b. Honorarium to 2 Field Officers @ Rs.3000/- p.m. x 12 = Rs.72000/-  
c. Honorarium to Accounts Officer @ Rs.3000/- p.m. x 12 = Rs.36000/-  
d. Administrative expenses including issue of I.Card Rs.75000/- p.a.

Total Rs.2.10 lakhs per year.

Rs.2.10 lakhs x 100 districts = Rs.201.00 lakhs per year

**(3) Cost of Collection of the Premium from the Workers @ 6% of the amount collected**

20,000 workers in a Block x Rs.,365 = Rs.73,00,000/- (Premium from each Block)  
6% of Rs.73,00,000 = Rs.4,38,000  
Rs.4,38,000 x 1400 Blocks = Rs.4.38 crores

**(4) Premium payable by the Government.**

- a. Rs.730 x 2 million = Rs.146 crores

**Grand Total : Rs.152.39 Crores per year + Rs.2.00 crores to Research Institutions.**

## Annexure VI

### Kerala Scheme for indigent T.B. patients, Leprosy and cancer patients

#### Section – 2

#### Special Pension Scheme for the handicapped and Miscellaneous Pension Schemes

In this section, the special pension for the handicapped, pension to the indigent T.B. patients, leprosy patients and cancer patients, pension for sportsmen, journalists and cine artistes in indigent circumstances are discussed.

#### 3.2.1 Kerala Special Pension Scheme for the Physically Handicapped and Mentally Retarded:

The scheme is implemented with effect from 1<sup>st</sup> April, 1982. Earlier to the implementation of this scheme, physically handicapped and disabled destitutes were paid pension as a part of the Kerala Destitute Pension Scheme. A person would qualify for this pension, subject to the fulfillment of the following conditions:

- (a) He has been residing in Kerala State for a continuous period of not less than two years.
- (b) He has no income or has only a nominal income below Rs. 75 per month and his family income does not exceed Rs. 300 per month.
- (c) He is not a habitual beggar or is not admitted to a poor home run by or with the aid of the Government or a local authority.
- (d) He is not eligible for receipt of any pension / scholarship, allowance or grant – in – aid under any other welfare scheme run by or with the aid of the State / Central Government or a local authority.
- (e) Medical disability certificate from respective authority.

The Board of Revenue is implementing the scheme. The procedure for the grant of the pension is that an applicant has to apply on the prescribed form in duplicate to the Village Officer concerned in the month of March, April or May. In the case of the mentally retarded person or a physically handicapped person, physically incapacitated to sign the form, the application may be submitted by the guardian. The Village Officer, after necessary verification of eligibility, will forward within two months, one copy of the application form to the Tahasildar, who is the competent authority for the sanction of pension. Pension is then remitted to the applicant / guardian of the applicant appointed by the Tahasildar by money order. An assistance of Rs. 100 is paid as monthly pension under the scheme.

The total beneficiaries under the scheme increased from 43998 in 1985-86 to 90906 in 1993-94. The expenditure increased from Rs. 264.39 lakhs in 1985 – 86 to Rs. 915 lakhs during 1993 – 94. The district wise distribution of persons benefited is given in Appendix – 11.

### **3.2.2 Assistance to Indigent T.B. Patients / Leprosy and Cancer Patients**

The scheme of financial assistance for T.B. patients has been in operation since 1963 and for leprosy and cancer patients since 1976.

#### *Eligibility Conditions:*

To be eligible for assistance, a beneficiary has to satisfy the following conditions:

- (a) a T.B. / Leprosy / Cancer patient should have been residing in Kerala State for over one year.
- (b) in the case of a T.B. patient, he should not have been admitted to a T.B. clinic / sanatorium, etc., and should require at least six months treatment.
- (c) the income in case of a T.B. patient should not exceed Rs. 600 per annum and in the case of a leprosy / cancer patient, Rs. 200 per month (Rs. 2,400 per annum and no close relative above 21 years of age with an income of over Rs. 200 per month)

#### *Benefits:*

For T.B. patients, the amount of monthly assistance is Rs. 50 per month. Assistance is granted for one year at a time. The rate of assistance for leprosy / cancer patients is Rs. 100 per month. The assistance will continue until the cancer patient recovers or if a leprosy patient becomes bacterial negative.

The procedure is that application together with medical certificate from the appropriate medical authority has to be submitted in the prescribed form. After necessary verification, the Tahasildar sanctions the assistance, which is remitted by money order to the beneficiary. With regard to coverage the scheme benefited about 2600 persons in 1994. The details are given in Appendix 12. The expenditure amounted to about Rs. 30 lakhs in 1994.

### **3.2.3 Pension for Sportsmen in Indigent Circumstances:**

The scheme for financial assistance to sportsmen in indigent circumstances was introduced in 1977 with the object of rendering financial assistance to the sportsmen who made significant contributions in the field of Sports and Games and are in indigent circumstances. The sanctioning authority is a committee consisting of the Minister in charge of Sports, President, Kerala Sports Council, Government Secretary in charge of Sports, Secretary, Kerala Sports Council and a representative of the standing Committee of the Kerala Sports Council. Applications for grant of the financial assistance are invited by the Council in each financial year before 30<sup>th</sup> June, by giving wide publicity through newspapers.

The norms by the Council for grant of financial assistance are as under:

- (i) In the case of sports/games which are recognized at national level.
  - (a) 65 years or above – Participation in sports at Inter District Level / State Level.
  - (b) 60 years and above – participating and winning 1<sup>st</sup>, 2<sup>nd</sup> or 3<sup>rd</sup> place in an Inter District Level / State Level tournaments.
  - (c) 55 years and above – Participation in sports in national level / All India Inter University Level.
- (ii) For indigenous games, like Kalarippayattu the criterion adopted is as under:
  - (a) 60 years or above – Participation in sports at Inter District Level / State Level competitions.
  - (b) 55 years and above – participating and winning 1<sup>st</sup>, 2<sup>nd</sup> or 3<sup>rd</sup> place in an Inter District Level / State Level competitions.

The rates of pension granted at present are as under:

- (a) 55 – 60 years of age – Rs. 200
- (b) 60 – 70 years of age – Rs. 300
- (c) 70 and above years of age – Rs. 400

Assistances on the same rate are also given to widows of the deceased sportsmen, subject to the conditions that they are within the income limit prescribed. The income limit for grant of pension w.e.f. 31-1-1994 is Rs. 11,000 per annum. The finance for the scheme is entirely provided by the Government through grant – in – aid.

### **3.2.4 Pension to Journalists in Indigent Circumstances:**

The scheme was introduced in 1975 with the object of providing financial assistance to working journalists in distress. The scheme originally envisaged that there would be contributions from journalists, news paper undertakings in addition to government commitment. But it has in practice, become a fully state supported scheme. Presently, Rs. 300 per month is the assistance provided and it benefited 192 persons. The expenditure amounted to Rs. 7.24 lakhs. The scheme is administered by the Public Relations Department.

### **3.2.5 Pension to Cine Artists in Indigent Circumstances:**

The scheme was introduced in 1975 with the object of providing assistance to cine artists in distress. The scheme originally envisaged that there would be contribution from cine artists and establishments in addition to government commitment. But the scheme has in practice, become a fully supported one. At present, Rs. 300 per month is the assistance provided and it benefited 145 persons. The expenditure amounted to Rs. 5.54 lakhs. The scheme is administered by the Public Relations Department.

**ANNEXTURE - VII****Janashree Bima Yojana****SOCIAL SECURITY GROUP SCHEME – JANSHREE YOJANA**

The Central Government in the year 1988-89 set up a **SOCIAL SECURITY FUND** of Rs.100 Crores and LIC of India was entrusted with the responsibility of managing this Fund. The purpose of this fund is to finance the Life Insurance Group Schemes for weaker and vulnerable sections of the society.

This fund has provided a solid foundation for extending group insurance cover to the toiling sections of our society in a big way.

Janashree Yojana was inaugurated on 10<sup>th</sup> August 2000 by the honorable Prime Minister of India.

The salient features of the scheme are as under:

**OBJECT:**

The object of this scheme is to provide life insurance protection to the rural and urban poor persons below poverty line and marginally above poverty line.

**ELIGIBILITY:**

- (i) Persons between age **18 years and 60 years**.
- (ii) In addition to persons under BPL, even persons marginally above poverty line may be covered provided they belong to identified vocational groups.
- (iii) Persons living in one area even if they belong to identified vocation is established like taxi drivers and auto rikshaw drivers can be grouped for the scheme, if nodal agency is one.
- (iv) The group will be identified and notified by LIC in consultation with State Government/ Nodal Agency.
- (v) Minimum Membership should be 25 under both, Rural Poor and Urban Poor.

**BENEFITS :**

- (A) In the event of death of the members of Sum Assured of Rs.20,000 will become payable, to the nominee.



(B) **Accident Benefit:** In the event of death by accident or Partial/Total Permanent Disability due to accident the following benefit shall be payable to the nominee.

(i)	On death due to accident	Rs.50,000
(ii)	Permanent total disability due to accident	Rs.50,000
(iii)	Loss of 2 eyes or 2 limbs OR one eye and one limb in an accident	Rs.50,000
(iv)	Loss of one eye or one limb in an accident	Rs.25,000

**PREMIUM:**

- Initially, Rs.200/- per member to be shared as under:
- 50% of the premium to be paid by members or Nodal Agency or State Government at the time of submitting proposal and subsequently on each annual renewal date.  
The balance 50% of the premium will be borne by Social Security Fund.
- Experience Rating Adjustment will be allowed after 3 years on the basis of claim experience, if the group is of minimum 2000 members. Even if the group is small and if the claim experience is adverse, we may review the rates.
- Nodal Agency shall mean the Panchayats, NGOs, Self Help Groups and any other institutionalized arrangements.
- The Nodal Agency will act for and on behalf of the insured members in all matters relating to the Scheme.

**CLAIM PROCEDURE:**

The beneficiary of the deceased member will be required to furnish the original death certificate to the Nodal Agency who will arrange to forward the same along with the claim papers to LIC i.e. the Branch which has originally finalized the scheme. LIC will settle the claims by sending A/C Payee Cheque directly to the beneficiary. In case of accidental claim police inquiry report will also be required to be submitted. The detailed procedure will be mainly on the lines of the procedure of Social Security Group Schemes.

**VOCATIONAL/OCCUPATIONAL GROUPS:**

**Existing Groups –**

- The existing 24 occupational groups will continue in the same form for renewal of the Schemes. If the scheme is not renewed on the Annual Renewal Date and consequently the scheme lapses, the members of such schemes will necessarily opt for the new scheme.

□ The existing 24 groups are :

Beedi Workers, Brick Kiln Workers, Carpenters, Cobblers, Fishermen, Hamals, Handicraft Artisans, Handloom Weavers, Handloom and Khadi Weavers, Lady Tailors, Leather and 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, Scheme for the Urban Poor, Forest Workers, Sericulture, Toddy Tappers.

□ Powerloom Workers, Hilly Area Women.

□ The existing Scheme at the time of renewal will have option to switch over to new scheme on revised terms.

#### **New Groups –**

□ The vocations will be, for example, on the basis of groups like workers in :

- (i) food stuffs like khandsari
- (ii) textile
- (iii) manufacture of wood products
- (iv) manufacture of paper products
- (v) manufacture of leather products
- (vi) printing
- (vii) rubber and coal products
- (viii) chemical products like candle manufacture
- (ix) mineral products like earthen toys manufacture
- (x) other related cottage industries to be identified by nodal agencies and also other groups as identified by the Nodal Agency and approved by LIC

#### **APPROVAL OF THE GROUPS:**

The vocational groups identified by the Nodal Agencies will be approved by LIC.

#### **SCHEME OF BENEFITS:**

		<b>Original/ Previous SSGS</b>	<b>New Janshree Yojana</b>
(a)	Premium	Total Rs.50/- p.a. per member (50% borne by SSF)	Total Rs.200/- p.a. per member (50% borne by SSF)

(b) SA-Cover in event of death under normal circumstances	5,000/-	20,000/-
(c) Death due to accident	25,000/-	50,000/-
(d) Permanent total disabilities due to accident	25,000/-	50,000/-
(e) Loss of 2 eyes or 2 limbs or 1 eye and 1 limb in an accident	25,000/-	50,000/-
(f) Loss of 1 eye or 1 limb in an Accident	12,500/-	25,000/-

**NOTE :**

**All New Social Security Schemes** should only be entertained under Janshree Bima Yojana.

The existing SSG Schemes at the **time of renewal will have option** to switch over to new scheme of Janshree on revised term or renewal on existing term.

If the scheme is not renewed on the ARD and consequently the Scheme lapses, the members of such schemes will necessarily opt for the new scheme.

**SOCIAL SECURITY GROUP INSURANCE SCHEMES FOR WOMEN IN SELECTED REMOTE RURAL HILLY AREAS :**

The Scheme provides Life Insurance protection to Bread-Winner Women living below poverty line in Remote Rural Hilly Areas *i.e.* 47 Districts in 7 State of U.P., M.P., Meghalaya, H.P., Assam, Tamil Nadu and Orissa in the first phase.

Women living below poverty line should be aged more than 18 years but less than 60 years in the above stated areas.

Introduction of the scheme and administration including settlement of claims shall be through the Nodal Agency. The Nodal Agency in the said case shall be the Department of Social Welfare of respective State Governments.

**Note :** In the Northern Zone, all districts of the State of Himachal Pradesh have been included under Shimla Division.

**GROUP INSURANCE SCHEME FOR THE BENEFICIARIES OF SWARNJAYANTI  
GRAM SWAROJGAR YOJANA (i.e. SGSY IN LIEW OF IRDP)**

The Swarnjayanti Gram Swarojgar Yojana (SGSY) has commenced w.e.f 1.4.99 in lieu of IRDP.

The existing GOI scheme for IRDP beneficiaries was however allowed to SGSY beneficiaries till 31.3.2000 only. Subsequently CO. has informed vide Cir. No. P&GS/696 dt. 31.3.2000 the extension of GOI scheme for the beneficiaries under IRDP/SGSY. The contents are reproduced:

“This is further to our Cir. No. P&GS/692 dated 18.2.2002, in which we had informed that since the Central Government has extended the Swarnjayanti Gram Swarojgar Yojana (in lieu of IRDP) for insurance cover upto 31.3.2002, it should be ensured that no death claims are paid under the scheme for loanees under IRDP/SGSY, who have taken loan on or after 1.4.2000.

We have now been informed by the Central Government vide their No. 1.12011/18/96-IRDP CREDIT dated 29th March, 2000 that the Group Insurance Scheme for the beneficiaries of IRDP/SGSY will continue till new proposed Group Insurance Scheme for Swarojgar comes into force.

Kindly bring it to the notice of all concerned for taking necessary action and confirm the same to us.”

**GOI SCHEME FOR BENEFICIARIES OF IRDP IS OUTLINED BELOW :**

**1. INTRODUCTION :**

The Central Government grants loan to lakhs of persons every year identified by the Government under IRDP. All these borrowers have extended the Group Insurance Benefits.

**2. ELIGIBILITY :**

All IRDP beneficiaries aged not less than 18 years and not more than 60 years will be covered.

**3. NODAL AGENCY :**

The Scheme shall be implemented through the District Rural Development Agencies / Zilla Parishads.

**4. PREMIUM :**

The premium is fully paid by the Central Government.

**5. BENEFITS :**

Upon the death of the insured beneficiary, a sum of Rs. 5,000/- shall become payable by LIC of India to the nominee of the deceased, in the event of death by accident by accident an additional sum of Rs. 5,000/- i.e., total Rs. 10,000/- shall become payable by LIC of India.

**6. PROOF OF DEATH :**

It is sufficient to furnish to LIC a copy of the death registration certificate. It should be duly attested by the Gram Panchayats / Sarpanch of or BDO or any class 1 Officer of LIC.

**7. DEATH BY ACCIDENT :**

In the event of death by accident, LIC will require a police inquest report and postmortem report however waiver of these reports can be considered if the fact of accidental death is stated in the death certificates.

**8. NOMINATION :**

Nomination forms is a part of the IRDP application form and it include particulars of the nominee. The nomination form will be kept in the custody of IRDA and will be forwarded to LIC along with claim papers on the death of the beneficiary.

## **ANNEXURE - VIII**

### **WELFARE FUNDS IN INDIA**

#### **Introduction**

Till the end of the British rule in India, the Government was almost exclusively concerned with its primary duties like maintenance of law and order. It is only after independence a thought was put towards a Welfare State model. Welfare State has to provide a minimum level of well being for all its members, especially the most vulnerable – the young, the old, the unemployed and the sick. Further, it also has to guarantee minimum standards of income, nutrition and health for all as of right. This concept was first coined and defined by Beveridge in his report of 1942 in which he stressed the need of Health Services and Insurances as essential items for people's social security.

Giving due consideration to this, Indian Constitution lays special stress on the goal of Welfare State by directing the State to follow certain principles which are essential to secure a just social order and for the promotion of the welfare of the people. The Directive Principles are aimed at the eradication of poverty, disease and ignorance, looting and exploitation, inequality and injustice and providing equal opportunities through decentralization of power, employment, social security and welfare to all.

Despite all efforts, however, India has not been able to achieve substantive social security convention of the ILO, which proposes to give social security for all the workers and their dependents and even for the self-employed. This is mainly because of lack of political will, awareness and transparency.

To provide a sort of social security to the workers in unorganised sector, welfare funds came in to effect. These funds are being raised by levying a cess on the production sale or export of specified goods or by collecting contribution from various sources including employer as well as employee. Such funds have to be utilized for the well being/welfare of the workers. In India, several welfare funds are in operation and some of these funds are set up by Central Government and some by the State Governments. Nutshell information on existing welfare funds are as follows:

Author is a Fellow in Council for Social Development, Plot. No. 230, Shiva Nagar Colony, Hyderguda, Rajendranagar Road, Bahadurpura Post, HYDERABAD 500 064.  
Email: drskumarv@yahoo.com

## SECTION – A

**WELFARE FUNDS SET UP BY THE CENTRAL GOVERNMENT****I. Beedi Workers Welfare Fund:**

The Beedi Workers Welfare Fund Act was enacted in 1976. This fund is financed by a cess in the nature of an excise duty levied on manufactured beedis under the Beedi Workers Welfare Cess Act. The Cess Act provides for a levy and collection of a cess on manufactured beedis at a rate of Rs. 2/- per 1000 beedis. Unbranded beedis are however exempted from the cess. The objective of this fund is to meet the following welfare activities Of the beedi workers.

1. The improvement of public health and sanitation, the prevention of diseases and the provision and improvement of medical facilities;
2. the provision and improvement of water supplies and facilities for washing;
3. the provision and improvement of educational facilities;
4. the provision and improvement of housing and recreational facilities including standards of living, nutrition and amelioration of social conditions; and
5. the provision of family welfare including family planning education and services.

**II. Construction Workers Welfare Fund**

The major objective of this fund is to provide welfare measures for the workers in the building and construction industry. The Building and other Construction Workers (Regulation of Employment and Conditions of Services) Act, 1996 provides for the establishment of a Welfare Fund for the benefit of the building and other construction workers in each State. It also provides the constitution of a tripartite board to administer the Fund in each and every State.

The Building and Other Construction Workers' Welfare Cess Act provides for the levy and collection of a cess for the purposes of the principal Act at a rate not exceeding 2 per cent but not less than one per cent of the cost of construction incurred by the employer as prescribed by the Central Government. The proceeds of the Cess after deduction of the cost of collection not exceeding 1% of the amount collected will be paid to the Boards as required.

The Welfare Fund Act provides that the Central Government may after due appropriation made by the Parliament by law, make to the Boards grants and loans of such sums of money as the Government may consider necessary out of the proceeds of the Cess. The Act also requires the workers registered under the Act to make a contribution at such rate/s as may be prescribed by the Central Government.

The Welfare Fund thus shall consist of the grants and loans made to the Boards by the Central Government and the contributions made by the workers and any other sums the Boards may receive from other sources. The Fund may be used for meeting the expenses of the Board in the discharge of its functions including the cost of administration of the Fund. The functions of the Boards have also been specified as follows:

1. To provide immediate assistance to a beneficiary in case of accident;
2. To make payment of pension to the workers who have completed the age of 60 years;
3. To sanction loans and advances to workers for construction of houses at such rates, terms and conditions as may be prescribed;
4. To pay the premium for group insurance schemes of the workers;
5. To give financial assistance for the education of children of the workers as prescribed;
6. To meet medical expenses for treatment of major ailments of the workers and their dependents as prescribed;
7. To pay maternity benefit to women workers; and
8. To make provision for improvement of such other welfare measures and facilities as may be prescribed.

A Board may grant loans of subsidy to a local authority or an employer in aid of any scheme approved by the State Government for the welfare of the workers. The Act is applicable to establishments employing ten or more persons in any building or construction work, other than the residence of the employer, the total cost of which does not exceed Rs.10.00 lakhs. Every worker in the age group 18-60, engaged in building or other construction industry for not less than 90 days during the previous twelve months, is eligible to be registered under the Act. Persons employed mainly in a managerial or administrative capacity as also persons employed in a supervisory capacity drawing wages exceeding Rs.1600 per month are excluded. The Welfare Fund Act has not yet come into force pending the framing of rules.



### III. Cine Workers' Welfare Fund

The object of this fund is to promote the welfare of cine workers in the country. The Fund has been set up under the Cine workers' Welfare Fund Act, 1981 and under this Act a cess is levied on the production of feature films. The rate of cess varies according to the language of the film. The current rates are as follows:

Hindi	Rs.10,000 per film
Tamil, Telugu, Kannada and Malayalam	Rs. 5,000 per film
Marathi and Bengali	Rs. 3,000 per film
Other languages	Rs. 2,000 per film

The Act specifies the purposes for which the Fund may be utilised. They are as follows:

1. To defray the cost of such welfare measures or facilities for the benefit of cine workers as may be decided by the Central Government;
2. To provide assistance in the form of grants or loans to indigent cine workers;
3. To sanction any money in aid of any scheme for the welfare of the cine workers including family welfare, family planning, education, and services as approved by the Central Government;
4. To meet the cost of administration of the Fund; and
5. To meet any other expenditure which the Central government may direct to be defrayed from the Fund.

### IV. Iron Ore, Manganese Ore and Chrome Ore Labour Welfare Fund

The object of this fund is to provide for the financing of activities to promote the welfare of persons employed in the iron ore mines, manganese ore mines and chrome ore mines.

The Iron Ore Mine Labour Welfare Cess Act 1961 (it came into force in Oct. 1963) was enacted to provide for levy and collection of a cess on iron ore for financing activities in promoting the welfare of labour employed in Iron ore mining. This Act was amended in 1970 and later replaced by the Iron ore Mines and Manganese Ore Mines Labour Welfare Fund Act 1976. These Acts came into force on 1.9.1978. They underwent further amendments in 1982 when Chrome Ore Mines were brought within the ambit of the Act. This amendment came into force on 1.7.1983. Under this Act a common welfare fund has been established, known as the Iron Ore Mines, Manganese Ore Mines and Chromite Ore Mines Welfare Fund.

The Fund is fed by a cess levied on the production of iron ore, manganese ore and chrome ore at the following rates:

Iron Ore	Re. One per metric tone
Manganese ore	Re. Two per metric tone
Chrome Ore	Re. Four per metric tone

The Fund is administered by Welfare Commissioners under the control of the Director General Labour Welfare in the Ministry of Labour. The Act provides for the appointment of an Advisory Committee in each State and a Central Advisory Committee to advise on the administration of the Fund. The Act provides that the Fund may be utilised to defray the cost of measures for the benefit of persons employed in the iron ore mines, manganese ore mines and chrome ore mines directed towards the following:

1. To provide a provision and improvement of public health and sanitation, the prevention of disease and the provision and improvement of medical facilities;
2. To provide a provision and improvement of water supplies and facilities for washing;
3. To provide a provision and improvement of educational facilities;
4. To provide a provision and improvement of housing and recreational facilities including standard of living, nutrition and amelioration of social conditions;
5. To provide a provision of transport to and from place of work; and
6. To provide a provision of family welfare including family planning education services.

The Act also provides for payment of loans subsidies and grants in aid for the above purposes.

#### **V. Lime stones and Dolomite Mines Labour Welfare Fund Act 1972**

The object of this Fund is to provide for the levy and collection of a cess on limestone and dolomite for financing of activities to promote the welfare of persons employed in the limestone's and dolomite mines. This Act was passed in 1972 and it came into force in December 1973. The Fund is financed by a cess levied on so much of limestone and dolomite produced in any mine as is sold or used in the manufacture of cement etc as the Central Government may specify at a rate not exceeding one rupee per metric tone. The current rate of duty is 50 paise per metric tonne with effect from 1.5.1988.

The Fund is administered by Welfare commissioners under the control of the Director General Labour Welfare in the Union Ministry of Labour on the advice of Central and State Advisory committees.

The Fund may be used to defray the cost of measures for the benefit of persons employed in limestone and dolomite mines directed towards-

1. the improvement of public health and sanitation, the prevention of disease, and the provision and improvement of medical facilities;
2. the provision and improvement of water supplies and facilities for washing;
3. the provision and improvement of educational facilities;
4. the improvement of the standard of living including housing and nutrition, the amelioration of social conditions and the provision of recreational facilities; and
5. the provision of family welfare including family planning education and welfare.

In administering this fund it is interesting to note that the actual expenditure from the Fund has always been very much less than the budget allocation. The reasons are yet to be on out.

#### **VI. Mica Mines Welfare Fund**

The object of this Fund is to finance activities to promote the welfare of labour employed in the mica mining industry. The Fund was established under the Mica Mines Labour Welfare Fund Act 1946. The Act provides for levy of a cess on all mica exported from India in the nature of a duty of customs at such rate not exceeding 6% *per cent advalorem* as may be fixed by the Central Government. The current rate of the cess effective from Nov 1990 is 4% *per cent*.

The Fund may be used to defray the cost of measures for the benefit of the labour employed in the mica mining industry directed towards-

1. the improvement of public health and sanitation, the prevention of disease and the provision and improvement of medical facilities;
2. the provision and improvement of water supplies and facilities for washing;
3. the provision and improvement of educational facilities;
4. the improvement of the standards of living including housing and nutrition, the amelioration of social conditions and the provision of recreational facilities;
5. the provision of transport to and from work;
6. the provision of family welfare including family planning education and services.

Further, this fund may also be used for giving assistance to State Governments, employers and others for the foregoing purposes.

The Fund is administered by the Labour Welfare Organisation. The Act provides for appointment of Advisory Committees at the Central and State Levels for advising on the administration of the Fund. The number of workers employed in the mica mining industry has been dwindling. The average number of workers employed in the mica mines during 1994-95 was 1714.

The major item of expenditure from the welfare fund is health care. The Labour Welfare Organization has established three hospitals and 140 dispensaries for the benefit of the mica mine workers.

## **SECTION – B**

### **WELFARE FUNDS SET UP BY THE STATE GOVERNMENT**

As mentioned elsewhere, some of the State Governments have also formulated their own welfare funds for the welfare of their people. Among such state based welfare funds, Kerala State Welfare Funds are said to be the best models in terms of function, coverage and outreach. In the following section Kerala State Welfare Funds are discussed in brief.

#### **KERALA STATE WELFARE FUNDS**

Kerala's unique achievements in Social Development with a relatively low per capita income have been a matter of great interest to social scientists and administrators. Kerala tops the Indian States in Human Development Index constructed by the United Nations Development Programme which combines income with social development indicators, namely, adult literacy and life-expectancy at birth, to give a composite; measure of socio-economic progress. Kerala's life expectancy at birth is 69(males) and 72 (females), which is about 12 years higher than all India average. The literacy level of the state is 91 per cent as against 52 per cent for all India.

Successive governments in Kerala have introduced a large number of Social Security and Welfare Schemes with a view to attaining the goal of reducing income insecurity among the weaker segments in society. As a result, there are more than 30 schemes in operation for which the annual budget provision amounts to nearly Rs.100 crores. The budget provision for state supported Social Security and Welfare Schemes, as a percentage of the state budget has been more than double the all India average figure.

Government of Kerala have introduced a large number of Welfare Fund programme for different categories of workers in the unorganised sector covering a significant proportion of

the labour force. The major schemes implemented by Statutory Boards are discussed in this section.

### **1. Kerala Coir Workers' Welfare Scheme**

The Kerala Coir Workers Welfare Fund Act of 1987 is the legal basis of the scheme and is applicable to the entire state. The Scheme extends to any person, employed by any other person or self employed person in the coir industry and his dependents (wife/husband, unmarried sons/daughters, brothers/sisters fully dependent on the beneficiary).

For entitlement to benefits, the prescribed conditions are:

- the applicant should be a resident of Kerala State and should have worked in the coir industry for at least five years.
- annual income of the applicant should not exceed Rs.3,600.
- for reimbursement of medical charges and hospitalisation aid, the applicant should not be eligible to the benefits under the ESI Scheme or the Maternity Benefit Scheme.

The following benefits are admissible under the scheme.

1. Old age pension to coir workers at the rate of Rs.75 pm;
2. Cash assistance at the rate of Rs.5 per day for hospitalisation in a Government Hospital (for persons not covered by ESI/Maternity Benefit Schemes);
3. Reimbursement of medical charges for treatment of the employee in a Government medical institution subject to a maximum of Rs.200;
4. Financial assistance of Rs.200 for maternity; and
5. Scholarship/stipend for children and other dependents of the beneficiary, subject to a maximum of Rs.500 per annum for post-metric education, vocational and technical training and a maximum of Rs.500 per annum for post-metric education, vocational and technical training and a maximum of Rs.1,500 per annum for studying in an Engineering/Medical College.

The sources of financing of this fund is as follows:

1. Employee : Re. 1 p.m
2. Co-operatives : Re. 1 p.m for each worker
3. Products : 1% of total annual production
4. Exporters & Dealers : 1% of total annual turnover
5. State : Twice the amount of employees' contribution.

## **II. Kerala Handloom Workers Welfare Scheme**

The Kerala Handloom Workers Welfare Fund Act of 1989 is the legal basis of the scheme. The Scheme applies to any person employed or a self-employed person in the handloom industry and his dependents (spouse, unmarried daughters and minor sons and parents, minor brothers and unmarried sisters, fully dependent on the beneficiary).

Eligibility conditions under this scheme are:

- The claimant should be a resident of Kerala State and should have worked in the handloom industry for at least five years.
- The annual income of the applicant should not exceed Rs.3,600.
- For reimbursement of medical charges and hospitalisation aid, the applicant must be a person not eligible for medical benefits under the ESI Scheme or the Maternity Benefit Scheme.

The scheme provides the following benefits:

1. Pension at Rs.75 per month to workers above 60 years of age;
2. Reimbursement of the medical charges relating to treatment of the employee/dependents in a government medical institution subject to a maximum of Rs.200 (for those not covered by the ESI/Maternity Benefit Schemes);
3. Cash aid of Rs.5 per day for hospitalisation (for those not covered by the ESI/Maternity Benefit Scheme);
4. Financial assistance at Rs.200 for maternity purposes;
5. Scholarships/stipend for children and other dependents of the claimant at the rate of Rs.500 per annum for post-metric education, vocational and technical training; Rs.1,500 per annum for education in an Engineering/Medical College; and
6. Under very special circumstances, a lump-sum assistance at a maximum of Rs.5000 to a claimant/his dependent.

The source of financing for this fund is as follows:

The Scheme is financed by contribution from Government (Twice the amount by worker's contribution), worker at Re.1 per month, employer (equal to worker's contribution), dealer (1% of total monthly sales proceeds), a self employed person (Rs.2 p.m).

## **III. Kerala Motor Transport Workers Welfare Fund Scheme**

The Kerala Motor Transport Workers Welfare Fund Act is the Statutory basis. The Act covers any person employed for wages in a motor transport undertaking directly or through an

agency to work in a professional capacity in connection with arrival, departure, loading or unloading of a transport vehicle, including a driver, conductor, cleaner, station/booking/checking staff etc. An employee becomes eligible for membership on completion of three months service.

This scheme provides the following benefits:

Being in the nature of a Provident Fund cum Gratuity Scheme, the Scheme runs on the familiar pattern of contributions by employees and employers towards provident fund and a contribution by the employer only towards gratuity. The benefit package so far as provident fund is concerned mainly consists of permissible withdrawals for certain specified contingencies and payment of accumulation in specified events.

Gratuity is payable to an employee from the Gratuity Fund Account at the rate of 50 per cent of his monthly average wages (monthly wages earned for full working months during the immediately preceding twelve calendar months) for each completed year of service or part thereof in excess of six months, subject to a maximum of twenty months wages. Gratuity is payable upon rendering at least one year's continuous service on superannuation, retirement, resignation, discharge or death or total disablement.

**Administrative and Organisational Aspects:**

A tripartite Board has been constituted to administer the Scheme. The Board consists of officials and representatives of employees and employers nominated by the State Government and a Chairman from amongst them appointed by the Government.

The source of financing of this fund is:

The Fund is built up from contributions payable by members (employees) at 8% of their wages and an equal amount by the employer towards the provident fund. In addition an employer not covered by the payment of Gratuity Act, has to contribute an amount equal to 5 per cent of the wages towards gratuity. The employee's share of the contribution towards the Fund (8%) is recoverable from his wages and not otherwise. The amounts received are credited to the respective funds.

#### **IV. Kerala Auto rickshaw Workers Welfare Fund Scheme**

The Kerala Auto rickshaw Workers Welfare Fund Scheme was introduced in 1991. This scheme applies to the drivers of all auto rickshaws carrying passengers or goods in professional capacity.

The scheme is a voluntary one and the workers within the age group of 20 to 58 as on the date of application are eligible to join the scheme. They have to contribute Rs.20 per month. Every employer has to contribute Rs.10 per vehicle per month irrespective of the number of workers employed. The State government contributes 10% of the contribution made by the members.

The benefits admissible under this fund are:

When a member retires after having completed 40 years since his enrolment, the worker will be entitled to Rs.1,25,000 as retirement benefit and appropriate sums will be paid for lesser periods.

In case of death of a member before retirement and any time after enrolling, his nominees will get death benefit of Rs.10,000 plus retirement benefit.

If a member desires to purchase an auto rickshaw, he will be given seventy-five *per cent* of his contribution already made to the fund for the purpose, as non-refundable advance on completion of 5 years of membership in scheme.

In addition to the above benefits, other welfare measures such as medical assistance, educational scholarships to children, advances for purchase of land for housing, marriage of daughters, construction of houses etc., will be provided as decided by the Board based on the availability of funds from time to time.

There is also a proposal for evolving a pension scheme for the auto rickshaw workers. At present the Kerala Motor Transport Workers Welfare Fund Board has been entrusted with implementation of this scheme.

#### **V. Kerala Cashew Workers Welfare Scheme**

The Kerala Cashew Workers Welfare Fund Act of 1988 is the legal basis of the scheme. The scheme applies to cashew workers and their dependents (husband/wife, unmarried daughters and minor sons and parents, minor brothers and unmarried sisters, fully dependent on the beneficiary) who satisfy the following conditions:

The eligibility conditions under this fund are:

A cashew worker is eligible for being a member of the Scheme if –

- He/She is a resident of Kerala State and should have worked in the cashew industry for a minimum period of five years;
- His annual income is less than Rs.3,600; and



- He must is not eligible for medical benefits under the ESI/Maternity Benefit Scheme (for reimbursement of medical charges and hospitalisation aid).

The following benefits are admissible under the scheme:

Reimbursement of medical charges for the treatment of the worker and his dependents in a government medical institution, subject to a ceiling of Rs.200;

1. Financial aid for maternity purposes amounting to Rs.200;
2. Cash hospitalisation aid at the rate of Rs.5 per day for treatment in a government hospital on production of necessary medical certificate;
3. Lump sum *ex-gratia* assistance not exceeding Rs.5,000 under very special circumstances like accidental death of the earning member of a family, prolonged illness or permanent disablement of the worker himself, incapacitating him from continuance as a cashew worker. This amount is payable in addition to any other benefit payable to the cashew worker or his dependents;
4. Supply of free rations during continuous unemployment, subject to availability of funds;
5. Payment of cash assistance during continuous unemployment and other circumstances as may be determined by the Government; and
6. Payment of stipend/Scholarship to children/dependents subject to a maximum of Rs.500 per annum for post metric education/vocational or technical training and Rs.1,500 per annum for courses of study in Engineering/Medical Colleges.

The sources of financing of this fund are:

The scheme is funded out of contributions as follows:

Employees	Re.0.50 per day
Employer	Re.1 per day
Government	Re.1 per day

As per the official statistics there are about 1.35 lakh workers in the scheme.

## VI. Kerala Toddy Workers Welfare Fund Scheme

This is a statutory scheme governed by the Kerala Toddy Workers Welfare Act, 1969 and the scheme framed there under. The Act applies to the whole state of Kerala. This is a Provident Fund-cum-Gratuity scheme. The provisions of the Act became effective from 14<sup>th</sup> January 1970.

The Act is applicable to every person employed for wages directly or indirectly (through a contractor etc.) in connection with the tapping, manufacture, transport, storage or sale of toddy (indigenous variety brew). Thus, all toddy shops/premises etc. are covered under the Act.

Eligibility Conditions under this fund is:

- An employee is eligible to become a member on completion of 3 months continuous service (including service interrupted by accident, sickness, authorised leave etc.)

The following benefits are admissible under the Act:

- Provident fund
- Gratuity.

A member is entitled to non-refundable advances from the provident fund in the following circumstances:

1. For financing a Life Insurance policy assigned to the Board;
2. For purchase of a dwelling house or a tenement;
3. For subsistence during unemployment due to closure of shop/premises for over 30 days;
4. For meeting expenses in connection with an illness-advance equal to members three months basic wages;
5. Purchase of shares in consumer co-operative societies; and
6. For marriage of a daughter, or education of children beyond Standard X.

The balance to the credit of a member is refundable in full in the following contingencies:

- a. on superannuation (at age 60);
- b. on permanent and total incapacity for work due to bodily or mental infirmity;
- c. immediately before migration from the state for permanent settlement outside; and
- d. on termination of service in case of retrenchment.

Gratuity is payable at the rate of 50% of monthly average of wages (i.e. wages earned during the 12 months immediately preceding gratuity payment) for each completed year of continuous service, subject to a maximum of 20 months' wages. Gratuity is payable after rendering continuous service for not less than 5 years on superannuation or on resignation, termination, discharge etc. In case of death or total disablement, the condition of 5 years minimum service does not apply.

A monthly pension of Rs.100 pm for retired workers has been started from 1.1.97.

The Government has constituted a Board for supervision and administration of the Fund.

There are about 44,000 workers covered under the scheme.

The Fund is contributed together by employers and employees as under:

- Employers contribute at the rate of 8% of wages towards provident fund and an amount equal to 5% of the wages for gratuity.
- Employees contribute equal to 8% of wages, towards provident fund. The employee's share of contribution is deductible from his wages.

Interest is payable on amounts standing to the credit of the members at a rate fixed by the government from time to time. The rate of interest at present is 11%.

#### VII. Kerala Construction Workers Welfare Fund Scheme

The scheme has been framed under the Kerala Construction Workers Welfare Fund Act, 1989. The scheme has been in force with effect from 1<sup>st</sup> January 1990. It extends to the whole state. The scheme is applicable to two homogeneous categories of workers, namely, (a) the construction workers (workers employed in any construction such as masons, carpenters, bricklayers, excluding supervisory functionaries like Engineers etc.) and (b) quarry workers (workers engaged in quarrying including stone-crushing, but not including supervisors such as work supervisors etc.). The objective of the scheme is to provide *ex-gratia* financial aid in case of death or permanent total disablement due to an employment injury. Out of the estimated 7 lakh workers 3.03 lakh workers were registered under the scheme as on 31.3.1995.

The scheme provides for the following benefits.

1. Monthly pension at Rs.75 p.m;
2. An *ex-gratia* assistance of Rs.5,000 to a worker in the event of his permanent and total disablement;
3. Maternity benefits up to two deliveries at Rs.500 each; and
4. Scholarships etc.

The financing pattern of this fund is as follows:

Employers	1% of the cost of construction
Employees	Rs.10, Rs.15 or Rs.20 as the case may be
Government	10 % of the initial contribution by members

Government of India has enacted two new laws viz., the Building and Other Construction Workers' Welfare Cess Act, 1996 and The Building and Other Construction Workers' (Regulation of Employment and Conditions of Service) Act 1996. As per this legislation, Government of Kerala has reconstituted the Board and modified its functions.

### **VIII. Kerala Fishermen Welfare Fund Act**

The Kerala Fishermen Welfare Fund Act, 1985 became effective from 26<sup>th</sup> January, 1986 and it covers all fishermen, employed for wages in a fishing vessel, etc. or self-employed fishermen. Every fisherman, employed or self-employed, who is member of a fishermen's welfare society has to be a member of the scheme.

The following benefits are admissible under the scheme:

Distress relief between Rs.3000 and Rs.5,000 for destruction of fishermen's hut and loss of cagtamaran canoe etc.due to natural calamities, wind, riots, fire etc..

Payment for injury sustained in any accident while fishing, at the rate of Rs.10 per day for the first seven days and Rs.15 per day for each subsequent day, subject to an overall maximum of Rs.300.

1. Lump-sum assistance of Rs.15,000 is payable to dependents (spouse, unmarried daughter, minor son or father/mother or minor brother/sister) in the event of death of a fisherman who is not eligible for the Group Insurance Scheme for fisherman under the Group Insurance Scheme.
2. Old age pension at the rate of Rs.75 per month to a fisherman who has completed 60 years of age provided that he has worked as a fisherman in Kerala State for at least ten years and his annual income does not exceed Rs.1,500.
3. A lump-sum amount of Rs.250 to meet funeral expenses in connection with the death of a dependent of fisherman.
4. Interest-free loan of Rs.1,200 and a grant of Rs.250 for marriage of a daughter.
5. Educational concessions, grants for purchase of books, dress etc. and monthly stipends for meeting other expenses, for the children of fisherman.
6. Medical facilities for the fishermen and their families through 35 dispensaries set up for the purpose.

The financing pattern of this fund is as follows:

The Scheme is financed by contributions as under:

- A fisherman has to contribute to the Fund Rs.30 per year for a period of three years from the date of membership to the scheme and thereafter at the rate of 3 per cent of the wages (employed) received in a year (employer is entitled to deduct employee's contribution from wages).
- A fish-dealer (engaged in buying and selling of fish, commission agent, broker etc.) has to contribute 1 per cent of sale proceeds in the year.
- The owner of a fishing vessel has to contribute at varying rates, depending upon whether the vessel is a mechanised boat, motorised or non-motorised country craft/craftsman, and the size/capacity of the vessel. The amount of contribution ranges between Re.1.to Rs.7 per month for a non-mechanised boat and from Rs.100 per month to Rs.1000 per month for a mechanised boat. The contribution is payable for nine months every year.
- The owner of a fishing net has to contribute one rupee per fishing net per month for the nine months every year.

#### **IX. Kerala Khadi Workers Welfare Scheme**

The Scheme has been framed under the Khadi Workers' Welfare Fund Act 1990. Every khadi workers who has worked for a minimum of 240 days in a period of two years can become a member of the Scheme. As on 31.12.94 there were 11,286 registrants.

The Scheme is financed by contributions as follows:

Employer	10 % of wages
Employee	10% of wages
Government	10% of wages

The following benefits are admissible:

Pension @ Rs.60 for a minimum of 10 years of service with an additional Rs.6 for every additional year of service subject to a maximum of Rs.180;

1. Family pension;
2. Loans and advances for marriage, construction of a house, financing a LIC policy, education of children etc;
3. Medical assistance for treatment in a government hospital;
4. Maternity assistance;

5. Educational assistance; and
6. Assistance for funeral expenses.

#### **X. Kerala Abkari Workers Welfare Fund Scheme**

The Kerala Abkari Workers Fund Act 1990 serves as legal basis of the Scheme. It applies to the whole of Kerala.

The Scheme is applicable to workers engaged in filling, transport and sales of liquor subject to the following conditions:

1. They should not be members of the Toddy Workers Welfare Board;
2. They should have done minimum of three months service as abkari workers;

There are 15,000 Abkari workers in the State of whom, as on 3.12.94, 14,212 workers had registered themselves with the Scheme.

The financing pattern of the Scheme is as follows:

1. Employer contribution 15 per cent of salary excluding HRA of workers; and
2. Employees contribution 10 per cent of salary;

The following benefits are admissible under the Scheme:

- Pension on completion 60 years of age;
- Gratuity at the rate of 50 per cent of wages for every completed year of service payable on superannuation, disablement or death;
- *Ex gratia* payment of Rs.50,000;
- Loans and advances for marriage, construction of a house, medical treatment, education of children, financing of LIC policy etc; and
- Scholarships.

#### **XI. Kerala Head Load Workers Scheme**

The Kerala Head Load Workers Act of 1978 serves as legal basis of the scheme. The Act seeks to regulate the employment of headload workers and also their conditions work including their welfare. The Scheme is applicable to headload workers who work in an establishment or a vehicle for loading, unloading carrying manually or by a trolley. There are 50,000 headload workers in the State of whom 16,387 workers have registered themselves under the Scheme. The administration of the Scheme is decentralised with a Board at the State level and a committee at district level. The committees collect the contributions and also provide the benefits under the direction of the Board.

Under this scheme the contributions are made as per the given criteria:

Employers 25 % of wages

1. Employees 10% of wages

The following benefits are admissible to the workers under the Scheme:

- Bonus @ 11% of the total wages earned by a worker during each financial year.
- Holiday allowances @ Rs.30/- per day for seven days in a year.
- Children of workers studying in school/colleges are given support at Rs.100 at the time of reopening of schools/colleges. The children of workers who pass the upper primary examinations, matriculations, post matriculation and studying in technical and professional courses are paid annual scholarships ranging from Rs.100 to Rs.2000.
- Distress relief : Workers who fall ill and undergo treatment beyond 15 days and are not in a position to do normal work, will be paid a grant-in-aid subject to a maximum of Rs.2000.
- Interest free loan of Rs.3000/- or an amount of three times of ones' average monthly earnings is given for marriage of daughters.
- If a worker is disabled in the course of loading/unloading operation permanently due to accident he will be paid a lump sum assistance of Rs.10,000/- from the Board.
- Festival advance of a maximum of Rs.2000/- each .
- A worker who becomes disabled will be given pension at Rs.100/- per month.
- Every worker will be paid an amount equal to 10% of total wages earned during the entire period of his service on superannuation, retirement, disability, death, etc., as terminal benefit/gratuity.
- In cases where terminal benefit payable to a worker is less than Rs.10,000 the difference will be paid as special assistance, provided the worker has worked for at least 180 days in each year before his superannuation at the age of 60. Thus, it is ensured that a worker will get a minimum of Rs.10,000/- as terminal benefit at the time of his retirement or superannuation.
- All the workers on the rolls of a Committee are insured under a Group Insurance Scheme with the Life Insurance Corporation of India. According to this scheme if a worker dies, his nominee/legal heirs will get Rs.10,000/-. If the death is due to an accident, they will get an amount of Rs.20,000/-.
- Loan are given to workers who own at least 3 per cent of land. for construction of houses Initially, the loan amount was Rs.25,000/- for construction of new house and Rs.10,000/- for extension of the existing houses. These amounts have been increased to Rs.40,000 and Rs.15,000 respectively from the year 1994-95 onwards.

## **XII. Kerala Agricultural Workers' Welfare Fund Scheme**

The Kerala Agricultural Worker's Act 1974 is the legal basis of the scheme. All Agricultural workers within the age limits of 18-60 years are eligible to become members of the Scheme. There are 19.17 lakhs of agricultural workers in the State of whom 10.50 lakh workers are covered.

The Scheme provides the following benefits:

An agricultural worker who is subscribing continuously for 40 years will get Rs.25,000 on superannuation. The benefit will be less corresponding to the period of membership. For service in excess of 36 months the workers will get a minimum amount of Rs.5000 If the service is less than 36 months the worker will get the amount he has contributed with interest. thereon The other benefits include *ex gratia* payment, medical assistance, educational scholarship to the children, advance for the purchase of agricultural land, advance for marriage of daughters, insurance of members , maternity allowance and so on.

The financing of the Scheme is as follows:

1. Land owners possessing land of 1 hectare or more, have to contribute Rs. 15 per annum per hectare;
2. Land owners possessing land between  $\frac{1}{2}$  hectare and 1 hectare have to contribute Rs.10 per annum per hectare; and
3. Workers have to contribute Rs.2 per month.

## **XIII. Kerala Labour Welfare Fund Act, 1975**

The objects of this Act are to provide for the constitution of a fund for promoting the welfare of labour and related matters. It applies to all employees employed in the following classes of establishments :

1. Factories covered under the Factories Act,1948
2. Motor Transport Undertakings covered under the Motor Transport Workers Act, 1961
3. Plantations covered under the Plantation Labour Act 1951
4. Shops and Commercial Establishments covered under the Kerala Shops and Commercial Establishments Act, 1960 employing 2 or more persons.
5. Other establishments, including a society registered under Societies Registration Act, 1955 where more than 20 persons are employed.



A fund called the Labour Welfare Fund has been constituted under the Act. This Fund is administered by a Board viz. Kerala Labour Welfare Fund Board. The Labour Welfare Fund Commissioner is the Chief Executive of the Board. Inspectors are appointed for enforcement of the Act.

The Fund is formed by collecting contributions from employers and employees as follows:

1. Every employer has to contribute Rs.8 per worker every half year and;
2. Every employee has to contribute Rs.4 per every half year;
3. Both the contributions have to be made by the employer before 15<sup>th</sup> of July and January every year. And he may recover the employees contribution from their wages.

There are about 4,53,000 workers covered under this scheme.

The following benefits are admissible under the Scheme:

- Compassionate relief to the dependents of deceased workers/employees (Rs.2500/-);
- Educational scholarship to the workers' children;
- Craftsman Training Scheme to the children of workers in government ITI's. A stipend of Rs.50 p.m. is paid to the trainees;
- Accommodation for stay is provided on concessional rate in Holiday Home for workers at Thekkady, for the workers and their families. A tour subsidy at paise 15 per Kilometre is also paid to the workers and their family members for the performance of journey to Thekkady;
- Financial assistance for patients suffering from serious diseases like cancer, heart, mental diseases, leprosy etc. (Rs.5000);
- Financial assistance to physically handicapped workers (Rs.2500); and
- Grants to workers' Libraries.

#### **XIV. Kerala Tailoring Workers Welfare Fund Act, 1994 and Scheme 1995**

This Act provides for the constitution of a fund for providing relief to, to promote the welfare of and to pay pension to tailoring workers and self employed persons in tailoring work. Every person who is within the age of 18 to 60 and who has been engaged in the tailoring or embroidery work for not less than 3 years is eligible for registration as a member under this Act and the Scheme. A person who wishes to join the Scheme should submit an application with necessary documents as specified on this behalf and the prescribed requirements.

The Scheme is financed by contributions as follows:

1. Every tailoring worker and every self employed person should contribute to the fund Rs.10 each per month and;
2. Every employer should contribute Rs.5 per month per worker employed by him.

The following benefits are admissible under the Scheme:

- Pension benefits
- Family pension
- Retirement benefit
- Financial Assistance to members who suffer from permanent disablement
- Marriage loan to members
- Maternity benefit to women workers
- Medical assistance
- Educational loan and scholarship benefits to the children of members
- Loans for the purchase of tailoring machines and accessories

The Act came into force on 13.12.1995. Total number of workers registered under this scheme is 1,52,000.

#### **XV. The Kerala Beedi and Cigar Workers Welfare Fund Act, 1995**

This Act provides for the constitution of a Fund to grant relief to, promote the welfare of and to pay pension to Beedi & Cigar Workers and self employed persons in Beedi and Cigar Industries in the State of Kerala.

The Scheme is financed by contributions as follows:

1. Employer has to contribute to the fund at the rate of Rs.6/- per month in respect of each employee employed by him;
2. Every employee has to contribute Rs.3/- per month;
3. Every self employed person should contribute Rs.5/- per month;
4. Government contributes an amount equal to the contribution paid by the employees; and
5. A Board is to be constituted for the administration of the Act.

#### **XVI. Kerala Bamboo Kattuvalli Thazha Workers' Welfare Fund Act, 1988**

A law has been passed for the constitution of a Welfare Fund for the workers employed in Bamboo, Kattuvalli and Thazha with the object to grant relief to and promote the welfare of and to pay pension to such workers and self employed persons in the State of Kerala. The Scheme is to be administered by a Board which is however yet to be constituted.

In addition to the Statutory Schemes enumerated above there are a few non statutory welfare funds. They are as follows;

1. Kerala Document Writers, Scribes and Stamp Vendors Welfare Fund
2. Kerala State Lottery Agents Welfare Fund
3. Kerala Anganwadi Workers & Helpers Welfare Fund
4. Kerala Advocate Clerks' Welfare Fund Scheme
5. Kerala Artisans & Skilled Workers Welfare Fund Scheme

While the State can take credit for the initiatives it has taken in introducing the scheme it should be recognised that it is also encountering several problems in implementing the Schemes. Some of these problems are mentioned below –

1. Wide variations in eligibility criteria, system of financing and types and scales of benefits, with no rationale to justify such variations.
2. Low percentage of coverage in respect of relevant professions/workforce; (*e.g.* motor/ autoricksaw workers);
3. Under registration of eligible beneficiaries in many cases due to problems of definition (*e.g.* Motor Transport Workers Welfare Fund);
4. Problems in collection of dues from employers (*e.g.* Fishermen, Motor workers);
5. Problems in collection of dues from employees (*e.g.* Kerala Artisans and Skilled Workers Welfare Scheme);
6. Inadequate scales of benefits in some cases (*e.g.* Advocate Clerk's Welfare Fund, Welfare Fund for Document Writers etc.)
7. Financial commitments without adequate government financing or a viable system of financing, leading to defaults (*e.g.* Coir Workers' Welfare Fund, Handloom Workers' Welfare Fund, Kerala Artisans and Skilled Workers' Welfare Scheme etc.);
8. Fragmented administration both in the Government Secretariat and in the field with each fund having separate management and consequent high overhead costs; and
9. Legal problems arising out of unclear provisions in the Acts.

**LABOUR WELFARE FUNDS OF OTHER STATES****1. Andhra Pradesh Labour Welfare Fund Act, 1987**

The object of the scheme is to provide constitution of a Fund for the financing of activities to promote welfare of labour in the State of Andhra Pradesh and also for the establishment of a Board for conducting such activities. This Act came into force from 1.5.1988.

The Labour Minister's Conference held at Bangalore in October 1961 recommended that all States should enact a law for the constitution of statutory Labour Welfare Funds on the pattern of the Labour Welfare Funds in Gujarat and Maharashtra. Subsequently, the National Commission on Labour and the A.P.State Labour Advisory Board also made similar recommendations. The Welfare Fund was set up accordingly.

Under section 3 of the Act, the Government of Andhra Pradesh has established a fund called the Andhra Pradesh Labour Welfare Fund. The following amounts are required to be credited to the Fund.

1. Unpaid accumulations.
2. Deductions made under the proviso to sub-section (2) of Section 9 of the Payment of Wages Act, 1936.
3. Fines realised by the employers from the employees.
4. Employers and employees contributions.
5. Any interest by way of penalty paid under Section 9 of the Act.
6. Voluntary donations.
7. Any amount raised by the Labour Welfare Board from other sources to augment its resources.
8. Any fund transferred under Sub-section (5) of Section 12 of the Act.
9. Any sum borrowed by the Board.
10. Grants or advances made by Government, and
11. Unclaimed deposits made under the Workmen's Compensation Act.

According to Section 10 of the Act, every employee is required to contribute a sum of two rupees per annum to the Fund and every employer is required to contribute a sum of Rs.5 per annum in respect of each of his employees. Section 4 provides for the establishment of a tripartite Board called Andhra Pradesh Labour Welfare Board for administering the Fund. Section 12 provides that the Fund may be utilised by the Board to defray the cost of carrying out measures, which may be specified by the Government for promoting the welfare of labourers and their dependents.

In particular the amount in the Fund may be utilised to defray the expenditure on the following:

- Labour Welfare Centres under the control of the Labour Department of the Government.
- Reading rooms and libraries.
- Games and sports.
- Community necessities.
- Excursions, tours and holiday homes.
- Entertainment and other forms of recreations.
- Home industries and subsidiary occupations for women and unemployed persons.
- Corporate activities of social nature.
- Vocational training.
- Convalescent homes for tuberculosis patients.
- Pre-schools.
- Nutritious food to children of employees.
- Construction and maintenance of labour welfare center buildings.
- Cost of administering the Act.
- Medical aid to employees for specialised treatment in deserving cases; and such other objects.

The Act is applicable to all classes of employees other than those employed in managerial capacity or in a supervisory capacity drawing wages exceeding Rs.1600 per month, employed in factories, motor transport undertakings and shops and establishment other than those belonging to the Central or State Government. The number of workers covered is reported to be around 10,81,777.

It has also been reported that a variety of additional welfare measures have been sanctioned by the Board and it has been decided further to enhance the rates of benefit for emergency relief, medical assistance, etc.

## **II. Maharashtra**

The Bombay Labour Welfare Fund Act, 1953 provides for the constitution of a Fund for the financing of activities to promote welfare of labourers in the State of Maharashtra. This Act has been adopted in Gujarat and Delhi.

The Fund consists of:

1. All fines raised from employees.
2. Unpaid accumulations transferred to the Fund as per Section 6 A of the Act.

3. Penal interest paid under Section 6B of the Act.
4. Contributions paid under Section 6B of the Act.
5. Voluntary donations.
6. Funds transferred under Sub-section (5) of Section 7 of the Act.
7. Any sum borrowed under Section 8.
8. Any loan grant in aid or subsidy paid by the State Government.

The Act requires contributions to the Fund to be made by the employers as well as the employees. The current rates of contributions payable every six months are as follows:

Employees	75 paise
Employers	225 paise
State Government	Twice the amount of Contributions by the employees.

The Fund is administered by a tripartite Board constituted by the Government. The Welfare Commissioner is the Principal Executive Officer of the Board.

The Fund may be utilised by the Board to defray the cost of carrying out measures, which may be specified by the State Government generally but specifically on the following:

- Community and social education centres including reading rooms and libraries.
- Community necessities.
- Games and sports.
- Excursions, tours and holiday homes.
- Entertainment and other forms of recreations.
- Home industries and subsidiary occupations for women and unemployed persons.
- Corporate activities of a social nature.
- Cost of administering the Act.
- Such other objects as would in the opinion of the State Government improve the Standard of living and ameliorate the social conditions of labour.

The Fund may however not be utilised for financing any measure which the employer is required to carry out.

The unspent balances in the Fund may be invested in any of the securities specified in the Indian Trust Act, 1882.

### III Delhi

The Fund is governed by the Bombay Welfare Fund Act, which appears to have been adopted by Delhi Administration. The object of the scheme is to establish Welfare Centres with facilities to meet the welfare needs of the workers. The scheme is applicable to all

industrial establishment employing ten or more workers. The estimated number of workers covered is 4 lakhs. The Welfare Centres provide facilities for games and sports, library, training in handicrafts, holiday homes and other welfare means.

The scheme is contributory and the scale of contributions is as follows:

	Rs.per month.
Worker	1.00
Employer	3.00
Government	2.00
Total	6.00

The liability of the Government for making contribution to the Fund is estimated to be Rs.8 lakhs per annum.

### **III. Uttar Pradesh**

The object of the UP Labour Welfare Scheme is to provide financial assistance to children of workers on their regular admission to recognised educational institutions for certificate, diploma and degree courses. Scholarships are paid at the rate Rs.2000, Rs.3000 and Rs.4000 per student in Certificate, Diplomas and Degree Courses respectively.

The scheme is implemented by U.P.Labour Welfare Board, Kanpur . Selection of students for financial assistance is done on the basis of applications invited from all over the State.

A sum of Rs.1.38 lakhs was distributed as scholarships in 1994-95 and Rs.1.55 lakhs in 1995-96. The total number of beneficiaries as on 1994-95 is about 52 and in 1995-96 reached to 65.

### **IV. West Bengal Labour Welfare Board**

The objective of the scheme is to promote welfare activities for the employees of factories, tea plantations commercial estates, tramways and motor transport in the state and their families. Under the scheme Holiday Homes, Community Halls, Mobile Labour Welfare centres are set up and maintained and welfare activities are organised through this.

### **V. Karnataka Labour Welfare Fund**

The object of the Fund is to promote welfare of labour in Karnataka, The Fund has been established under the Karnataka Labour Welfare Fund Act, 1965. The Act requires that the State Government should constitute a Labour Welfare Fund consisting of –

1. All fines realised from the employers
2. All unpaid accumulations
3. Any voluntary donations
4. Any fund transferred from the labor welfare fund of any establishment and
5. Contributions from the employers employees and the government

The Act requires that in respect of every employee in an establishment a contribution should be paid by the employer, the employee and the State Government at the prescribed rates. The Welfare Commissioner has intimated that currently in respect of every employee whose name stands in the register of an establishment employing more than 50 persons or in a factory registered under section 2(m) of the Factories Act, 1948 on the 31<sup>st</sup> Dec of each year contributions have to be made at the following rates:

1. Employees Rs.3 each.
2. Employers Rs.6 per employee and
3. The State Government Rs.3 per employee.

The administration of the Fund is vested in a tripartite Board. The Board may appoint a Welfare Commissioner with the approval of the Government. The Welfare Commissioner will be the chief executive.

The Act lays down the purposes for which the Fund may be utilised which are as follows:

- Community and social education centres including reading rooms and libraries.
- Community necessities.
- Games and sports.
- Excursions tours and holiday homes.
- Entertainment and other forms of recreation.
- Home industries and subsidiary occupations for women and unemployed persons.
- Corporate activities of social nature.
- Cost of administration of the fund.

Such other objects as would in the opinion of the State Government improve the standard of living and ameliorate the social conditions of labour.

Currently, the Welfare Board is providing the following facilities and benefits:

Labour Welfare Centres : The Board has setup Labour Welfare Centres wherever there is a concentration of workers. There are presently 35 such Centres. The Centres provide facilities for indoor and outdoor games, T.V. and other forms of entertainment, gymnasium,



training in tailoring etc. They also provide reading rooms and libraries. These centres appear to be very popular as a large number of workers have been availing of them as shown below:

	1995-96	1996-97
Reading room and library	2,94,177	2,92,750
Indoor and outdoor games	2,05,931	1,90,842
Gymnasium	50	50
T.V. and other forms of Entertainment	1,24,917	1,35,342
Shishu vihar	28	28
Training in tailoring	1,110	656
Training for other vocations	58	60

**Scholarships:** The Board has a scholarship scheme under which the children of workers are given scholarships ranging from Rs.200 to Rs.1600. Students in classes from the 8<sup>th</sup> standard to degree courses, post degree courses and job oriented courses are entitled to the scholarships. The total number of beneficiaries under this scheme was 2,789 in 1995-96 and 2,610 in 1996-97.

**Medical assistance:** Under this scheme workers are given financial assistance in case of sickness and hospitalisation due to accident's chronic ailments such as T.B cancer and other malignant diseases, major operations relating to heart kidney etc. The amount of assistance depends upon the nature of the illness and the condition of the patient and is determined by the board in each case. The number of beneficiaries under this scheme was just 2 in each of the two years 1995-96 and 1996-97. It was explained that this was a new scheme effective from 1<sup>st</sup> April 1995 only.

The Board was requested to furnish a summary statement of its receipts payments and balances for the last three years. The Board replied that these particulars could be released only after approval by Government and the legislature.

In this connection it is relevant to mention that the Rules framed under the Act requires that the annual accounts of the Board should be submitted to the Controller of State Accounts by the 1<sup>st</sup> of November. The accounts for the year 1995-96 should therefore have been available by November 1996. Non availability of the accounts leads to avoidable misgivings about the state of the Fund and the accounts thereof.

#### **VI. Tamil Nadu Labour Welfare Fund**

The Government of Tamil Nadu enacted the Tamil Nadu Labour Welfare Fund Act in the year 1972. The Act came into force from 1.1.1973 The Act provides for the constitution of a fund called 'The Labour Welfare Fund' for promoting the Welfare of Labour and for certain other matters connected therewith. The Act is applicable to all factories covered under the

Factories Act, 1948, all motor transport undertakings covered under the Motor Transport Workers Act, 1961, plantations covered under the Plantation Labour Act, 1951, catering establishments covered under the Tamil Nadu Catering Establishment Act, 1958 and other establishments as defined in the Tamil Nadu Labour Welfare Fund Act, 192. (The Act is applicable to catering establishments only if there are five employees or more.)

A Labour Welfare Board has been constituted for administration of the Act. The Board consists of representatives of employers, employees, members of the Legislature and representatives of the Government and two other non-official members.

The main sources of the Fund are:

- a) Annual contribution from employers at Rs.6/- per worker, from employers at Rs.3 each and from Government at Rs.3 per worker. (Total amount of contribution is Rs.12 per worker.)
- b) All unpaid accumulations.
- c) All fines imposed on the workers.
- d) Voluntary donations, etc.

The Fund is utilised on a variety of welfare schemes such as :

1. Labour Welfare Centres.
2. Tailoring Centres.
3. Reading Rooms.
4. T.B.Wards for workers.
5. Rest House in Madras for Trade Union leaders.
6. Holiday Homes in Mamallapuram, Courtallam and valparai.
7. Typewriting and Shorthand tuition fees, examination fees given to workers' children
8. Scholarship for higher studies.
9. Book Allowance Schemes
10. Supply of spectacles to workers.
11. Supply of artificial limbs.
12. Supply of tri-cycles.
13. Funeral expenses for workmen.
14. Conduct of sports.
15. Television for the use of workers in holiday homes.

Wives and daughters of workers are eligible to undergo training in Tailoring Centres. They will be paid a sum of Rs.80 as stipend. The course for one year. Workers' Children in the age group of 2-5 will be admitted in creches. They will be given nutritious food and milk. They are also given free supply of two sets of uniform. They are imparted education in Tamil and English. Children are medically examined twice in a month. There are 13 reading rooms where newspapers and journals are available for the benefit of workers.

Scholarship is given to children of the workers for pursuing their education at the following rates:

MBBS B.E., <u>Law BSC (Agriculture)</u>	Rs.1200 per annum
ITI	Rs.500 per annum
10~2	Rs.600 per annum
DME	Rs.720 per annum
D.Pharm	Rs.720 per annum

Text Book Assistance ranging from Rs.35 to Rs.150 is paid to the children of the workers for pursuing studies from the 9<sup>th</sup> Standard to Master Degree Course.

Reimbursement of the cost of spectacles is given to the workers on production of medical certificate.

Workers' children who study typewriting and shorthand are paid Rs.15 per month and the examination fees as prescribed by the Government.

Hearing impaired workers are given hearing aid. Similar artificial limbs and three wheelers are supplied to the handicapped workers.

When a worker dies in harness his dependent is paid Rs.300 towards funeral expenses. In order to enable the workers to enjoy with their family, Holiday Homes have been put up at several places.

Workers' representatives who come to Madras from different places for conducting cases on behalf of the workers can get accommodation in Jeeva Illam, at nominal cost.

These benefits are subject to the following conditions:

The employee should be a regular contributor to the Fund.

Salary including dearness allowance, House Rent Allowance etc., should not exceed Rs.2500.p.m. A sum of Rs.1,85,54,988 was received into the Fund during the year 1991-92. Information regarding receipts for subsequent years is awaited.

The following table shows the expenditure incurred from the Fund:

	Rs.
1993-94	12,18,015
1994-95	10,97,989
1995-96	8,45,550
1996-97	4,29,486

The following items account for bulk of the expenditure:

	1993-94	1994-95	1995-96	1996-97
	Rs.	Rs.	Rs.	Rs.
Spectacles	1,67,695	1,162,750	83,375	46,840
Text Books	3,21,247	2,50,350	1,48,345	56,675
BE Scholarship	1,28,400	1,28,400	1,21,200	56,400
DME Scholarship	1,77,840	1,98,720	1,89,360	1,05,120

#### **VII. Tamil Nadu Construction Workers Welfare Board**

Tamil Nadu Manual Workers (Regulations of Employment and Conditions of Work) Act, 1982 was enacted by the Govt. of Tamil Nadu with the main object of regulating the employment of manual labour and their conditions of employment work and other matters connected therewith. The Schedule to the Act enlists the various classes of manual labour covered under the Act.

Section 3 of the Act provides for formulating Schemes and also for constitution of a Fund for the benefit of manual workers. In pursuance of this provision the Govt. of Tamil Nadu promulgated a Scheme called "The Tamil Nadu Manual Workers (Construction Workers) Welfare Scheme 1994" for the welfare of manual workers engaged in construction work. Construction or maintenance of dams, bridges, roads or any other building operations is one of the employments listed as item 10 of the Schedule to the Act.

The Govt. of Tamil Nadu has constituted a tripartite Board to administer the scheme with representatives of employers, manual labour and Government. The Government members should not exceed 1/3 of the total number of members. Presently the composition of the Board is as follows:

- (1) Employers representatives 7,
- (2) Manual labour representatives 7 and
- (3) Government representatives 4.

The Commissioner of Labour who is one of the Government members is the Chairman of the Board.

The Scheme became effective from 1.11.1994. Initially the scheme was applicable only in cities of Madras, Madurai and Coimbatore. With effect from 15.6.97, the Scheme has been extended to the whole of Tamil Nadu.

A Fund called Manual Workers General Welfare Fund has been created. The contributions from the persons who engage workers for construction work will be made to this Fund at a specified percentage of the total cost of building/construction work proposed. This contribution has to be paid at the time of approval of the plan itself.

Initially, the contribution was to be made at 0.1% of the total cost of building/construction. It has since been revised to 0.3% w.e.f. 1.7.97. The contributions have to be collected by all Corporations/Municipalities/Town Panchayats/Village panchayats through out Tamilnadu at the time of approval of building plans and remitted to the Fund.

Definition of Manual Worker- Manual Worker means any person who has completed fifteen year of age but not completed 60 years of age and who is engaged to do any manual work in construction or maintenance of dams, bridges, roads or in any building operations as a worker falling under any one of the classes workers enumerated in the schedule to the Scheme They are as follows:

- Stone cutter or stone breaker or stone crusher
- Mason or brick layer
- Carpenter
- Painter or Vanisher
- Fitter including bar bender
- Plumber for road pipe work
- Electrician
- Mechanic
- Well sinker
- Welder
- Weng Mazdoor
- Mazdoor
- Sprayman or Mixerman (Road Surfacing)
- Wooden or stone packer
- Well diver for removing silt
- Hammerman

- Thatcher
- Maistry
- Blacksmith
- Sawyer
- Chulker
- Mixer(including concrete mixer operator)
- Pump Operator
- Mixer driver
- Roller Driver
- Kalasis or sarang engaged in heavy engineering construction like heavy machinery,
- Bridge work etc.
- Watch man Mosaic Polisher
- Tunner worker
- Rock breaker and quarry worker
- Marble/Kadapa stone worker
- Road worker
- Earth worker connected with construction work
- Worker engaged in processing lime
- Worker engaged in anti-sea erosion work

Any manual worker may register his name with the Board to avail the benefit under the Welfare schemes.

A registration fee of Rs.25/- is payable by the manual worker at the time of registration.

The registration is valid for a period of 2 years. Renewal fee of Rs.10/- is payable before the expiry of 2 years.

The object of the Scheme is to provide welfare measures for manual works engaged in construction, maintenance of dams, roads or in any building operations.

The welfare measures include:

- Creches
- Group Personal Accident Scheme
- P.F and E.S.I benefits.
- Pension Scheme

All the manual workers are covered under a Group Personal Accident Insurance Scheme. The Board pays the premium for the insurance and will be the policy holder on behalf

of the registered workers. The risks covered by the Scheme and the amount of compensation payable are as follows:

- a) Death Rs.50,000
- b) Loss or actual physical separation of or total and irrecoverable loss of use of
  - (i) both hands or
  - (ii) both feet or Rs.50,000
  - (iii) one hand and one foot or
  - (iv) Total and irrecoverable loss of sight in both eyes.
- c) Loss or actual physical separation of; or total and irrecoverable loss of use of
  - (i) One hand or
  - (ii) One foot or Rs.25,000
  - (iii) total & irrecoverable loss of sight of one eye
- d) Permanent total disability from injuries other than those specified in items (b) and © Rs.50,000
- e) Permanent partial disablement As specified in the schedule  
Schedule

<b>Nature of Disablement</b>	<b>Compensation in percentage (to be applied in Rs.50,000/-)</b>
1. Loss of toes-All	20%
Great Both Phalanx	5%
Other than Great toe	1%
of more than One toe loss each	
2. Loss of hearing-both ears	60%
3. Loss of hearing-one year	15%
4. Loss of 4 fingers and thumb of one hand	40%
5. Loss of 4 fingers	35%
6. Loss of Thumb both phalanx	25%
7. Loss of Index finger 3 Phalanx	10%
2 Phalanx	8%
One Phalanx	4%
8. Loss of Middle Finger	
3 Phalanx	6%
2 Phalanx	4%
One phalanx	2%

9. Loss of Ring finger	3 Phalanx	5%
	2 Phalanx	4%
	One phalanx	2%
10. Loss of little finger	3 Phalanx	4%
	2 Phalanx	3%
	One Phalanx	2%
11. Loss of Metacarpals		
	1 <sup>st</sup> or 2 <sup>nd</sup> (additional)	3%
	4 <sup>th</sup> or 5 <sup>th</sup> (additional)	2%

12. Any other permanent partial percentage of disability to be assessed by Doctor

As on 31.10.97 there was a total number of 43425 registered manual workers (construction). All the construction manual workers had been insured with United India Insurance Company Ltd., Chennai-2 under the Group Personal Accident Insurance Scheme.

The Tamil Nadu Manual Worker(Construction Workers) Welfare Scheme 1994 has an enabling provision to provide for pension. Every registered manual worker who has completed 60 years of age is eligible for a pension, if he has continued as such worker for a continuous period of not less than 5 years. A manual worker who has not completed 60 years of age but is registered with the Board for a continuous period of 5 years is also eligible for pension, if he has become disabled due to sickness and incapacitated from normal work. The quantum of pension is yet to be fixed by the Board with the approval of the State Government from time to time.

#### **Gujarat Rural Workers Welfare Board**

The object of the Board is to promote the social economic and cultural development of agricultural and rural workers of the State. The Board is running 207 rural workers welfare centres and 45 salt workers welfare centres. These Centres provide the following facilities

1. Balwadis
2. Adult Education
3. Sports
4. Cultural activities

An honorary organiser is attached to each Center. He /she is responsible for implementation of the programme and also for creation of awareness among the workers about the developmental activities in the area in which they live, their rights and obligations.

#### **IX. Gujarat Labour Welfare Fund**

There is another Labour Welfare Fund which is common to all other categories of workers. This Fund has been established under the Bombay Labour Welfare Fund Act and functions in accordance with the provisions of that Act.



## 12 Social Security Schemes for Workers in the Unorganised Sector

### III Schemes for Occupational Groups

The National Commission of Labour stated that the unorganised labour could not be identified by definition but could be described as those who have not been able to organise in pursuit of a common objective because of constraints such as (a) casual nature of employment; (b) ignorance and illiteracy; (c) small size of establishments with low capital investment per person employed; (d) scattered nature of establishments and (e) superior strength of the employer operating singly or in combination. The Commission could not cover all such employments. They selected the following categories of workers where the number was large or where information was available for their consideration:

- Contract labour,
- Casual labour
- Labour employed in small scale industries
- Handloom and power loom workers
- Beedi and cigar workers
- Employees in shops and commercial establishments
- Sweepers and scavengers
- Workers in tanneries
- Tribal labour
- And other Unprotected labour

In this Section social protection schemes applicable to these and similar categories of workers in respect of whom information is available are enumerated

**Social Protection Schemes for Workers in the Unorganised Sector****Programmes for Abkari workers****Kerala****Kerala Abkari Workers Welfare Fund Scheme**

The scheme has been introduced under the Kerala Abkari Workers' Welfare Fund Act, 1990. The object of the Scheme is to provide old age pension and other social security benefits to Abkari Workers. All workers engaged in collection, filling, transport and sale of liquor are eligible to become members of the Fund provided they are not members of the Toddy Workers Welfare Fund and they have rendered a minimum of 3 months continuous service.

The Scheme is contributory. The employees contribute 15 percent of their wages to the Welfare Fund. The employers contribute an equal amount. The total amount accumulated in the Fund as on 31.3.1995 was Rs.3252 lakhs. The amount is invested in Kisan Vikas Patra and fixed deposits.

The following benefits are provided to the workers under the Scheme

1. Pension on completion of 60 years
2. Gratuity on superannuation, retirement, death etc. @ 50 percent of average monthly wages for each completed year of service subject to a maximum of 20 months wages.
3. Ex gratia payment of Rs5,000

There are 150,000 Abkari workers in the State of whom 14,212 workers are registered under the Scheme. Income of the Fund is around Rs.760 lakhs per annum while the expenditure is less than Rs.40 lakhs.

**Programmes for Advocate Clerks****Kerala****Kerala Advocate Clerks Welfare Fund Scheme**

This is a non statutory scheme introduced by a Government order. The Scheme is applicable to advocate clerks. The number of such clerks covered under the Scheme is 3569.

The Scheme is financed by contributions as follows:

Member	Rs.60 per annum
Government	Rs.90 per annum

Under the scheme the following benefits are admissible:

Retirement Benefit	Rs.10,000
Death Benefit	Ranging from Rs.2500 to Rs.10,000

The retirement benefit is payable on attaining the age of 60 years of age.

**ANNEXTURE- IX****Mathadi Boards, Security Guards Boards and  
Kerala Headload Workers Welfare Fund****1. Mathadi Boards of Maharashtra**

A mathadi is a worker who carries a load on his head, back, neck or shoulders. His work normally consists of loading, unloading, carrying, shifting, weighing, tapping, bending and staking goods. This mainly is a physical labour. In the past all this work used to be performed by workers in groups known as gangs or tolies with a leader called mukadam. There was no single fixed employer or fixed employment. Availability of work was dependent upon the arrival of ships, trains, trucks etc or seasonal products like mangoes, dates etc. It was not possible to predict whether and if so when the work would be available and how much. Thus there were no fixed hours of work, no overtime, no holidays or leave. The mathadi workers were not covered under any Act. Even the Minimum Wages Act was not applicable to them.

In the circumstances representations were made to the then government to do something to regulate their work under the leadership of late Sri Annasaheb Patil who initiated action to organise the workers. Three committees were appointed to study the situation and to make appropriate recommendations. The Maharashtra Mathadi Hamal and other Manual Workers ( Regulation of Employment and Welfare ) Act, 1969 was enacted on the recommendations of the committees as a decasualisation measure.

The Act came into force in 1974

The object of the Act is:

- (a) to regulate the employment of unprotected workers such as Mathadi (head load workers) Hamal and others engaged in certain employments,
- (b) to make better provision for their terms and conditions of employment,
- (c) to provide for their health safety and welfare,
- (d) to ensure an adequate supply and proper utilisation of such workers, and
- (e) to prevent avoidable unemployment for these workers.

The Act is applicable to 14 employments which were listed in the Schedule to the Act in Mumbai and a few other districts. It had not been possible to extend the scheme to all the districts because of opposition of the employers and stay orders of courts.

Under the Act tripartite boards have been setup to regulate the employment of the workers and also to provide them social security type of benefits. There are 30 boards in all of which

there are ten boards in Mumbai. Separate boards have been set up for each employment in Mumbai and Thane. At other districts the boards are common to all employments.

There is a proposal to extend the system to power looms and domestic servants but it had been stayed by courts.

Under the Act the employers as well as workers have to register themselves with the boards.. The registered workers are assigned to the various employers depending on the volume of work and the employers are prohibited from engaging any unregistered workers. There are about 150,000 workers registered with the boards.

The workers work in teams. Every worker is therefore under peer pressure to give his best so as to maximise their earnings. If there is no work there would be no wages.

Wage rates are fixed by the boards and the employers have to deposit the wages earned by the workers together with a prescribed premium for social security and other benefits with the boards. The Boards will disburse the wages to the workers periodically according to the wage periods. The average wage rate including the premium is Rs.4,500 per month per person.

The rates of premium vary from 25 per cent to 46 per cent; the percentage goes up with the age of the board. Of this 5 % is retained for administration. The balance is allocated as follows :

Provident fund            8.33%

Gratuity                    2%

Workmen's compensation

Medical care ( Free medical care for self and members of the family)

#### **Ex gratia payment**

Leave with wages        4.5%

Paid holidays            1%

Educational assistance

Assistance for agricultural operations

In case of death of the worker a lump sum of Rs.10,000 would be paid to the family irrespective of the period of service.

One can enter the employment upto 60 years of age. There is no age of retirement; one can work as long as he is able to work. One may however resign if he does not want to continue to work. There is no provision for pension.

Five boards have jointly constituted a Mathadi Hospital Trust. The Trust is running two hospitals and several dispensaries.. The employers are required to pay an additional 2 % of premium for the medical care of the workers. The standard of treatment in these hospitals is said to be much higher than that of government hospitals.

The boards function as the arbiter of all disputes between the employers and the workers. The ID Act is not applicable to them.

There is no contribution by Government.

In the course of discussion the Study Group was given to understand that the Boards had enabled the social status of the workers to be raised. Many of them or their children had become engineers doctors and some of them were also M.L.A.

Some of the boards are however in the red because of replacement of manual labour by machines.

## **2. Security Guards Boards**

These Boards were set up under the Maharashtra Private Security Guards ( Regulation of employment and Welfare) Act, 1961. They work on the same lines as the Mathadi Boards.

Under the Act the employer as well as security guards are to be registered with the boards. The registered guards are assigned to the various employers. There are 2360 employers and 13554 guards registered with the Board in Mumbai.

There is scope for promotion of the security guards to the level of Head Guard, Supervisor , assistant Security Officer, and chief Security officer.

Wage rates are fixed by the Boards on the basis of the negotiated settlement between the workers and the employers. If there is no agreement between them the board would fix the rates by itself. The current rate fixed by the Boards for a security guard is Rs.2750 which is much higher than the minimum wages fixed by the State Government.

The employers have to deposit the wages earned by the guards with the boards together with a premium of 46.75 % for the following social security and other benefits :

Provident Fund	12%
Gratuity	4%
Leave with wages	6%
Paid holidays	1%
Uniform	4%
<i>Ex-gratia</i>	10%
ESI	4.75%

The security guards are also covered under the ESI Scheme but the board was seeking exemption

The board provides all the benefits to the security guards through "one window". The board also provide training to the guards to keep them fit.

The system of workers participation in management is observed in practice as representatives of the employees are part of the Board and all decisions are taken in consultation with them.

The Act provides for exemption to those establishments having similar or better schemes. 29 exemptions had been granted.

The Board is responsible for enforcing the provisions of the Act. It had instituted over 500 prosecutions.

The performance of the Board has been so good that it has made bold attempts to apply for ISO9001/2000. Decision is awaited.

### **Perceptions of Workers**

During discussion the representatives of the workers covered under the Mathadi Workers Act expressed their general happiness with the working of the Boards. They stated that consequent on the enactment of the Act and its implementation the conditions of life and work of Mathadi Hamal and other manual workers had improved and their social status had risen but there was scope for further improvement They however made the following points:

The Act was not being implemented fully. It was applicable to a few districts only. They wanted the Act to be made applicable in all the districts of the State and also in other States. The representatives expressed the view that the Mathadi Board system could be extended to other sectors of unorganised sector also.

The Act was also not applicable to contract labour and there was a tendency on the part of the employers to defeat the purpose of the Act by engaging contract labour. This tendency should be curbed. This matter was before the Supreme Court.

### **Perceptions of Employers**

The representatives of the Bombay Goods Transport Association were generally of the view that under the Mathadi Workers Act, the workers were overprotected and it had resulted in the diversion of traffic from Mumbai to districts and States where the Act was not applicable. They were of the view that the Board could be scrapped. Their specific complaints were as follows:

The term of the Goods Transport Labour Board had expired and it had not been reconstituted for the last two years for political reasons because of the difficulty in selecting the representatives of labour. In the meantime the Board was being administered by the Chairman in his discretion and the employers had no say in the matter. They therefore wanted that if the Board were to continue it should be reconstituted without further delay in order that the points of view of the employers were taken into consideration before taking any decision affecting them.

The representatives of the Government and labour usually worked in unison and the employers were isolated; there was a bias in favour of labour in the decisions taken by the Board.

Wage rates were refixed every year by merging D.A. and the employers were required to pay D.A. for the subsequent period on the basis of the consolidated pay. The wages rates had thus become very high. While the rate for unloading a truck in Delhi was about Rs.250 it was Rs.1300 in Mumbai. Many of the workers were earning so much that they were being assessed to IT. Some of them were also indulging in the malpractice of engaging less paid labor on subcontract basis.

Because of the high cost of labour workload had declined. Yet it had not been possible to reduce the workforce.

Besides some unregistered workers were forcing their entry into the market and demanding extortionist payments.

The employers are required to pay to the Board a high premium of 40 % over the wages for the social security and other benefits of workers. In addition they were called upon to pay 2 per cent more for medical treatment of the workers. They stated that the medical expenses of the workers could be met out of the 40% premium and the additional levy should be withdrawn.

Earlier they had been exempted from the ESI Scheme but the exemption had not been renewed for over seven years. In the meantime the ESI had been sending notices with threats of prosecution to pay the contributions under the ESI Act.. They were thus subjected to double jeopardy. This matter was however stated to be in the Supreme Court.

The representatives of the employers wanted the Mathadi Workers Board Scheme to be reviewed in view of these and other difficulties they were experiencing.

### **Mathadi Hospital Trust**

Five Mathadi Boards have jointly formed this Trust. This Trust provides medical care to the Mathadi workers covered under the Act and their families. There are two hospitals and 12



health centres which function as day care centres and several dispensaries under the Trust. The hospitals provide indoor treatment while the health centres provide outdoor treatment and diagnostic facilities.

The Trust is financed by a 2% levy on the employers, an annual payment of Rs.240 by each worker and donations from various sources.

The Study Group visited the hospital at Navi Mumbai. They talked to some of the workers present and were given to understand that they were quite happy with the services provided there by manual labour.

## **The Kerala Headload Workers Act 1978**

### **(1) Brief History**

The Headload Workers in the State were not governed by the Factories Act, Shops and Commercial Establishments Act, Industrial Disputes Act or other Labour Legislation's hitherto. The workers engaged in loading and unloading operations of goods and commodities are a major group of the total workforce in Kerala. Except a few, many firms or establishments do not require full time or regular workers for movement of goods. Hence, most of the headload workers are engaged to do work for several establishments at a time or at different times. Because of this peculiar nature, it is difficult to establish a definite employee-employer relationship as in the organized industries.

In the 1960's 1970's these worker in towns, urban commercial centers got organized under trade unions and raised demands for higher wages and better employment conditions. Since no specified qualifications or conditions of recruitment existed, many persons rushed to this sector, beyond actual requirements. This situation resulted in clashes between rival groups or trade unions and often led to law and order problems. On the other side, the employers/traders also got organized to counter this situation. Disputes involving headload workers often resulted in strikes hindering movement of goods and causing difficulties to the general public. In the absence of a proper legislation, the Government found it difficult to prevent these disputes or control the situation. This necessitated the emergence of a legislation viz. The Kerala Headload Workers Act, 1978.

### **2. Object and Scope:**

The purpose of the Act is to regulate the employment of Headload Workers in the State and to make provisions for their welfare, for the settlement of disputes in respect of their employment or non-employment and for matter connected therewith.

### **3. Commencement, Extent and Applicability:**

The Act received the assent of the President of India on 28.9.1980. All the provisions of the Act were brought into force by a notification in the Official Gazette with effect from 20<sup>th</sup> May 1981 in the whole state. Similarly the rule viz. "The Kerala Headload Workers Rules, 1981" made under section 43 of the Act were also brought into force with effect from 20.5.1981. All the provisions of the Act and Rules are applicable to the establishments specified in the schedule appended to the Act except those establishments owned and controlled by the Central Government.

Section 13 of the Act empowers the Government to make one or more scheme or schemes for any employment or group of employment's in one or more area or areas specified by a notification. A scheme made under sub-section (1) of Section 13 may provide for all or any of the following matters mainly :

- (a) for the welfare of headload workers;
- (b) for health and safety measures for headload workers;
- (c) for the constitution of any fund or funds including provident;
- (d) for regulating the recruitment and entry into the scheme of headload workers and the registration of headload workers and employers including the maintenance of registers, removal either temporarily or permanently, of names from the registers and the imposition of fee for registration;
- (e) For regulating the employment of headload workers and the terms and conditions of such employment, including maternity benefit, leave with wages, provisions for gratuity and conditions as to weekly and other holidays and pay in respect thereof;
- (f) For pooling of headload workers who are not employed under any employer or contractor;
- (g) For the manner in which and the persons by whom the cost of operating the scheme is to be defrayed, including any contributions to be paid by employers and headload workers and the rate of such contribution;
- (h) For appointing persons and authorities who are which are to be responsible for the administration of the scheme and for administration of funds constituted for the purpose of aforesaid;
- (i) For such incidental and supplementary matters as maybe necessary or expedient for giving effect to the purposes of the scheme;
- (j) Generally for making better provisions as regards the terms and conditions of employment of headload workers.

#### 4. Definition of Worker and their Classification:

eadload worker means a person engaged directly or through a contractor in or for an establishment, whether for wages or not for loading or unloading or carrying on head or person or in a trolley, any article or articles in or from to a vehicle or any place in such establishment, and includes any person not employed by any employer or contractor but engaged in the loading or unloading or carrying on head or person in a trolley and articles or articles for wages but does not include a person engaged by an individual for domestic purposes.

This definition is built up of on the basis of their relationship with the employer and employment. It may be pertinent to note the distinction between the usage of "a person engaged directly or through a contractor in or for an establishment" and "includes any person not employed by any employer or contractor but engaged in the loading or unloading for wages". From this differentiation, it is very clear that there are workers employed exclusively in an establishment and workers who are not employed but engaged in the loading/unloading operations for several establishments. Therefore, as regards first category we could see a definite employee-employer relationship. Whereas in other case we cannot attribute such a relationship as they are engaged in the loading or unloading of articles for more than a single establishment.

They do not have only a casual connection between such establishment or employers. Many of the establishments do not require full time regular employees for the loading or unloading of any article or articles brought to the establishment intermittently. Therefore, many employers are utilizing the services of such workers engaged in the loading/unloading operation.

#### 5. The Authorities:

- (A) For the administration of the Act and the schemes Government have appointed various level of officers in the Labour Department as Inspectors, Conciliation Officers, Registering authorities and Appellate authorities under relevant provisions of the Act. Government have also established a Board as per Section 14 of the Act and appointed committees under Section 18 in various areas for the discharge of its powers and functions stipulated in the Act and Scheme.
- (B) Settlement of Disputes: The lowest Executive Officer of the Labour Department *i.e.*, the Assistant Labour Officer, can intervene in a dispute which exists or is apprehended and hold conciliation conferences. If he fails to arrive at a settlement, he shall refer the issue to the conciliation officer as per section 21 of the Act, *i.e.*, the Deputy/District Labour Officer onwards, who may hold conciliation meetings for arriving at settlement

on the issues. On failure to arrive at a settlement in any of the issues he shall take a decision on the disputed issues. This is a radical change from that of the provisions in the Industrial Disputes Act. The decision of the conciliation officer is binding on all the parties to the dispute, subject to the decision of the appellate authority. The aggrieved party, if any, can file appeal before the appellate authority (*i.e.*, Regional Joint Labour Commissioner). Besides this is where if any dispute exists or is apprehended the Government can, by an order, refer the dispute to the appellate authority for a decision or decide the dispute themselves.

- (C) Registering authority: As per Section 25 with Rule 26A Government have appointed the Assistant Labour Officer Grade – II in the Labour Department as Registering Authority. Every headload worker in the State has to register his name and shall be issued with an identity card. The registering authority shall maintain a register of headload workers in the area.

#### **6.Prescribing of Wage Rates:**

As per Section 9 of the Act read with Rule 2(d) of the Kerala Headload Workers Rules, the rates of wages payable to headload workers by the employers who employ them for their trade or business can be prescribed by a notification. Different rates may be prescribed for different establishments and different kinds of work. The Government is the authority to notify the prescribed wage rates from time to time after considering the advice of the Board in the matter.

#### **7. Formation of Scheme:**

In the exercise of the powers conferred upon the Government under sub-section (1) of the Section 13 of the Act, Government have made a scheme namely the Kerala Headload Workers (Regulation of Employment and Welfare ) Scheme, 1983 providing the matters enumerated in sub-section (2) of section 13 of the Act.

- (1) As per para 3 of the scheme it shall come into force in the area specified in the schedule attached to that scheme from such date as may be fixed by the Government through a Gazette notification.
- (2) Scheme formulated by the Government under section 13 of the Act and published as per Gazette notification dated 30.11.1983 is now being implemented in various parts of the state.

It has been first implemented in two divisions in Chalai in Trivandrum Corporation in June 1984. Thereafter, the Scheme has been implemented step by step in different areas by notification. It is not possible to extend this scheme all of a sudden throughout the State. The salient features, working of the scheme, welfare benefits extended to the workers covered

under the scheme etc., are narrated as below :

a) Extent and the Applicability –

The scheme is applicable to the workers who are not regularly employed by an employer. It is intended for the regulation of employment and welfare of the headload workers termed under second category; the unattached group. For facilitating the regulatory arrangements, though these workers are actually being employed by more than one employer are paid wages by such employers at the rates notified under section 9 read with rule 2(d), the Committee constituted under section 18 is vested with the powers to carry out the control functions by means of registration of workers and employers allotting and locating workers as required for the execution of work and taking disciplinary action against workers on account of misconduct and indiscipline wherever found necessary. Collection of wages payable to the workers and disbursement of the same from the real employers are carried out by the Committee.

b) Registration of Workers and employers as per the Scheme :

As and when the Kerala Headload Workers (Regulation of Employment and Welfare) Scheme, 1983 is made applicable in an area, based on the registration granted by the Assistant Labour Officer under Rule 26A of the Kerala Headload Workers Rules, 1981, the workers who are employed/engaged by more than one employer are identified. Then such workers are given another registration and Identity Card as per para 6A of the Scheme for coverage under the regulatory and welfare arrangements visualized in the Scheme. Similarly the employers who utilize the services of the registered workers are also registered with the Committee as per para 7 of the scheme.

c) Pooling of Workers:

After registration under para 6A of the Scheme, workers are divided into various groups or pools depending on the nature of work and the system prevailing in the locality. On implementation of the scheme, though registered workers are still engaged by the employers like traders, firms etc., for the loading/unloading of goods or articles in connection with their trade or business as before, their wages are paid by such real employers to the workers only through the committee for ensuring the payment of wages at the rates notified and for facilitating regulatory functions.

d) Wage disbursement system:

- (i) Prior to the Scheme, the workers were paid wages directly by the employers but after commencement of the scheme, the wages are paid by the same employers through the Committee.
- (ii) For this purpose the employer has to deposit an approximate amount payable to the workers as wages for a week and it will be credited in to the individual account of the employers maintained in the Committee. On execution of the work a statement of

work done is prepared in triplicate in Form No. B called the work cards. In this the particulars of work done, amount of wages, levy, number of workers engaged etc., will be available. On receipt of this card the amount of wages payable to workers and levy thereof will be debited from the employer's deposit account.

- (iii) The wages earned by the registered workers in the pool present for the day are totalled and divided equally among the workers who executed the work on the day. If a worker is absent for work, no wage is payable by the Employers and hence no wages will be available to him for disbursement in the Committee. At month end, a total amount of wages to be disbursed is worked out in the Committee and its disbursal is worked out in the Committee and its disbursement is arranged by the Committee not later than seventh of the succeeding month.
- (iv) The Board/Committee can not ensure a minimum or maximum quantum of work at any time to each and every registered worker unless the real employers employ them, for loading/unloading of articles. The availability of work depends on the arrival of goods brought in by a trade/firm to his establishment for his trade or business. The uncertainty of employment is the special characteristics of these workers as in the case of any other workers in the unorganized sector of employment

### **Conclusion :**

With the implementation of this regulatory Scheme in various parts of the State, the socio-economic and cultural status of the workers covered under the Scheme are improving. In this object the Board is conducting programme such as Sports, Games, Arts and Cultural competitions at each Committee level and State level. As the employment of these workers are regulated, the trade centers are considerably peaceful. Major disputes on employment and wages are very rare in the areas wherever the scheme is implemented.

## **PART II**

### **Kerala Headload Workers (Attached Group) Welfare Scheme 1995**

This scheme was formulated for giving the head load workers attached to an establishment some additional benefits apart from all those benefits they enjoy at present. For this purpose a Fund will be set up with the contributions from both workers and their employers. The workers are to pay Rs.10/- p.m. and the employers are to pay Rs.15/- p.m. to the fund. Benefits of some of the schemes similar to those formulated for unattached group are available to these workers; lent at a lesser rate.

### **Kerala Head load Workers (Scattered Group) Welfare Scheme 1999**

This Scheme was formulated to extend some welfare benefits to the workers scattered over rural areas, who may not have regular loading, unloading work. Those who do not come under the unattached group, or under the attached workers welfare scheme come under this scheme.

In this case a fund will be maintained with the contributions from employers and workers. Workers can opt one among the 4 slabs for making monthly contribution to fund ie. Either Rs.20/-, 30/-, 40/- or 50/-. The employers (other than those already registered under the unattached workers, welfare scheme of 1983) are grouped into two for the purpose of remitting contributions to the Committee. One group has to pay rs.60/- and the other group has to pay Rs.120/- as annual contribution to fund.

The workers who resist their contributions regularly to the fund are offered the benefit of certain welfare schemes. They are eligible only for benefits under some of the schemes similar to those available to unattached group : but a different rate.

It can thus be seem that all the head load workers in the State are now covered under any one of the schemes mentioned below :

1. The Kerala Headload Workers (Regulation of Employment and Welfare) Scheme 1983.
2. The Kerala Headload Workers (Attached Group) Welfare Scheme 1995.
3. The Kerala Headload Workers (Scattered Group) Welfare Scheme 1989.

It is estimated that about three lakh people are engaged in loading, unloading work in Kerala.

On account of all these measures the life style and work culture of these workers in the unorganized sector are changing gradually and hope that they would reach the mainstream of the society.

## PART – III

**Existing Welfare Measures :**

A number of welfare Schemes have been formulated for the benefit of headload workers coming under the Kerala Headload Workers (Regulation of Employment and Welfare) Scheme, 1983. A very brief discription of the various Schemes now being implemented for this group of workers are given below.

The important feature worth mentioning is that most of these benefits, in full, are available to those workers only who accuire the minimum attendance and earn sufficient wages through the Local Committee.

**1. The Kerala Headload Workers (Family Welfare) Scheme, 1987**

The object of the Scheme is to ensure some immediate financial relief to the workers who are physically incapacitated for further continuance of their avocation due to accident caused, and also to provide some terminal benefits at the time of their retirement/superannuation.

If the workers meets with an accident and is made totally disabled, he will be paid a grant of Rs.15,000/-. Nominees will get proportionate benefits depending on the amount of contribution made by him to the fund; as per Schedule prescribed.

**2. Award of Scholarship Plan, 1989**

Children of workers on the role, who have passed V Standard onwards are given annual scholarship. The amount of scholarship varies from Rs.100/- to Rs,3000/- depending on the course of study and also depending on the marks secured in Examination.

**3. Medical Reimbursement Plan, 1996**

For hospitalized treatment on production of the worker. If the treatment is for worker himself, the amount reimbursable is Rs.5,000/- per annum or is three times his monthly average wage, whichever is less.

**4. Distress Relief Plan, 1990**

Those who are hospitalized for serious illness or accident or those requiring surgery or plastering etc. are eligible to get assistance under this Scheme at the rate of Rs.60/- per day or their daily average wage whichever is less for hospitalization period subject to a maximum of 30 days and for ½ of the said period subject to a maximum of 30 days.



In case of death of dependent family members, Rs.750% is granted as assistance.

**5. Marriage Assistance Plan, 1990**

For the marriage of daughters of workers (eligible/in the case of dependent sisters if his father is no more) an interest free loan of Rs.5,000/- recoverable in easy instalments is sanctioned. (3 times monthly average wage or Rs.500/- whichever is less). After the wedding a sum of Rs.1500/- (or monthly average wage whichever is less) is granted as further assistance.

**6. Invalid Pension Plan, 1990**

If due to accident or illness one is disabled and on production of certificate to that effect from a medical Board, Rs.200/- pm is sanctioned as invalid Pension.

**7. Superannuation Assistance Plan, 1989**

In the case of workers whose terminal benefit fund is less than Rs.15,000/- (due to lesser service etc) they will be assured a minimum sum of Rs.15,000/- by compensating the difference between their TDF and Rs.15,000/-

**8. Special Death *Ex-gratia* Plan, 1998 (Originally Group Insurance Scheme, 1987)**

Dependents of those who die while in service will get Rs.15,000/- in the case of ordinary death and Rs.30,000/- in the case of accident death.

**9. House Construction Loan Scheme 1992**

Those workers having 3 years service, houseless and having at least 3 per cent of land are legible for House Loan at 10 per cent interest rate. The maximum eligible amount, depending on net wages drawn, is Rs.75,000/- and for repair work Rs.35,000/-. Loan is also available for purchase of house with land.

**10. Foreign Employment Assistance Plan, 1995**

If any worker, having not less than 5 years service, wants to go abroad for better job he is eligible for 5 years leave and a loan of Rs.5,000/-.

**11. Pension and Revised Terminal Benefit Plan, 1998**

Workers who retire at the age of 69 having a minimum of 6 years service are eligible for monthly pension ranging from Rs.300/- to Rs.2400/- depending on the monthly average wage and years of service at his credit.

Those having more than 15 years service are eligible for revised TBF and family Pension.

**12. Calamity Relief Plan, 1998**

Workers whose houses are fully or partly damaged due to natural calamities, fire etc. are eligible for financial aid up to Rs.5,000/- (or three times of monthly average wage whichever is less.)

**13. Family Planning Assistance plan, 1998**

If worker or his wife undergo sterilization operation they will be eligible for a grant of Rs.1500/-

**14. Multipurpose Loan Scheme, 1999**

Under the Scheme, the workers can avail loan facility for purchase of home appliances, two wheelers etc. And for unforeseen expenditure on illness, for repayment of debt etc. 50% of the amount in their TBD Account or Rs,10,000/- whichever is less is the maximum amount of loan that can be availed.

**15. Payment of Educational Rent**

At the time of School opening in (i.e. starting of academic year) the month June every year all workers whose children are attending School/college are given a financial grant of Rs.200/-.

**16. Festival Advance**

In connection with any one festival (Eg. Christmas, Ramzan, Diwali etc) the workers are given interest free advances amounting to Rs.3,000/- (or average monthly income whichever is less)

**5. Festival Advance**

In connection with any one festival (Eg. Christmas, Ramzan, Diwali etc) the workers are given interest free advances amounting to Rs.3,000/- (or average monthly income whichever is less) which is repayable in easy monthly instalments.

**17. Holiday Wages**

For 9 holidays in a year, the workers are eligible for holiday allowance at the rate of their daily average wage.

**18. Death Ex-gratia**

If a worker on the rolls dies, on the same day itself a sum of Rs.2,000/- will be granted to his dependents for meeting the expenses of funeral etc.,

**19. Dying in Harness**

If a worker dies while in service, his dependent, if any willing to be enrolled as a head load worker, will be enrolled in his vacancy.

**20. Bonus**

All workers are eligible for annual bonus at the rate of 11.5% of the total wages earned by him in a financial year.

**10. Immediate Medical Advance**

If any worker, while on duty, due to illness or accident gets hospitalized, he is eligible for a medical advance subject to a maximum of Rs.1000/- which is interest free and repayable in instalments after joining duty.

## ANNEXURE - X

## AREA BASED SCHEMES

In order to universalise access to social protection for the self-employed and workers in the unorganized and informal sectors, an appropriately designed scheme would need to take into account certain inherent characteristics of the unorganized labour force. Besides the absence of a clear and continuing employer-employee relationship, they include seasonal work and underemployment, marginal and peripheral jobs, at times involving migration, dispersed workplaces which are mostly home based, low levels of earnings and hardly any unionization. While the need for a secure contributory base is evident for any scheme to be financially viable, the establishment of a workable collection mechanism continues to be a challenge. Since the collection of contributions through deduction at source from wage payments made by employers is either not available (in the case of self employment), or not easy (in indirect and informal employment), a pragmatic and workable arrangement has necessarily to be found and implemented. A similar arrangement would be essential for organizing a worthwhile delivery of benefits. Schemes built around individual employment areas and rooted in the employer-employee relationship are unsuitable. Sectoral welfare funds, besides leaving out many undefined informal sector jobs, are not as cost effective because they deal with so many different benefits. Thus, a reasonable alternative seems to be to design schemes on an area basis that would move away from the vertically organized employment spheres, towards a person centered approach with the aim of covering all workers within a compact geographical area. The following are some of the conditions that an area based social security scheme for the unorganized sector would have to fulfill:

- ❑ Its scope and applicability must extend to all categories of workers including home-based, self-employed and women workers, irrespective of the duration of any specific work.
- ❑ The scheme must be economically viable and self financing, being worked out on the basis of adequate identified source of funds, including compulsory contributions from the workers and agencies carrying out economic activities.
- ❑ The insurance benefits and the extension of coverage should be self evident to-and considered advantageous by, the contributors and beneficiaries of the schemes.
- ❑ A certain amount of flexibility must be built in, beyond prescribed minimum levels, in order to cater for local needs and priorities.
- ❑ It must be easy and cheap to administer and enforce the scheme, involving decentralization down to the local level.
- ❑ The delivery of benefits and services must be worked out with reference to the convenience of the covered members.

Pilot project in carefully selected areas would need to be carried out to test and develop a scheme, permitting modifications in the package of benefits as well as experimenting with procedures. Apart from special schemes, better social protection can also be achieved through two other channels – first through extending formal sector schemes, and secondly through ensuring better access to the social assistance programmes of the Government. Besides the qualitative improvement and expansion of such schemes and programmes in general through legal and other means, the area-based pilot projects would provide further opportunities to improve the outreach of social assistance and formal social insurance programmes. Areas can be selected where the present availability of such protection is insubstantial, where workers have the capacity as well as willingness to contribute towards insurance, health services and other security benefits, and where some organizational and group base also exists. The choice and level of social security benefits will have to be worked out under the project, in consultation with the beneficiaries, their representative organizations such as cooperatives, voluntary agencies, insurance companies as well as local and state administration. Some of the priority areas requiring support and protection are health care, insurance against death and disability, old age pension, availability of credit for productive enterprises and education of children. To be realistic, it may be better to begin with benefits that are seen as the most crucial and the very minimum, including perhaps a system of health insurance and life security. Other benefits can be considered for addition after the scheme establishes itself and its various mechanisms are worked out. It has been observed that although insurance companies prefer to limit health insurance to major illnesses and hospitalized treatments, the beneficiaries themselves favour a more comprehensive package that would include primary health care as well. Since the day to day requirements are seen as more immediate and real, it would be desirable to devise a system that can take care of primary and even preventive health needs. This would further necessitate a decentralized delivery system which can ensure locational access to the insured workers and their families. Apart from assigning doctors for identified geographical areas, the health insurance scheme would require tie up arrangements with hospitals (public and private). A certain degree of managerial control by the local groups would also be necessary for an effective and satisfactory service. The organization of medical assistance in terms of professional service and financial arrangements could take different forms with reference to the primary, secondary and referral services. The premium collected would have to be pooled for the entire project area in order to provide a broader base for off setting the higher expenditure levels in complicated and chronic cases. However, there could be provision for allocation or retention of a portion of the fund at intermediate levels, to defray certain types of expenses. The public and private infrastructure could both be considered for utilization as providers, but the extent and manner of use would need to be worked out.

Since most current group insurance schemes are unable to give adequate security *in cases of death and disability*, it would be desirable to extend cover for these contingencies. The level of benefits may be graded according to different economic strata and priorities in rural

and urban areas. Insurance schemes covering large groups offer significant discounts – extending to over 66 per cent for age groups of more than 50,000 in some cases – which could be availed of. Past experience has shown that simplicity and convenience of procedures will be essential, as well as a degree of flexibility. The role and association of certain nodal agencies (that is, agencies that have a pivotal or key position) will be crucial at all stages, from elaborating the scheme to delivering services and organizing its supervision. It would thus be possible to formulate viable schemes, keeping in mind the normative requirements mentioned earlier. State governments have generally shown a great deal of commitment, and would be willing to make a financial contribution, but sectors and sources could also be identified.

As it is complicated to collect contributions from, and disburse benefits to, informal sector workers, the process of designing and developing a scheme would involve a number of activities, such as background studies; extensive and intensive consultations; workshops and training; monitoring and evaluation; and efforts towards replication. An initial study would be needed to gauge the extent to which people are already covered by formal social insurance systems, social assistance programmes and self-financing initiatives.

Once the pilot projects succeed within a certain district, there would be much scope for replication. The district frame work is likely to ensure the continuance and sustainability of the scheme, and also facilitate its replicability, because the administrative framework at the district level is broadly similar throughout the country. The need of such schemes all over the country is quite evident. Central as well as state governments have been increasingly concerned and committed towards programmes for social protection. When a frame work has been established for large scale coverage, especially of the self employed and informal sector workers, many local variations could then be considered and developed. The important point is to develop a practical model that would give confidence and hold promise for extension and replication.<sup>1</sup>

### **Recommendations of the ILO**

The ILO in its report on Social Protection for the unorganised sector has endorsed the proposal to experiment with area based schemes. The recommendations reads as follows:

#### **The case for experimenting with an area-based approach:**

The idea of an area-based social insurance scheme stems from the same concern as was experienced in the setting of labour welfare schemes. That concern is that the majority of workers in the unorganized sector cannot be covered by statutory social security for the organized sector as they do not have a clearly acknowledged employer-employee relationship. An additional concern is that many workers from the unorganized sector have various different jobs which are often home based and have a temporary, seasonal and changing character. These two concerns cannot be fully addressed, neither through the

setting up of welfare funds nor through social assistance programmes (to be discussed in chapter 4) financed out of government funds and aimed at helping the destitute and the very poor. Neither approach can be universal, because welfare funds are limited to workers in certain occupations and sectors and social assistance only to those below the poverty line. Hence, the need for taking up the area-based approach, though only on a pilot or experimental basis for the time being (Jain, 1998 and 1999).

#### **Outline of the Scheme :**

The area based social insurance approach is mainly targeted to the majority of workers who are between the two categories of (i) the organized workers having statutory protection (around 10per cent) and (ii) those in extreme poverty (around 30per cent) receiving social assistance from the Government. Built on the premises of individual worker's responsibility to provide for future contingencies and the fact of his making substantial expenditures on this account, workers contributions must be an essential requirement. Doing away with the limiting conditions generally prescribed under social security laws, the area based scheme under the project envisages open membership to all adult workers in a defined geographical area, irrespective of the nature and the duration of employment or the place of work. The coverage may be in the individual capacities of the workers, and not on the basis of family units where women workers are usually left out. In fact, a special focus is intended to be built for inclusion of the eligible women.

As for the benefits that may be proposed to the unorganized, it would be advisable to be realistic rather than ambitious. The range of benefits to be provided would, first of all, depend on the social security priorities of the unorganized workers themselves, and secondly, on the contributions they are willing to make and on the level of funds available – either from the government or from other sources. The basic benefits may include (a) insurance against death or disability, (b) a health insurance and (c) old age benefits.

The coverage under death and disability (a) may be comprehensive, the sum assured for life being uniform irrespective of the cause of death since it is unrelated to the needs of the surviving family. In the case of disability, the compensatory payments may be made periodically, being a higher form of security, rather than in a lump sum as provided under the WCA.

Regarding health insurance (b), one may look at figures on the relative burden of treatment, defined as the ratio of treatment cost to the annual per capita consumption expenditure, so as to have some indication about the need for health insurance. Usually, that burden is highest for those with low incomes in the rural sector. For treatment at the government hospitals in rural areas, it varies from below 30per cent in Kerala, Tamil Nadu and West Bengal, to 100-230per cent in Assam, Bihar, Haryana, Rajasthan and Uttar Pradesh. The rural patients, except in Kerala pay more for health care and bear a higher burden, the distribution

of facilities being generally sparse. In contrast, the burden for the urban poor is comparatively lower both in the public and private hospitals. The cost and burden of treatment through the private providers is very much higher. It is also evident that the treatment costs are higher where the public infrastructure is least developed, either for in-patient or out-patient care. Competition from government hospitals has been observed as having an important bearing on the determination of private hospital charges (Krishnan 1995).

As for the health services, while 60 per cent of hospitalized treatment is provided by the government infrastructure, private providers took care of around two-thirds of the out-patient care. There are indications (see section 1) that workers from the unorganized sector prefer contributing to out-patient costs (including maternity and child care) rather than to an insurance against hospitalization costs. So, the health insurance priorities need to be established clearly before the area-based scheme is started. The services may be extended through both the public and private providers, as available in the area, the choice of selection being with the beneficiary. If workers prefer to contribute to the management and financing of primary and (some) secondary health services, the model for rural areas could be used, as developed by Hsiao and Sen (1995) and described in section 1.

Under the old age benefits mentioned at (c), a pension based on a savings-linked scheme may be proposed, perhaps with additional amounts for those who do not avail of (a) or (b) on the lines of a no claim bonus.

The funding of the scheme under the pilot project is envisaged to be from the members contributions and from other sources. Contributions would have to be mandatory for obtaining benefits, but may be prescribed as flat rates (avoiding any linkage with wages as in the case of organized sector schemes). Members may be given the option to select from amongst different premium amounts with corresponding benefit packages that have been worked out on an actuarial basis. It may also be possible to provide different rates of subsidy to the various packages, so that subsidies benefit workers with low incomes more than those with high incomes. Governments could finance these subsidies from various sources ; additional taxation; a social security cess linked to specific items (such as electricity consumption, clearance of negotiable instruments, motor vehicles, licenses, etc); diversion of current government funds for various social security and health care schemes which may be integrated into this social insurance package; and identify unused amounts available with state or local governments.

The project is conceived as a state level one, the overall responsibility for its formulation and administration resting with the state governments, whose authority could be delegated to a special board that would include representatives from the social security partners, such as workers and employers' organizations, relevant NGOs and insurance companies. As for its implementation, it is suggested to entrust the management of the finances and benefits to



a professional insurance agency, while the field administration may be carried out by the district authorities with specific functions possibly being assigned to the three tier panchayats comprising the local democratic government. alternatively, some of these functions may be assigned to workers groups or NGOs. It would be desirable to use the existing administrative mechanism to the greatest extent possible; for instance, standing insurance committees could be constituted within the District Rural and Urban Development Agencies, along with arrangements made for the NSAP. The role of the Central Government (MOL) is seen mainly in the areas of co-ordination and review of the project, in collaboration with the ILO, at the national level.

#### **State boards of social security :**

The National Labour Law Association has drafted a labour code for India in which a similar approach has been formulated. The Code requires the constitution of state boards of social security for each state. These boards would be responsible for administering the various schemes including social insurance, social assistance as well as welfare fund types of schemes covering all the people according to their needs. The boards may have subordinate formations at district or lower levels. In as far as possible, they would also recover contributions from those who can pay. Such system would provide for a multi tiered structure of benefits : basic minimum benefits subject to a means test at state expense, and higher levels of benefits on a contributory basis. It would appear that in an area-based system of social security, the role of voluntary organizations would be limited. They can ensure better implementation of scheme by public authorities and/or provide for higher levels of benefits by forming mutual aid organizations.

#### **Implementation issues :**

To what extent and at what stage the area-based scheme should be compulsory or optional, is a major and complex issue. In a sense, the problems with compulsion have been clearly demonstrated by the example of the existing statutory social insurance scheme for the organized sector. This scheme effectively protects about 10 per cent of the working population, but – as will be discussed in Chapter 5 – it has a limited capacity for extension outside the organized sector. In general, the main theoretical reasons invoked for making any social insurance scheme compulsory are, firstly, that non-insurance creates external costs (such as increased social expenditure on those who are not covered and possibly more criminality) and secondly, that members with low risk cannot opt out, so that a pooling of resources can take place (Barr, 1992). In addition, social insurance can break the link between premium and individual risk, so that the rich subsidize the poor.

In the case of the unorganized sector, we are at the beginning of a process. The external costs are small, because the only commitment that the Indian government has made so far is with regard to social assistance pensions (see Chapter 4). There is a real problem of adverse selection, in particular with regard to health insurance. In principle, two solutions are

available here. Either, as is the case in many developed countries, everybody is included in a comprehensive national health insurance scheme, and then of course compulsion is essential. Or, the government provides a minimum guarantee of preventive and curative services, leaving the other risks to private or collective arrangements. The latter option is clearly the feasible one in India; and therefore membership of unorganized workers above the poverty line does not have to be compulsory. Workers will adhere to the scheme, if they feel that the collective arrangement is more profitable than to face the market individually. If, in addition, the government subsidizes the venture the attractiveness of the scheme will be further enhanced, but then the government has to make sure that these subsidies do not benefit workers with high rather than low incomes. Since priorities and conditions can change, it is essential that all the insurance partners can have an impact on the decision process. And, finally, when after a long period of experimentation, it appears that all these conditions for sustainability have been met, the scheme- or parts of it- could be made compulsory.

Before a scheme is launched, it is necessary to work out a number of basic parameters for the scheme. To start with, one has to have a clear idea about the social security priorities of the inhabitants of the area and about the contributions that they are willing and be able to make for various options. Secondly, the government has to decide what subsidies it is willing to provide and from what they will be financed. Thirdly, the size of the area for the trial would have to be determined, particularly with reference to the costs of administration and provision of benefits. All these – and possibly other elements – will have to be included in an actuarial study so as to determine the viability of the scheme. One may also make use of the existing studies and data, especially the recent ones collected by the LIC before introducing the new rural group insurance scheme.

### **Neo Beveridge Plan**

The proposal concerning Area Based Schemes is nothing but a Neo Beveridge Plan, the basic features of which are as follows:

#### **Summary of Plan for Social Security.<sup>2</sup>**

The main feature of the Plan for Social Security is a scheme of social insurance against interruption and destruction of earning power and for special expenditure arising at birth, marriage or death. The scheme embodies six fundamental principles : flat rate of subsistence benefit; flat rate of contribution; unification of administrative responsibility; adequacy of benefit; comprehensiveness; and classification. These principles are explained in paras.303-309. Based on them and in combination with national assistance and voluntary insurance as subsidiary methods, the aim of the Plan for Social Security is to make 'want' under any circumstances unnecessary.

The main provisions of the plan may be summarized as follows:

- (i) The plan covers all citizens without upper income limit, but has regard to their different ways of life; it is a plan all embracing in scope of persons and needs, but is classified in application.
- (ii) In relation to social security the population falls into four main classes of working age and two others below and above working age respectively, as follows :
  - I. Employees, that is, persons whose normal occupation is employment under contract of service.
  - II. Others gainfully occupied, including employers, traders and independent workers of all kinds.
  - III. Housewives, that is married women of working age.
  - IV. Others of working age not gainfully occupied.
  - V. Below working age.
  - VI. Retired above working age.
- (iii) The Sixth of these classes will receive retirement pensions and the fifth will be covered by children's allowance, which will be paid from the National Exchequer in respect of all children when the responsible parent is in receipt of insurance benefit or pension, and in respect of all children except one in other cases. The four other classes will be insured for security appropriate to their circumstances. All classes will be covered for comprehensive medical treatment and rehabilitation and for funeral expenses.
- (iv) Every person in Class I, II or IV will pay a single security contribution by a stamp on a single insurance document each week or combination of weeks. In Class I the employer also will contribute, affixing the insurance stamp and deducting the employee's share from wages or salary. The contribution will differ from one class to another, according to the benefits provided, and will be higher for men than for women, so as to secure benefits for Class III.
- (v) Subject to simple contribution conditions, every person in Class I will receive benefit for unemployment and

disability, pension on retirement, medical treatment and funeral expenses. Persons in class II will receive all these except unemployment benefit and disability benefit during the first 13 weeks of disability. Persons in Class IV will receive all these except unemployment and disability benefit. As a substitute for unemployment benefit, training benefit will be available to persons in all classes other than Class I, to assist them to find new livelihoods if their present ones fail. Maternity grant, provision for widowhood and separation and qualification for retirement pensions will be secured to all persons in Class III by virtue of their husbands' contributions; in addition to maternity grant, housewives who take paid work will receive maternity benefit for thirteen weeks to enable them to give up working before and after childbirth.

- (vi) Unemployment benefit, disability benefit, basic retirement pension after a transition period, and training benefit will be at the same rate, irrespective of previous earnings. This rate will provide by itself the income necessary for subsistence in all normal cases. There will be a joint rate for a man and wife who are not gainfully occupied. Where there is no wife or she is gainfully occupied, there will be a lower single rate; where there is no wife but a dependent above the age of children's allowance, there will be a dependant allowance. Maternity benefit for housewives who work also for gain will be at a higher rate than the single rate in unemployment or disability, while their unemployment and disability benefit will be at a lower rate; there are special rates also for widowhood as described below. With these exceptions all rates of benefit will be the same for men and for women. Disability due to industrial accident or disease will be treated like all other disability for the first thirteen weeks; if disability continues thereafter, disability benefit at a flat rate will be replaced by an industrial pension related to the earnings of the individual subject to a minimum and a maximum.
- (vii) Unemployment benefit will continue at the same rate without means test so long as unemployment lasts, but will normally be subject to a condition of attendance at a

work or training center after a certain period. Disability benefit will continue at the same rate without means test, so long as disability lasts or till it is replaced by industrial pension, subject to acceptance of suitable medical treatment or vocational training.

- i. Pensions (Other than industrial) will be paid only on retirement from work. They may be claimed at any time after the minimum age of retirement, that is 65 for men and 60 for women. The rate of pension will be increased above the basic rate if retirement is postponed. Contributory pensions as of right will be raised to the full basic rate gradually during a transition period of twenty years, in which adequate pensions according to needs will be paid to all persons requiring them. The position of existing pensioners will be safeguarded.
- ii. While permanent pensions will no longer be granted to widows of working age without dependent children, there will be for all widows a temporary benefit at a higher rate than unemployment or disability benefit, followed by training benefit where necessary. For widows with the care of dependent children there will be guardian benefit, in addition, to the children's allowances, adequate for subsistence without other means. The position of existing widows on pension will be safeguarded.
  - (x) For the limited number of cases of need, not covered by social insurance, national assistance subject to a uniform means test will be available.
  - (xi) Medical treatment covering all requirements will be provided for all citizens by a national health service organized under the health departments, and post-medical rehabilitation treatment will be provided for all persons capable of profiting by it.
  - (xii) A Ministry of Social Security will be established, responsible for social insurance, national assistance and encouragement and supervision of voluntary insurance and will take over, so far as necessary for these purposes, the present work of other Government Departments and of Local Authorities in these fields.

The Study Group suggests that this Plan may suitably be adopted for application in India at State levels.

<sup>1</sup> Basic Social Security in India by Shashi Jain in *Social Security for the Excluded Majority* ed. by Wouter van Ginneken , ILO Geneva 2000

<sup>2</sup> Social Insurance and Allied Services : Report by Sir William Beveridge as presented to Parliament p2-4

## Annexure XI

### International Standards of Social Security

#### List of Conventions and Recommendations of ILO on Social Security

##### Comprehensive Standards

- Recommendations No.67:Income Security, 1944
- Conventions No.102: Social Security (Minimum Standards) 1952
- Conventions No.118: Equality of Treatment (Social Security) 1962

##### Medical Care and Sickness Benefit

- Conventions No.24: Sickness Insurance (Industry) 1927
- Conventions No.25: Sickness Insurance (Agriculture) 1927
- Recommendation No 134: Medical Care and sickness Benefits 1969

##### Oldage invalidity and survivors benefits

- Conventions No.35:Oldage Insurance ( Industry,etc.) 1933
- Conventions No.36:Oldage Insurance ( Agriculture ) 1933
- Conventions No. Invalidity Insurance (Industry, etc.) 1933
- Conventions No. Invalidity Insurance (Agriculture) 1933
- Conventions No. Survivors' Insurance ( Industry, etc.) 1933
- Conventions No. Survivors' Insurance ( Agriculture) 1933
- Conventions No. Maintenance of Migrants Pension Rights, 1935
- Conventions No. Invalidity Oldage and Survivors Benefits 1967

##### Employment Injury Benefit

- Conventions No. 12: Workmen's Compensation ( Agriculture) 1921
- Conventions No. 17: Workmen's Compensation ( Accidents), 1925
- Conventions No. 18: Workmen's Compensation ( Occupational Diseases) 1925
- Conventions No. 19: Equality of Treatment ( Accident Compensation) 1925
- Conventions No. 42: Workmen's Compensation ( Occupational Diseases) (Revised),1934
- Conventions No. 121 Employment Injury Benefits 1964
- Recommendation No. 23 Workmen's Compensation( Jurisdiction) 1925
- Recommendation No. 25 Equality of Treatment ( Accident Compensation) 1925
- Recommendation No. 121 Employment Injury Benefits 1964

**Unemployment Benefit**

Conventional No. Unemployment Provision 1934

Recommendation No. 44 Unemployment Protection, 1934

**Maternity Benefit**

Convention No.3 Maternity protection, 1010

Convention No. 103 Maternity Protection ( Revised ) 1952

Recommendation No. 95 Maternity Protection 1952

Convention No. 183: Maternity Protection 2000

Recommendation No. 191 Maternity Protection 2000

**The Social Security Conventions and  
Recommendations of the  
International Labour Organization**

**International Labour Office  
Social Security Department  
Planning, Developing and Standards Branch  
Geneva**



## THE SOCIAL SECURITY CONVENTIONS AND RECOMMENDATIONS OF THE ILO

This paper was written to provide a short overview of the ILO Social Security Standards. Although dealing with all significant aspects, it is not exhaustive. Persons who wish to find the precise terms of any matter dealt with here are referred to the wording of the Conventions and Recommendations themselves.

### General remarks

From its outset, one of the core activities of the ILO has been the adoption of international labour standards, either in the form of Conventions or Recommendations. These standards fix minimum requirements, which in case of a Convention, are legally binding for all States having ratified it. In all other cases, the standards may provide useful guidance for the internal legislation.

Under the ILO Constitution, arrangements are made for the general supervision of standards. Within a specified period after their adoption, member States of the ILO have to submit Conventions and Recommendations to their national parliaments or other authorities competent for the enactment of legislation. Governments are held to provide regular reports on the application of ratified Conventions and, on request, also on non-ratified Conventions or Recommendations. These reports are submitted for scrutiny to a committee of the International Labour Conference before which the governments concerned are invited to explain themselves.

### Social Security Standards

This set of ILO instruments on Social Security adopted after World War II revises all Conventions in this area, which had been adopted before. They comprise lower, minimum standards contained in the Social Security (Minimum Standards) Convention, 1952 (No. 102), and superior, higher standards contained in Conventions Nos. 103, 121, 128, 130 and 168 which are complemented by Recommendations (see Annex II).

The ILO Conventions define nine branches of social security. These are:

- (a) Medical care;
- (b) Sickness benefit;
- (c) Unemployment benefit;
- (d) Old-age benefit;
- (e) Employment injury benefit;
- (f) Family benefit;
- (g) Maternity benefit;
- (h) Invalidity benefit; and
- (i) survivors' benefit.

All but the first of these benefits are paid in cash, but two of them – employment injury and maternity – also include an element of medical care. Family benefit may comprise a variety of components. In addition, the Maternity Protection Convention (Revised), 1952 (No. 103), provides for maternity leave, nursing breaks and protection against dismissal.

Conventional No. 102 covers all nine branches of social security. However, a ratifying State is not obliged to accept all parts of it and can confine ratification to merely three of the nine branches, including at least one of the following: unemployment, employment injury, old-age, invalidity or survivors' benefit. He is also required to meet defined standards for the standards for the *minimum coverage of his population, minimum rates or amounts of benefit and minimum provision of medical care, where appropriate.* The Convention requires, as a rule, equality of treatment for nationals and non-nationals residents; it sets out the circumstances in which benefit may be suspended and requires that claimants and beneficiaries should have a right of appeal against the refusal of benefit. Other general provisions define the responsibility of the State and limit the extent to which employees (in an insurance-based scheme) or persons of small means should be obliged to finance their benefits by direct contributions or special taxation. These matters are set out more fully below.

A State whose economy and medical facilities are insufficiently developed may, when ratifying a Convention, claim as a temporary exception reduced requirements regarding the minimum coverage and the duration of benefits, or, in the case of higher standards, also regarding the volume of medical care, the rate of unemployment benefit, the possibility to convert employment injury benefit into a lump-sum payment etc.

### **Some Contingencies covered**

The contingencies covered by the Conventions on social security correspond to the nine branches detailed above. The following observations explain further some of the important points:

As a general rule, the pensionable age shall be not more than 65 years. It shall be lowered, under prescribed conditions, in respect of persons who have been engaged in occupations deemed to be arduous or unhealthy. Moreover, a lower pensionable age is recommended for persons:

- (a) whose unfitness for work is established or presumed (handicapped persons),
- (b) who have been involuntarily unemployed for a prescribed period (e.g. one year) or
- (c) for whom such a measure is justified on social grounds.

Wherever possible, provisions for gradual transition from working life to retirement and flexibility of pensionable age subject, as the case may be, to increments or reductions are recommended as well.

Where the Conventions themselves do not contain a definition of "industrial accident", the following definition can be found in recommendation No. 121:

- (a) accidents, regardless of their cause, sustained during working hours at or near the place of work or at any place where the worker would not have been except for his employment;
- (b) accidents sustained within reasonable periods before and after working hours in connection with transporting, cleaning, preparing, securing, conserving, storing and packing work tools or clothes;
- (c) accidents sustained while on the direct way between the place and-
  - (i) the employee's principal or secondary residence; or
  - (ii) the place where the employee usually takes his meals; or
  - (iii) the place where he usually receives his remuneration.

As regards "occupational diseases", Convention No. 121 offers the choice between three ways to define it:

- (a) by prescribing a list of diseases comprising at least those enumerated in Schedule I to the Convention (list system);
- (b) by stipulating a general definition broad enough to cover at least the diseases enumerated in Schedule I to the Convention (global definition);
- (c) by prescribing a list of diseases in conformity with Schedule I and to complement it by a general definition (mixed system).

Unless proof to the contrary is brought, it is recommended that there is a presumption of the occupation origin of diseases known to arise out of the exposure to substances or dangerous conditions in processes, trades or occupations where the employee

- (a) was exposed for at least a specified period; and
- (b) has developed symptoms of the disease within a specified period following termination of the last employment involving exposure.

Where national legislation contains a list establishing a presumption of occupational origin in respect of certain diseases, proof should be permitted of the occupational origin of diseases not so listed and of diseases listed when they manifest themselves under conditions different from those establishing a presumption of their occupational origin.

Survivors' benefits shall be paid at least in the case of the loss of support suffered by the widow or child as the result of the death of the breadwinner; in the case of a widow, the right to benefit may be made conditional on her being presumed to be incapable of self-support. This may be the case, for instance, when the widow has attained a prescribed age, is valid

or has to care for a dependent child of the deceased. A minimum duration of marriage may be required only in the case of a childless widow.

It is recommended that an valid and dependent widower shall enjoy the same entitlements to survivor's benefit as a widow.

"Unemployment" is defined as "loss of earnings due to inability to obtain suitable employment in the case of a person capable of working available for work and actually seeking work. Convention No. 168 extends unemployment protection to the contingencies of partial unemployment – i.e. a temporary reduction in the normal or statutory hours of work – and of temporary suspension of work, without any break in the employment relationship on the one hand and to part-time workers actually seeking full-time work on the other hand.

### **Personal scope of protection**

Contrary to previous Conventions, the Conventions adopted after World War II no longer define the categories of protected persons in purely juridical terms (i.e. in terms of the labour contract), but they fix percentages of the population as indicated in the Table on the next page. These percentages relate either

- (a) to all employed persons;
- (b) to the whole population (including the self-employed); or
- (c) to all residents.

### **Qualifying periods**

A qualifying period may be a period of contribution, of employment or of residence preceding the contingency. For medical care, sickness, unemployment and maternity benefits (short-term benefits) there may be imposed "such qualifying period as may be considered to preclude abuse" or, in the wording of Convention No. 130, "the conditions governing the qualifying period shall be such as not to deprive of the right to benefit persons who normally belong to the categories of persons protected". It is recommended, however, that the right to medical care should not be made subject to any qualifying period.

For family benefit, there may be a qualifying period of no more than three months of contributions or employment, or of one year of residence.

Standards rates of old-age benefit should be made available subject to a qualifying period of no more than 30 years of contributions or employment, or 20 years of residence. A reduced rate should be secured, however, after at least 15 years of contributions or employment. Where a contributory scheme covers, in principle, all economically active persons, there is an alternate formula – a prescribed yearly average number of contributions over a prescribed period.

Similarly, standard rates of invalidity or survivors' benefit should be available after not more than 15 years of contributions or employment, or ten years of residence. A reduced rate should be secured, however, after at least five years of contributions or employment. In the comprehensive contributory scheme, there is an alternate formula – a prescribed yearly average number of contributions over a period of three years.

It is recommended to reduce even further or to eliminate completely qualifying periods for invalidity benefits in favour of young workers or where invalidity is due to an accident.

Employment injury benefits are to be afforded without any qualifying period.

#### **Minimum Standards for medical Care**

The minimum content of a medical care programme includes:

- (a) general practitioner care, including home visits;
- (b) specialist care in hospitals and similar institutions for in-patients and out-patients;
- (c) "essential" pharmaceutical supplies;
- (d) pre-natal, confinement and post-natal care by medical practitioners or qualified midwives; and
- (e) hospitalization where necessary.

Convention No. 130 includes in the list "necessary" pharmaceutical supplies, dental care, medical rehabilitation and the supply, maintenance and renewal of prosthetic and orthopaedic appliances.

In the maternity benefit branch, the medical care element should include items (d) and (e) of this list. Moreover, Convention No. 103 guarantees the freedom of choice of doctor and of the hospital.

The standard minimum medical care element of employment injury benefit is more comprehensive, adding dental care, the provision of artificial limbs and other prostheses, the provision of eye-glasses and a wider range of specialist services.

In the case of ordinary sickness (i.e. not in case of employment injury and maternity), cost-sharing by the beneficiary is admitted provided the rules are so designed as to avoid hardship and not to prejudice the effectiveness of medical and social protection.

#### **Minimum standards for determining rates of periodical cash benefit**

The guidelines for determining the standard minimum rates of benefit are tied to a schedule of "standard beneficiaries" and "indicated percentages" (see Table on next page). The standard beneficiary is a family unit the composition of which varies according to the

contingency. The indicated percentage may relate either to the wage of a "skilled manual male employee" or to the wage of an "ordinary adult male labourer" according to the pension formula.

The following situations may arise:

1. Where the rate of benefit is calculated by reference to the previous earnings of the beneficiary or covered person, the rate of benefit payable to a standard beneficiary, together with any family allowance involved, should be not less than the indicated percentage of the previous earnings plus family allowance. Formal rules should be described for the calculation of the previous earnings. An upper limit may be set to the rate of benefit, or to the level of reckon able earnings. This level should not be set below the earnings of a skilled manual male employee (the Conventions give an earnings level "equal to 125 per cent of the average earnings of all the persons protected" as one of the alternatives).
2. Where benefits are at a flat rate, the rate of benefit payable to a standard beneficiary, together with any family allowance involved, should be not less than the indicated percentage of the wage, plus family allowance, of an ordinary adult male labourer. The latter is defined either as a person deemed typical of unskilled labour in the manufacture of machinery other than electrical machinery, or as an unskilled labourer in the major group of economic activities with the largest workforce covered for the benefit.
3. In a third situation, where all residents are covered, the rate of benefit may determined by taking into account the means of the beneficiary and his family, according to a prescribed scale. The prescribed rules should allow substantial amounts of the other means of the family to be disregarded before the scale rate of benefit is reduced. The total of benefit, and other means (if any) over and above the amount disregarded, should be comparable with benefit calculated elsewhere under the "flat-rate" formula.

As to family benefits, a different formula is provided in Convention No. 102: Their total value shall represent either 3 per cent of the wage of an ordinary adult male labourer multiplied by the total number of children of persons protected or 1,5 percent of the said wage multiplied by the total number of children of all residents.

### **Adjustment of benefits**

The Conventions prescribe that the rate of current periodical payments in respect of old age, employment injury (except in case of incapacity for work), invalidity and death of breadwinner (i.e. all long-term benefits) shall be reviewed "following substantial changes in the general level of earnings where these result from substantial changes in the cost of living".

**Form and duration of benefit.**

In all contingencies, the cash benefit shall be a periodical payment. In case of partial permanent incapacity due to employment injury, however, it may be commuted for a lump-sum

- (a) where the degree of incapacity is slight (e.g. less than 25%); or
- (b) where the competent authority is satisfied that the lump-sum will be properly used.

Medical care and cash sickness benefit may be limited to 26 weeks on any one occasion, but medical care should, in any case, continue as long as sickness remains in payment. Under Convention No. 130, medical care shall be provided throughout the contingency and the minimum duration of sickness benefit has been extended to 52 weeks. Sickness benefit may be withheld for the first three (waiting) days.

Maternity cash benefits may be limited to 12 weeks, unless a longer period of abstention from work is required or authorized by national laws – in which case, benefit shall continue throughout the period of abstention.

Unemployment benefit may be limited, where classes of employees are covered, to 13 weeks in any 12 months; or where residents are covered subject to a means test, to 26 weeks in any 12 months.

This period has been extended to either 26 weeks in each spell of unemployment or to 39 weeks over any period of 24 months, respectively, by Convention No. 168. Up to seven waiting days may be imposed.

Family allowances or orphans' pensions may be paid until the child has reached school-leaving age or 15 years of age. Conventions Nos. 121 and 128 extend the extend period, as far as orphans' pensions are concerned, for children who are apprentices, students or suffering a chronic illness or infirmity disabling them for any gainful activity.

Apart from these exceptions, the Conventions establish the principle that all benefits should be paid for the duration of the contingency.

**Miscellaneous matters**

1. In general, non-national residents should have the same rights as national residents, but Convention No.102 accepts that:
  - (a) where benefits are payable wholly or mainly from public funds, special qualifying rules apply to persons who were born outside the territory; and
  - (b) where benefits are payable under a social insurance scheme, the rights of the nationals of another country be subjected to the terms of a reciprocal agreement between the countries concerned.

2. Benefits under various branches may be suspended:
  - (a) during absence abroad;
  - (b) while a person is maintained at public expense in an institution;
  - (c) if a person is simultaneously entitled to two forms of cash benefit – other than family benefits (he should receive not less than the amount of the larger of the two conflicting benefits);
  - (d) where the contingency was caused by willful misconduct or criminal offence on the part of the claimant, or the claim was fraudulent;
  - (e) where a person neglects to make use of medical or rehabilitation services, or fails to observe prescribed rules of behaviour during the contingency;
  - (f) in the case of unemployment benefit, where the claimant neglects to make use of the employment services, or lost his job as the result of a trade dispute, or left the job voluntarily without just cause; or
  - (g) in the cause of survivors' benefit, where a widow is living with a man as his wife.

In the cases and within the limits prescribed, part of the benefit otherwise due shall be paid to the dependants of the person concerned.

3. Claimants should have a right of appeal against the refusal of benefit, or in respect of its quality or quantity but, where medical care services are provided by a government department, complaints in that respect are to be referred to the appropriate authority.
4. The cost of benefits and administration is to be borne collectively in such a way that:
  - (a) hardship to persons of small means is avoided;
  - (b) the economic situation of the country, and of the classes of persons protected, is taken into account; and
  - (c) in branches covered by social insurance arrangements (and excluding family benefit, and normally, employment injury), the total of the employees' contributions should not exceed 50 percent of the total cost.
5. The Conventions do not impose specific terms of administration, but they oblige the State to accept general responsibility for the administration of social security and for securing and monitoring the financial soundness of social security funds and they provide for associating representatives of the protected persons, and employers, with the management of social security institutions where appropriate.



## Appendix - 1

**Article and paragraphs of ILO Convention and  
Recommendations referred to in the text**

- 1) It does not deal, however, with Conventions Nos. 19, 118 and 157 on equality of treatment and maintenance of migrant workers' rights in social security. These Conventions will be explained in a different paper.
- 2) C. 103, art. 3, 5 and 6
- 3) C. 102, art. 2
- 4) C. 102, art. 3; C. 121, art 2; C. 128, art 4; C.130, art.2; C.168,art.5.
- 5) C. 102, art. 26;
- 6) C. 128, art. 15
- 7) R. 131, para 6 and 7; R. 162, chapter IV
- 8) C. 121, art. 7 only specifics that " commuting accidents" should be included under prescribed conditions.
- 9) R. 121, para 5
- 10) R. 121, para 8
- 11) R. 121, para 6 and 7
- 12) C. 102, art. 60; C.128, art. 21
- 13) C. 102, art. 63(5); C.128, art. 21(4)
- 14) R. 131, para 12
- 15) C.102, art. 20; C.168, art. 10(1). The concept of suitable employment is defined in C.128, art. 21(2) and in R. 176, para 14 and 15.
- 16) C.128, art. 10(2) and (3)
- 17) C.102 , art. 15, 21,27,33, 41, 48, 55 and 61; C.121, art. 4 and 5; C.128, art.9, 16 and 22; C.130 art. 10 and 19; C.168, art.11. As to the categories of persons excluded , or which may be excluded , from the scope of application see C. 102, art. 77; C.121, art. 3 and 4; C. 128, art. 37 to 39, C.130, art. 4 and 5' C.168, art 11.
- 18) C.102, art. 1(11); C.128, art. 1(i); C.130, art.1(i)
- 19) C.102, art. 11, 17,23,51, C.168, art. 17; Such a qualifying period may be for instance three months for medical care and cash sickness benefit and six months for maternity and unemployment benefit.
- 20) C.130, art. 15 and 25
- 21) R. 134, para 4

- 22) C.102, art. 43
- 23) C.102, art. 29' C.128, art.18
- 24) C.103, art. 57 and 63; C.128, art. 11 and 24
- 25) R. 131, para 14 and 15
- 26) C.102, art. 37
- 27) C.102, art. 10
- 28) C.130, art.13
- 29) C.102, art. 49
- 30) C.103, art. 4(3)
- 31) C.102, art. 34; C.121, art. 10
- 32) C.102, art. 10(2); C.130, art. 17
- 33) C. 102, art. 65; C.121, art. 19; C. 128, art. 26; C.130 , art.22
- 34) Group 382 of the international standard industrial classification of all economic activities (revised 1968)
- 35) C. 102, art. 66; C. 128, art. 28; C.130, art. 24
- 36) C.102,art. 67; C. 128, art. 28; C. 130, art. 24
- 37) C. 102, art. 44
- 38) C. 102, art. 65 (10) and 68 (8); C. 121, art. 21; C. 128, art. 29
- 39) C. 102, art. 16, 22, 28, 36, 42, 50, 56 and 62; C. 121, art. 13 and 14; C. 128, art. 10, 17 and 21
- 40) C. 130, art. 21; C. 168 art. 13;
- 41) C. 102, art. 36(3)
- 42) C. 102, art. 12 and 18
- 43) C. 130, art. 26
- 44) C. 102, art. 18; C. 130, art. 26(3)
- 45) C. 102, art. 52, C. 103 , art. 3
- 46) C. 102, art. 24
- 47) C. 168, art. 19; where the benefits based on insurance has expired C.168, art. 16 provide for the payment of a means tested unemployment assistance benefit sufficient to guarantee healthy and reasonable conditions.
- 48) C. 102, art. 24(3); C. 168, art. 18
- 49) C. 102, art 1 ( 1e); C. 121 , art. 1(e); C. 128 , art. 1(h)
- 50) C. 102, art. 30, 38, 58 and 64; C. 128, art. 12, 19 and 25,
- 51) C. 121, art. 27; C. 130, art. 32; C. 168, art. 6

- 52) C. 102, art. 68
- 53) C. 102, art.69, C. 21, art. 2, C. 28,art.32, C.130, art.28; C.168, art. 20
- 54) C. 102, art. 70; C. 121, art. 23; C. 128, art. 34; C. 130, art.29; C. 168, art. 27
- 55) C. 102, art.71(1) (2)
- 56) C. 102, art. 71 (2) and 72; C. 121, art. 24 and 25; C. 128, art. 35 and 36; C. 130, art. 30 and 31; C. 168, art. 28 & 29.

## **Annexure XII**

### **Employees State Insurance Scheme**

The Employees' State Insurance Act, according to its short title, provides for certain benefits to employees in case of sickness, maternity and employment injury and certain other matters in relation thereto. The original bill was called the Workmen's State Insurance Bill. It was applicable to workers in factories only. The Select Committee to which the bill was referred made certain modifications. One of the important modifications was that the benefits provided by the Act should not be confined to workmen only but should be extended to other employees in factories. The term 'workmen' was therefore replaced by the term 'employees' wherever it occurred.

The Select Committee also made provision for extending the Act to other establishments, or classes of establishments, industrial, commercial, agricultural or otherwise. The Select Committee further provided for extension of the medical benefit to the families of insured persons.

#### **(5) Coverage Of The Act – Area-Wise:**

The Act provides that it shall come into force on such date or dates as the Central Government may appoint and different dates may be appointed for different provisions of the Act and/or different States or for different parts thereof. Accordingly, the benefit provisions of the Act have so far been implemented in 20 State and 2 Union Territories out of the existing 26 States and 6 Union Territories. The State/Union Territories where the scheme has not so far been implemented are as follows:

#### **States**

1. Arunachal Pradesh
2. Manipur
3. Mizoram
4. Nagaland
5. Sikkim and
6. Tripura

#### **Union Territories**

1. Andaman and Nicobar Islands
2. Lakshwadweep
3. Dadra and Nagar Haveli
4. Daman and Diu

The ESI Corporation has stated that the question of implementation of the schemes in these States/U.Ts (Mizoram, Sikkim, Andaman and Nicobar Islands and Dadra and Nagar Haveli) is being pursued with the respective Governments/Administrators. So far as the other States/U.Ts are concerned it is stated that there is no sizeable concentration of industrial workers who may be covered under the scheme but the relevant statistics are being collected.

Even in these States where the Act has been brought into force it is not applicable throughout the respective States or U.Ts. The Act is being implemented area-wise.

Initially the scheme was made applicable in all areas where there was a concentration of 5000 or more of insurable population. Later it was decided to cover all areas with a concentration of 1500 or more of insurable population and then those with a concentration of 500 or more insurable population.

The basic criterion for coverage is the ability of the State Government concerned to make arrangements for providing medical benefit, which is regarded as the kingpin of the scheme.

According to the First Five Year Plan the Scheme was expected to be implemented throughout the country by 1954. That has not happened yet. As on 31.3.2000, the Act stands extended to 655 industrial centers covering 78.62 lakh employees. The Corporation has stated that the scheme is generally implemented in areas, which have concentration of about 1000 insurable employees for whom viable medical arrangements could be made.

The ESIS Review Committee (1982) had recommended that wherever Government or other dispensaries are available and can be utilized local insurable population may be covered even if the concentration of such population is below 500. But the Corporation has not accepted this recommendation.

There are 10.57 lakh employees in non-implemented areas (including areas having a concentration of less than 1000 persons) which are yet to be covered, as on 31.3.2000.

Insurance population, though not specifically defined, means coverable employees working in factories/establishments coverable under the Act. (Insurance employed in defined in Sec.2 (13-A) of the Act.)

There may be more than 1000 employees in an area in factories and classes of establishments to which the Act has not yet been made applicable but that is not taken into consideration for extension of the scheme to that area. This automatically restricts the extension of the scheme to a new class of establishments on the ground that the area in which they work or live is not covered. It seems therefore necessary to interpret the term

insurable population broadly when surveys are carried out and decisions are taken to extend the coverage to new areas under Section 1(3) of the Act, wherever there is a concentration of 1000 or more employees in any class of factories or establishments.

#### **6. Coverage of Factories:**

Section 1(4) of the Act provides that the Act shall apply in the first instance to all factories including factories belonging to Government other than seasonal factories. Initially the definition of 'factory' in the Act was as per the Factories Act. Although the definition of 'factory' was amended in the Factories Act in 1948, similar amendment was not made in the ESI Act till 1989 in spite of the fact that the ESIS Review Committee had recommended such an amendment as early as in 1966. It is however now at par with the definition in the Factories Act. Thus, the Act is now applicable to all factories using power employing 10 or more employees and factories not using power employing 20 or more persons. (The rationale for making a distinction between factories using power and those not using power for purposes of coverage under the ESI Act has not been explained.) It is however not applicable to a factory or establishment belonging to or under the control of the Government whose employees are otherwise in receipt of benefits substantially similar or superior to the benefits provided under the Act.

The ESIS Review Committee 1966 had recommended that smaller factories not using power and employing 10 or more persons as well as all factories employing five or more persons should be brought under cover of the ESI Act in stages. This recommendation has not yet been implemented.

Seasonal factories are excluded from coverage under the Act. A series of recommendations have been made to amend the Act so as to cover seasonal factories also but the amendment has not been carried out so far. Proposals have also been made for evolving appropriate schemes for the seasonal factories. A modified scheme of contribution and benefits called ESI (Cashew Workers) Scheme 1989 was introduced for cashew workers in 1989 under Section 1(5) of the Act on an experimental basis. The working of the ESI (Cashew Workers) Scheme, 1989 was reviewed by a Sub – Committee of the Corporation and based on recommendations of the Committee. The Scheme was not extended beyond 30.09.1997. The Scheme ceased to exist since 30.03.1997. Thus the question of extending the Act to seasonal factories is still pending consideration.

#### **7. Coverage of Mines:**

The definition of 'factory' in the Act specifically excludes mines governed by the Mines Act 1952. Mines are therefore not covered under Section 1(4) of the Act. The question of extension of the ESI Act to mines by amendment of the Act has been discussed by several committees. The Perspective Planning Committee 1972 recommended partial coverage of the mines for cash benefits only on the ground that most of the undertakings in that sector

were already providing medical care of a fair standard to the mine workers without any contribution from them, and there was no justification for duplicating or displacing these services. The ESIS Review Committee 1982 however, recommended coverage of Mines under the ESI Act by amendment of the Act and integrating the medical service provided by the welfare funds with the medical set up of the ESI Scheme. No action has been taken on these recommendations.

#### **8. Coverage of Plantations:**

Plantations are also not covered under the ESI Act. The Perspective Planning Committee 1972 suggested partial coverage of Plantations for cash benefits on the ground that the plantation workers were already entitled to medical benefit which the employers were required to provide under the Plantation Labour Act. The ESIC Review Committee recommended that the ESIS Corporation should review the medical and other facilities available in plantations under the Plantation Labour Act and take steps to improve them by integrating them with the ESI Scheme. The Perspective Planning Committee 1993, has recommended coverage of plantations which are outside the purview of the Plantation Labour Act. But nothing has been done so far to cover the plantations under the ESI Act wholly or partially as recommended by the various committees.

The Corporation has stated that the State Government of Assam, West Bengal, Kerala, Karnataka and Tamil Nadu have not favoured extension of ESI Scheme to plantations on the ground that the workers are enjoying medical benefits free of cost provided by their employers under the Plantations Labour Act and the plantations are scattered in the interior hilly and inaccessible areas. The views of the Governments of Karnataka, West Bengal and Assam have not been received so far. [1996]

Labour Secretary, Government of Kerala has explained the reasons for the Government of Kerala not favouring the extension of the ESI Scheme to the plantation sector as follows :

“The question of extension of the ESI Scheme to plantations came up recently before Justice M.P. Menon Commission of Enquiry. The ESIC proposed the coverage of plantations but neither the employers nor the workers of the plantations were in favour of the Extension of the ESI Scheme to the plantation sector. Although the sickness and other benefits provided under the scheme are more than those provided under the Plantations Labour Act the plantation workers were unanimously of the view that the medical benefits now enjoyed by them under the Plantation Labour Rules without paying any contribution were in no way inferior to those under the ESI Scheme. They alleged that the workers covered by the ESI Scheme have a lot of complaints about the implementation of the Scheme ; Service in ESI dispensaries and hospitals is not quite satisfactory; the qualifying conditions for getting sickness benefit are a disincentive; that contributions have to be paid during the periods; whether the worker is claiming benefits relating to that period or not. It is also alleged that the employers apprehend that the liberal grant of sickness benefits under the ESI Scheme

only encourages absenteeism among workers. Many workers have been approaching the High Court to prevent the extension of the ESI Scheme to their employments."

The Conference of State Labour Ministers held on 7<sup>th</sup> and 8<sup>th</sup> of July 1993 is stated to have come to the conclusion that it is not advisable to extend the ESI Scheme to the plantation sector.

In taking such decisions it does not seem that the feasibility of extending the ESI Scheme to mines and plantations for cash benefits, and not for medical benefit, was considered.

#### **9. Extension of the Scheme to Unorganised Labour and Self-Employed Workers:**

The Act is now not applicable to unorganized labour or self-employed workers. ESIS Review Committee 1982 suggested that the Corporation should find a way to extend the scheme to the unorganized sectors of employment partially, if not wholly, for medical and employment injury benefits. The Committee also recommended that it would be worthwhile to extend the scheme to some groups of self-employed workers on an experimental basis. But the Corporation has taken the view that it will not be possible for it to enter these sectors.

In this connection, the Corporation has explained as follows :

A Sub-Committee of the Employees State Insurance Corporation had reviewed the provisions of the ESI Act, in 1978 and recommended *inter alia* extension of the provisions of the Act to the unorganized sector including seasonal factories. The ESIS Review Committee under the Chairmanship of Shri. V.R.Hoshing which reviewed the working of the ESI Scheme in 1982 had also made a similar recommendation. These recommendations have carefully been considered, and the view taken is that the ESI Scheme which has been framed keeping in view of the requirements of the workers in the organized sector may not suit the requirements of the workers in the unorganized sector, whose employment is intermittent and seasonal in nature. This has been the experience of the Provident Fund Organization also. It may, therefore, be better to consider formulation of comprehensive laws providing social security and other benefits for different categories of workers in the unorganized sector instead of considering extension of the existing ESI Scheme". The Government of India is reported to have taken a decision to leave the provisions of social security to the unorganized sector to the State Governments. But neither the Central Government nor the State Governments have taken any initiative in this regard.

#### **10. Coverage of Casual and Contract Labour:**

The ESI Act has defined the term employees broadly but the applicability of the Act to casual and contract labour has been subject to litigation and there are differing judgements on the issue. The various committees which went into the working of the scheme have however recommended removal of the ambiguity and to make appropriate provision to ensure their



coverage. There are however doubts about the feasibility or the desirability of their coverage.

### **11. Coverage of Other Non-Factory Establishments:**

Section 1(5) of the Act provides that the appropriate Government may in consultation with the Corporation, after giving six months notice, extend the provisions of the Act to any other establishment or class of establishments, industrial, commercial, agricultural or otherwise. By virtue of this provision the scheme has been extended to shops, hotels, restaurants, cinemas including preview theatres, road motor transport and newspaper establishment's employing 20 or more persons.

The various committees which reviewed the working of the ESI Scheme have recommended extension of the Scheme to other non-factory classes of establishments in a planned manner. That has not happened. No new sector of employment has been brought under cover for nearly twenty years.

### **12. Application of the Wage Ceiling for Coverage:**

One of the principles underlying the ESI Scheme is that it should exclude those who can take care of themselves, *i.e.*, those having an income exceeding the prescribed amount. Prof. Adarkar had suggested a wage ceiling of Rs.200 for application of the scheme. This was raised from time to time. The current ceiling is Rs.6500 which is in force from 1.1.1997.

In the past, there used to be a parity in the wage ceiling for application of the ESI Act and the EPF Act, but the parity no longer exists. When the wage ceiling for the ESI scheme was raised to Rs.3,000 the wage ceiling for the schemes under the EPF Act was Rs.3,500. The EPF organizations has since raised the ceiling for application of the schemes under the EPF Act to Rs.5,000.

Initially the wage ceiling was fixed in the Act. On the recommendations of several committees the power to fix the ceiling was vested on the Central Government. The Central Government however acts on the recommendations of the Corporation. As the Corporation consists of members representing diverse interests it has not been able to arrive at a consensus in the matter.

Because of the wage ceiling those employees whose wages exceed the prescribed amount cannot be covered under the Act and those who are covered, their wages being below the prescribed amount also go out of coverage when their wages go above the ceiling. But they are again brought under cover when the ceiling is raised. Such oscillation between coverage and non-coverage has been causing much inconvenience to many employees. Suggestions have therefore been made to remove the ceiling or to raise the ceiling more regularly commensurate with the rise in the wage levels. Suggestions have also been made that a

provision should be made in the Act that an employee once covered remains covered even if his wages exceed the ceiling. But these recommendations have not been implemented.

Exclusion of the persons above the wage ceiling affects the viability of the scheme in the areas where large number of persons go out of coverage.

### 13. Perspective Planning Committee:

In 1972, the ESI Corporation had set up a Prospective Planning Committee headed by the then Secretary ministry of Labour to work out a viable programme for further extension of the scheme supported by a perspective plan in respect of wages and means. This committee had recommended *inter alia* extension of the scheme in the first phase to factories run with power and employing 10 to 19 workers, factories run without power, shops, hotels, restaurants, cinemas (including preview theatres) road motor transports and newspaper establishments employing 20 or more persons. In the second phase, the Committee wanted the organized mines and plantations to be covered. In the case of mines and plantations the recommendation of the Committee was for extension of the scheme only partially, *i.e.*, only for cash benefits since medical care was already available to the workers free of cost. In the third phase they wanted the scheme to be extended to the unorganized or semi organized sector about which statistical data is not available. The Corporation has claimed that extension of the scheme as per recommendations of the Committee in the first phase has been completed but it has not been possible to implement the recommendations with respect to the second and the third phases. In the mean time another perspective planning committee was constituted in 1993. The recommendations of this committee are stated to be under consideration of the Corporation.

### 14. Coverage Under the Act – Total Picture:

Because of the restrictions in the application of the scheme mentioned above the number of persons covered under the ESI Scheme has been small and it has remained practically static for a long time as shown below: -

	1981	1991
	(in Millions)	
Total Population	665.3	849
Labour Force	222.5	319
Number of employees covered under the ESI Scheme	6.4	6.1

According to the reports of the ESIC for the years 1990-94 to 1999-2000 the coverage has varied as follows: -

As on	No. of Employees covered	No. of Employees covered	No. of Insured Women covered
31.3.1991	60,70,000		
31.3.1992	53,59,000		
31.3.1993	66,91,000		
31.3.1994	66,27,000		
31.3.1995		67.96	
31.3.1996		66.13	
31.3.1997		77.31	
31.3.1998		83.61	
31.3.1999	2,19,804	80.85	14,78,400
31.3.2000	2,25,076	78.62	14,57,300

#### New Coverage

---

Year	No. of new areas covered	No. of employees covered
1999-2000	28	89,030
2000-2001	55	79,509

#### No. of employers/employees in non-implemented areas

Year	No. of employers in non-implemented areas	No. of employees in non-implemented areas
31.3.1999	17,274	11,03,200
31.3.2000	18,748	10,57,260

The Corporation has claimed that during the year 1999-2000 the ESI Scheme was implemented in 28 new geographical areas covering an additional 89030 employees. At the close of the year 1999-2000 the total number of employers covered under the scheme was 225076 and the total number of employees covered was 756200. The number of employers and employees in the non implemented areas yet to be covered was 18748 and 1057260 respectively.

The report does not show the reduction in coverage due to death or retirement of insured persons or due to the increase in wages above the ceiling.

**15. Exemption:**

Section 87 of the Act provides that the appropriate Government may by notification exempt any factory or establishment or class of establishments from the operation of the Act for a period of one year at a time subject to periodical review and such other conditions as may be specified. The Act also provides for grant of exemption in favour of any person or persons employed in any factory or other establishment to which the Act applies. There is also a further provision for grant of exemption to any factory or establishment belonging to the Government or a local authority if the employees of such factory or establishment are in receipt of benefits substantially similar or superior to those provided under the Act. Several factories and establishments have been granted exemption by virtue of these provisions. The main criterion for grant of exemption has been that the employees of the establishments enjoy benefits substantially similar or superior to those provided under the Act. For this purpose the standard of medical care and the scale of cash benefits provided are taken into account. The wishes of the employees are also taken into consideration before granting reviewing exemptions.

The ESI Corporation has been generally opposed to grant of exemption on the ground that it is against the principle of solidarity. But the appropriate Government have been granting exemptions liberally.

Neither the Government of India nor the Corporation has however published the number of factories, establishments of persons who have gone out of coverage because of the exemptions. It is also not clear whether the number of employees covered under the scheme as reported by the Corporation is inclusive of the number of persons employed with exempted establishments or exclusive of them.

**16. Contributions:**

The Employee's State Insurance Scheme is a Social Insurance Scheme. It is based on contributions from the employers, employees as well as the Government. The rates of contributions were previously prescribed in the Act itself. They are now prescribed by the Central Government.

Initially the rate of contribution varied according to wage groups. In 1984 the Act was amended whereby the rates of contributions were fixed as a percentage of the wages at 5 per cent for the employers and 2.25 per cent for the employees. These rates have since been modified to 4.75 per cent for employers and 1.75 per cent for the employees *w.e.f.* 1.1.1997. Employees whose average daily wages are below a specified amount are exempted from the payment of contribution. Initially employees with daily wage of Rs.1 or

below were exempt from making contribution. This has since been raised to Rs.4 w.e.f. 8.4.2000.

The ESIC has a major administrative problem of growing arrears of contributions. According to the latest Annual Report for 1999-2000, a total amount of Rs.52479 lakhs was in arrears against defaulting employers since the notional 'A' day up to Sept.1999 against Rs.45228 lakhs up to March 1999 registering an increase of Rs.7251 lakhs. These amounts represent the arrears determined by the Corporation through a judicial process and they do not include the arrears due from the defaulting employers against whom assessment of arrears has not been completed. The arrears of assessment have not been reported.

The Corporation has reported that out of the total amount of Rs.524.79 crores in arrears, an amount of Rs.256.89 crores cannot be recovered for the present as the factories and establishments from whom it is due have either gone into liquidation or have obtained stay orders from courts or the cases are being reported to BIFR. A sum of Rs.0.21 crores is the decretal amount and is in the process of realization. The balance of Rs.267.90 crores represents the effective amount of arrears. The Corporation has claimed that action for its recovery is in process by the Recovery Officers.

Recovery of Corporations' dues has always been a matter of concern. In order to accelerate the pace of recovery of arrears, the ESI Act was amended in 1989 to enable the ESIC to set up its own recovery machinery for recovering of the dues. The recovery machinery came into existence in phases from January 1992 in the States where the scheme is in force except Assam and Goa. The Corporation has also set up a Recovery Cell at its headquarters to monitor the recovery and the performance of the recovery machinery in the States.

In regions where the recovery machinery has not yet been set up, certificates for recovery of dues as arrears of land revenue are issued to District Collectors under Section 45B of the Act. Defaulting employers are also prosecuted under Section 85, 85A and 85C of the Act. Cases are filed under Section 406/409 of the Indian Penal Code for criminal breach against those employers who having recovered the employees share of contributions fail to deposit the same with the Corporation.

In July, 1993, the Government of India constituted a sub-committee of the Consultative Committee of Parliament attached to the Ministry of Labour to study the problems of the arrears of contributions and to suggest remedial measures. The committee headed by Shri Gurudas Dasgupta, MP, has recommended that the ESI and EPF authorities should be given the same powers for search, seizure and issue of warrants against delinquent individuals and establishments as are available with the Customs and Excise authorities for recovering statutory dues. The committee has also made the following recommendations.

- i. Non-payment of PF and ESI dues should be made a non-bailable offence
- ii. Employers should be made to pay the dues within 90 days of the company being declared as sick unit by the BIFR as a precondition for considering its revival proposal;
- iii. The PF and ESI Acts should be amended to allow attachment and sale of personal property of employers in case of default ;
- iv. In case an employer does not agree with the recovery officers action and seeks judicial interaction in a Court, he should be allowed to do so only after depositing 75 per cent of the amount specified in the recovery order;
- v. Special branches in High Courts and separate courts at district level should be created for adjudication of PF and ESI cases; and
- vi. The defaulter should be banned from getting import licenses and government patronage till such time as he remains a defaulter.

These recommendations are stated to be under consideration of the Government.

As a result of the various measures taken by the corporation it could recover Rs.14.29 crores only from the defaulting employers during the year 1993-94, while there was an increase in the arrears to the extent of over Rs.37 crores during the same period.

#### **17. Benefits:**

The ESI Act provides for the following benefits:

- i. Sickness benefit
- ii. Maternity benefit
- iii. Employment Injury Benefits :-
  - a. Disablement benefit
  - b. Dependents' benefit
- iv. Medical benefit
- v. Funeral benefit

All these benefits are related to health and are therefore covered under health insurance. Of these, the medical benefit is in kind; all other benefits are in cash. The scheme attaches the greatest importance to medical benefit. It is regarded as the keystone of the whole scheme. The following table shows the expenditure incurred on the various benefits during 1998-99 and 1999-2000 and their relative importance in terms of expenditure.

**Expenditure on Benefits**

	(Rupees in Crores)	
	1998-99	1999-2000
<b>Total Benefit expenditure</b>	<b>687.82</b>	<b>813.05</b>
<b>Expenditure on medical benefit</b>	<b>443.96</b>	<b>534.80</b>
<b>Expenditure on cash benefits :</b>		
<b>Sickness benefit including Extended and enhanced sickness benefit</b>	<b>107.60</b>	<b>119.64</b>
<b>Maternity benefit</b>	<b>15.94</b>	<b>18.52</b>
<b>Temporary disablement benefit</b>	<b>30.92</b>	<b>31.88</b>
<b>Permanent disablement benefit (Capitalized value)</b>	<b>48.37</b>	<b>74.99</b>
<b>Dependents benefit (Capitalized value)</b>	<b>38.73</b>	<b>30.93</b>
<b>Funeral expenses</b>	<b>1.68</b>	<b>1.52</b>
<b>Total Cash benefits</b>	<b>243.24</b>	<b>277.48</b>

It may be seen that more than 50 per cent of the total expenditure is incurred on medical benefit. Of the cash benefits, sickness benefit ranks first in terms of expenditure incurred.

Temporary disablement benefit is akin to sickness benefit. It may be seen that the two together constitute the bulk of the cash benefits in terms of the volume of expenditure. Expenditure on maternity benefits is very low. It speaks for either the low level of employment of women among the establishments covered or low level of awareness among the women employees or low level of disposal of the benefit claims.

The rates of benefits are prescribed in the rules framed under the Act in terms of a Standard Benefit Rate which varies according to pay groups of employees as shown below :

**Table of Standard Benefit Rates**

S.No.	Group of employees whose average daily wages are:	Standard benefit rate	
		Rs.	Np.
1.	Below Rs.28	14 or average daily wage whichever is less	
2.	Rs.28 and above but below Rs.32	16	
3.	Rs.32 and above but below Rs.36	18	
4.	Rs.36 and above but below Rs.40	20	
5.	Rs.40 and above but below Rs.48	24	
6.	Rs.48 and above but below Rs.56	28	
7.	Rs.56 and above but below Rs.60	30	
8.	Rs.60 and above but below Rs.64	32	
9.	Rs.64 and above but below Rs.72	36	
10.	Rs.72 and above but below Rs.76	38	
11.	Rs.76 and above but below Rs.80	40	
12.	Rs.80 and above but below Rs.88	44	
13.	Rs.88 and above but below Rs.96	48	
14.	Rs.96 and above but below Rs.106		53
15.	Rs.106 and above but below Rs.116		58
16.	Rs.116 and above but below Rs.126		63
17.	Rs.126 and above but below Rs.136		68
18.	Rs.136 and above but below Rs.146		73
19.	Rs.146 and above but below Rs.156		78
20.	Rs.156 and above but below Rs.166		83
21.	Rs.166 and above but below Rs.176		88
22.	Rs.176 and above but below Rs.186		93
23.	Rs.186 and above but below Rs.196		98
24.	Rs.196 and above but below Rs.206		103
25.	Rs.206 and above but below Rs.216		108
26.	Rs.216 and above but below Rs.226		113
27.	Rs.226 and above but below Rs.236		118
28.	Rs.236 and above	125	

Sickness benefit rate is equal to the standard benefit rate. Maternity benefit rate is twice the standard benefit rate. Disablement benefit rate is 40 per cent more than the standard benefit rate. Dependents' benefit rate is the same as the disablement benefit rate.



An insured person and his family are entitled to receive medical benefit of such kind and on such scale as may be provided by the State Government or the Corporation at the dispensary, hospital, clinic or other institutions to which he or his family is allotted.

The Corporation by a resolution adopted in December 1979 has decided to grant rehabilitation allowance to insured persons for each day on which they remain admitted in the Artificial Limb Center for fixation or repair or replacement of the artificial limbs at the rates which generally conform to sickness benefit rate. This is effective from 1.1.1980.

The right to receive any payment or any benefit under the Act is not transferable or assignable. No cash benefit payable under the Act is liable to attachment.

When a person is entitled to any of the benefits provided by the Act he cannot receive any similar benefit admissible under the provisions of any other enactment.

The periodical payment payable under the Act on account of disablement benefit cannot be commuted unless the amount is very small.

No sickness benefit, maternity benefit or the temporary disablement benefit is payable for any day on which the workman works and receives wages or on which he remains on strike. He or she may also not receive more than one benefit for the same period, that is sickness benefit and the maternity benefit or sickness benefit and disablement benefit or maternity benefit and disablement benefit. The idea is that the ESI scheme provides only for making good the loss of income for any reason and not for supplementing the income.

If the employer fails to pay the contribution the employee will become dis-entitled to any benefit. In such circumstances, the Corporation may however pay the benefit to the employee at the admissible rate and recover the same from the employer.

No employer may dismiss or discharge an employee during the period he or she is in receipt of any benefit or reduce his/her wages by reasons of his liability to pay the contributions under the Act.

The Act provides for the establishment of Employees' Insurance courts for settlement of disputes and claims arising under this Act. The EI courts exercise the powers of a civil court. The E.I. Court may refer any also be filed before a High court on the decisions of the E.I. Court if they involve a substantial question of law but not otherwise.

#### **17. Financing of the Scheme :**

The ESI scheme is financed mainly by contributions from employers and employees. The Government of India does not make any contributions. The State Government share the cost of medical benefit to the extent of one eighth of the expenditure.

Several committees have suggested that the Central Government should also make a contribution but the Government of India has not accepted the recommendations.

In the case of the State Governments, while the committees have recommended the enhancement of the rate of their contribution has actually been reduced. Initially the Governments of U.P. and Delhi where the scheme was introduced first agreed to bear one third of the cost of the medical benefit. When the scheme was extended to other States this ratio was revised to one fourth of the total expenditure on medical benefit. In the year 1957 when the Corporation decided to extend medical care to families of insured persons the State Governments expressed their inability to take this additional liability. The Corporation then agreed to reduce the share of State Governments to one eighth of the cost of medical care where it was extended to families. Besides certain items of expenditure were kept out of the cost, sharing arrangement, the entire cost, of such items being borne by the Corporation.

The Estimates Committee expressed unhappiness over the casual manner in which the Corporation had agreed to the reduction in the share of the State Governments towards the cost of medical care and recommended that the matter should be reconsidered. Subsequently, the Perspective Planning Committee 1972, the High Powered Sub-Committee as well as the ESIS Review Committee 1982 recommended raising the rate of contribution by the State Governments. But these recommendations have not been accepted by the State Governments.

The Central Government, which has not agreed to make any contribution itself despite various recommendations has been lukewarm about increasing the State Governments share of expenditure. Besides there is a perception that the benefits of the ESI scheme accrue to those sections of the working class who are comparatively better off. As no comparable scheme has been drawn up for those who are not so well off the Government have been reluctant to make or to increase their contribution to the scheme lest it gives the impression that the Governments are favouring workers in the organized sector in preference to those in the unorganized sector.

At any rate, in a system where the financial resources of the various Governments are pooled and distributed among the various sectors of the economy under a plan, no Government will be able to allocate additional resources to a programme unless it is included in the plan in view of the imperative need to keep the non plan expenditure under check. The alternative is to refer the matter to the Finance Commissions for taking into account in making recommendations regarding transfer of resources from the Center to the States. None of the committees has considered the problem in this light. The problem of financing the ESI Scheme therefore calls for a new approach.

The Corporation has another source of income, that is the interest on its investment. It has a large General Reserve Fund of Rs.3164.33 crores (as on 31.3.2000 apart from several earmarked funds. The income from these funds in the form of interest and dividends amounted to Rs.267.39 crores during the year 1993-94 representing a return of about 6.78 per cent on the investment.

The Annual Report has not explained the investment policy of the Corporation or how the surplus funds have been invested. The Government of India have prescribed the pattern of investment for financial institutions like the L.I.C and the EPFO but it appears that the ESIC has not been following that pattern.

The balance in the ESI General Reserve has attracted the attention of the members of the Corporation. In 1991, when the question of raising the wage ceiling for application of the ESI Act came up for consideration they demanded a reduction in the rates of contribution on the ground that the Corporation had built up large reserved out of the contributions made in the previous years and succeeded in getting the rates reduced.

In addition, the Corporation has raised the ceiling of expenditure on medical care from Rs.345 to Rs.410 per insured person's family unity per annum with effect from 1.4.1994 and Rs.600 w.e.f. 1.4.1999.

The Corporation has stated that with the implementation of the above recommendations the expenditure on medical and cash benefits alone could be more than the income from contributions. As such the Corporation may have to depend on income from interest on investment of the balances in the ESI General Reserve for its administrative expenditure and the expenditure on construction, repairs and maintenance of hospitals, dispensaries etc. Unless steps are taken to increase the income from contributions by raising further the wage limit for coverage under the ESI Scheme, the gap between expenditure on medical and cash benefits on the one hand and the contribution income on the other hand would further widen, it would ultimately cause reduction in the balance in the ESI General Reserve and consequently a reduction in the interest on investment thereof. The Corporation has expressed the view that it is desirable to ensure that the balance in the ESI General Reserve does not fall below a particular level, say Rs.1000 crores, so that a steady income from interest on investment can be ensured.

Elsewhere, the Corporation has described how the reduction in the rates of contribution has affected its financial performance.

"The reduction in the total rates of contribution from 7.25 per cent to 5 per cent in respect of each insured employee and quantitative and qualitative liberalization of benefits are considered to be the contributory factors for the emerging scenario of continued budget

deficit over the past four years, besides the default in payment of ESIC dues by a large number of employers". (ESI Samachar, June 1994).

Section 37 of the ESI Act required the Corporation should, at intervals of five years, have a valuation of its assets and liabilities made by a valuer appointed with the approval of the Central Government. The last valuation was done on 31<sup>st</sup> March 1989 and again as on 31<sup>st</sup> March 1994. It is understood that a valuer was appointed for conducting the valuation as on 31<sup>st</sup> March 1989 but the valuers report has not yet been made available. Appointment of a valuer for the valuation as on 31.3.1994 has been kept pending receipt of the valuation report for the previous period. It is needless to say that such inordinate delay in conducting the valuation defeats the very purpose.

The valuer in his report on the Seventh quinquennial valuations as on 31.3.1984 had made the following significant remarks :

4. The nature of balance between the likely future income from contributions and outgo on benefits etc has an important bearing on the adequacy or otherwise of the reserves. Administration and medical benefit which together account for more than half the total out go, can be projected only in the short run and within a rather broad range. As such contributions benefits equation needs to be reviewed more frequently than at present.
5. Administrative expenditure has grown at a much sharper rate than contribution income. The Corporation should go into this matter in depth to determine the various factors which contributed to this continuing rise, as well as the relative weight of these factors, so as to take appropriate remedial measures.
6. While the Corporations out go on cash benefits is related, by and large, to the wages expenditure on medical benefit, and administration is more directly related to the number of employees. As against this contribution, income is linked to wages only. This arrangement appears to be a major contributory factor for contribution income and outgo getting out of alignment. It would be desirable to examine the possibility of collecting contributions partly as percentage of wages and partly on flat basis per employee".

There is no evidence that any action has been taken on these recommendations.

#### **18. Administration:**

The administration of the Employees State Insurance Scheme vests in the Employees State Insurance Corporation. The Corporation is a body corporate having perpetual successions and a common seal with powers to sue and be sued. The Corporation is a tripartite body consisting of nominees of Central and State Governments and representatives of employers and employees. Medical care being the kingpin of the insurance scheme, representation has also been given to the medical profession in the Corporation.

Previously the total number of members of the Corporation was 40. On the recommendations of the Review Committees the number of representatives of the employers and employees was enhanced. Correspondingly the total number of members of the Corporation was also increased. The question is whether the increase in the number of members has helped the Corporation to work better. By all tokens it has not. The members of the corporation represent various interests which are conflicting in nature. Their main preoccupation is to protect the interests of the constituencies which they represent. In the nature of things they cannot function in the common interest of the Corporation of the beneficiaries. The adversarial nature of the relationship between the representatives of employers and employees prevents them from working with a unity of purpose.

Prior to 1966, the Act provided for the appointment of the Minister of Labour as Chairman and the Minister of Health as Vice-Chairman. In 1969, the Act was amended to the effect that the Chairman and Vice-Chairman would be nominated by the Central Government without specifying who they would be. The practice of appointing the Minister of Labour as Chairman has continued, while the practice of appointing the Minister of Health as Vice-Chairman has been discontinued. Director-General Health Services is however appointed as a member of the Corporation and he represents the Ministry of Health.

Presently the Minister of Labour is the Chairman and Secretary to the Government of India in the Ministry of Labour is the Vice-Chairman. In addition, there are five other persons representing the Government of India including the Additional Secretary and Financial Adviser of the Ministry of Labour.

There is a Standing Committee of the Corporation.

The Standing Committee is the executive organ of the Corporation. Presently Secretary, Ministry of Labour is the Chairman of the Standing Committee.

The Estimates Committee of Parliament had disfavoured the appointment of Ministers as Chairman, Vice-Chairman or members of the Corporation or the Standing Committee. They had pointed out that it would be anomalous if the same minister in his capacity as the head of the Administrative Ministry over rules the decision of the Corporation which is also presided over by him and that the practice does not fit in with the general supervisory powers vested in the Central Government under the ESI Act. The Committee had recommended that Government should adopt the practice of appointing a prominent public man with necessary knowledge and experience of promoting labour welfare to the office of Chairman of the Corporation for a fixed term to be specified in the Act. The Committee had further recommended that the Chairman of the Standing Committee should be nominated from amongst the workers and employers' representatives to hold office for a period of two years by rotation. Neither of these recommendations has been accepted.

The administrative structure of the Corporation has a three tier set up : the headquarters office, the regional office and the primary unit-local office, inspection office and dispensaries and panel doctors. The administration of medical benefit being carried on by the respective State Governments except in Delhi where it has been taken over by the Corporation. The State Insurance hospitals and dispensaries and panel doctors are under the control of the respective State Governments.

Under Section 25 of the Act, the Corporation is empowered to appoint regional boards and local committees in such areas and in such manner as it deems fit and to delegate to them such powers and functions as laid down in the Regulations. The Regulations provide that a Regional Board may be set up for such areas as may be considered appropriate by the Chairman of the Corporation and that a local committee may be set up for such areas as may be considered appropriate by the regional board. The Regulations also lay down the constitution and functions the regional board and local committees. The Chairman and vice-chairman of the regional boards are to be nominated by the Chairman of the Corporation in consultation with the State Governments or the Administrators of the various Territories who are usually Ministers of Labour or Health of the State in which the regional head quarters is located. The other members of the boards consist of representatives of the State Governments, employers, workers and the Corporation.

The ESIS Review Committee had recommended that the Regional Boards should be entrusted with certain specific functions but they should not be burdened with day to day administration of the regional offices. The National Commission of Labour had recommended that the Regional Boards should be given adequate powers to enable them to exercise effective control on the working of the scheme in the respective regions.

All these recommendations envisage that Regional Board could be the means of decentralization of administration of the scheme. But these Board exist only in form. They have not been effective. They do not meet regularly. Out of the 19 Regional Boards that are in existence only one board, that of Haryana met 4 times during the year 1993-94, three Boards met thrice, nine boards met twice, five boards met only once and one board that of A.P. did not meet at all. The Regional Board of A.P. did not meet even once during 1992-93 or in 1991-92.

One of the reasons for the ineffectiveness of the Regional Boards is that the Corporation has been ambiguous about developing parallel centers of power. While the functions of the Boards have been specified, their powers and responsibilities to discharge those functions have been left vague with the result that they have been reduced to be mere advisory bodies with no power or responsibility. Effective decentralization of administration has been half hearted and this cannot be the way to administer a national scheme in a country like India. As the National Commission had recommended, the Boards need to be given adequate

powers to enable them to exercise effective control on the working of the scheme in the respective regions.

The Act provides for appointment by the Central Government of two principal officers, namely, the Director General and Financial Adviser. All other appointments are made by the Corporation. Prior to 1989, the Act provided for appointment of five principal Officers, namely, the Director General, Insurance Commissioner, Medical Commissioner, Chief Accounts and Actuary. The ESIS Review Committee 1966 observed that it was unnecessary to burden the Central government with the responsibility for appointment of all the Principal Officers. They recommended that the appointment of the Director General alone needs to be made by the Central Government, and the other officers could be appointed by the Corporation itself through normal channels. The Committee further recommended that the Corporation should be free to modify its top organizational structure to suit its current requirements. Similar recommendation was made by a high powered Sub-Committee set up by the corporation to suggest amendments to the Act. The Act was amended accordingly except that the power of appointment of the Financial Commissioner has also been retained with the Central government.

The Director General is the Chief Executive Officer of the Corporation. He functions as Head of Department in a Ministry, all other offices being subordinate to him.

It appears that the concept of Principal Officer was introduced in the Act with the power of their appointment being vested in the Central Government so as to enable them to work as functional heads corresponding to executive or functional directors in a company. By the amendment of the Act the character of the organization has been altered making it totally unitary instead of being a corporate body.

Considering that the Director General is usually a generalist, he cannot be expected to possess the necessary expertise in the various functional areas to be able to take full responsibility for the decisions in the medical, insurance, actuarial and financial functions. There was therefore some merit in the system of appointment of Principal Officers who could be functionally independent of the Director General.

Prof. Promod Verma of the Indian Institute of Management, Ahmedabad, in his study of the "Social Security System in India – its adequacy, effectiveness and integration" had envisaged an organizational structure for the administration of the system which would have a :

1. Chairman and Board of Governors
2. Managing Director and Functional/Divisional Directors
3. Divisions for specific contingencies and
4. Regional and local branches of the divisions.

It was postulated that policy directions would be the responsibility level one; level two would deal with strategic management issues including co-ordination, budgeting and control functions and that implementation would be the concern of level three, while the actual delivery of services would be the functions of level four. Prof. Verma had also envisaged formation of tripartite committees at various levels but they were meant for consultation and not for administration as such. It is desirable to restructure the administrations of the scheme on these lines.

Management of a health insurance scheme requires strong professional cadres. It involves a variety of functions such as the financial, personnel management, logistics, health care facilities, planning, information systems, as well as computerized data processing and public relations, all of which require high professional and technical expertise and cannot be directed solely by appointed or elected laymen. The ESIS Review Committee 1966 had recognized the need for professionalization of the top management cadres in the Corporation. Neither the Government nor the Corporation has done much to develop such professional expertise. Appointment to the post of Director-General continues to be made as though the ESIC is another Department of Government the post having been encadred in the IAS. There is an obvious need for changing the method of appointment to the top posts in the Corporation.

**Autonomy of the Corporation:**

The Act provides that the Corporation may employ officers and staff as necessary for the efficient transaction of the business provided that the sanction of the Central Government shall be obtained for the creation of any post, the maximum salary of which exceeds such amount as might be prescribed by the Central Government. Prior to 1984, the Corporation had to seek the approval of the Central Government for creation of any post the maximum salary of which exceeded Rs.1200. This was changed to Rs.2250 in 1984. The amendment carried out in 1989 has given to the Central Government the power to prescribe the maximum salary in excess of which creation of posts would require the approval of the Government.

Accordingly the Central Government as prescribed that the Corporation may create posts carrying the maximum scale of Rs.4500-5700

The Act also provides that the method of recruitment, salary and allowances, discipline and other conditions of service of the members of the staff of the Corporation shall be such as may be specified in the Regulations made by the Corporation in accordance with the rules and orders applicable to the offices and employees of the Central Government drawing corresponding scales of pay. Where the corporation wishes to make a departure from the said rules or orders it should obtain the prior approval of the Central Government.



All appointments to posts, other than medical posts, corresponding to Group A and Group B posts under the Central Government are to be made in consultation with the UPSC.

These provisions have been the subject of criticism by the Review Committee as limiting the autonomy of the Corporation. Although in deference to the recommendations of these committees the Government has delegated more powers to the Corporation, the control of the government over the affairs of the Corporation continues to be close. But the control has not been result oriented. While the Government has retained the control over the creation of posts above a particular level it has not been able to stop the creation of such posts or to limit the expenditure on administration. It is noteworthy that while the number of employees covered under the scheme has been declining or at best static, the strength of staff of the Corporation has been rising as shown below :

As On	No. of Employees covered (in lakhs)	No. of employees employed by the Corporation
31.3.1995	67.96	12,195
31.3.1996	66.13	12,389
31.3.1997	77.62	12,630
31.3.1998	83.62	12,696
31.3.1999	80.85	12,681
31.3.2000	78.62	12,953

The annual report for the 1989-90 stated that there was a surplus of 758 posts in various categories of staff in the regions which would be phased out against future vacancies arising about of new creations, retirement, death etc. The annual reports for the subsequent years show that the surplus continues to exist as shown below :

1990-91	1107
1991-92	1141
1992-93	824
1993-94	580

It is also noteworthy that the cost of administration has also been going up as shown below:

Year	Administrative Expenditure (Rs. in lakhs)	Percentage of administrative expenditure in relation to cash and medical benefits	Percentage of administrative expenditure in relation to contributions
1994-95	7391.71	16.46	14.18
1995-96	8264.17	17.32	15.70
1996-97	9163.05	19.83	15.16
1997-98	21217.76	29.46	17.87
1998-99	15087.99	21.94	12.44
1999-2000	17537.67	21.57	13.94

The fall in the per cent of administrative expenditure in relation to contributions during 1992-93 was due to the steep rise in the income from contributions presumably due to enhancement of the wage ceiling in the previous year. The fall in the per cent of administrative expenditure in relation to benefits during 1993-94 was due to steep rise in the expenditure on medical benefit from Rs.185 crore in 1992-93 to Rs.339 crores in 1993-94. (The reasons for this increase in the expenditure have not been given). There has been no let up in the growth of administrative expenditure in absolute terms as shown below :

Year	Cost of Administration (Rs.in crores)
1986-87	34
87-88	40
88-89	43
89-90	50
90-91	52
91-92	55
92-93	62
93-94	68

It may be seen that the control exercised by the Government has not been effective in restricting the number of posts created or the administrative expenditure. The Government will therefore do well to determine the objective of the control it seeks to exercise over the Corporation and to devise appropriate means to achieve it.

At the same time it should also be pointed out that the Act does not lay down the liability of the Corporation collectively or the members thereof individually for any omission or commission or failure to fulfil the objective of the Corporation. While the corporation has been seeking more and more powers and the various committees have recommended greater autonomy to the Corporation, no one has stated that would be the penalty for the

mistakes committed in exercising the powers. The Corporation should carry greater responsibility and accountability corresponding to the increase in its powers.

### **Role of the State Governments**

The Act envisages several functions to be performed by the State Governments in the administration of the ESI Scheme. Firstly, the Act provides that the appropriate Government may in consultation with the Corporation and where the appropriate Government is the State Government, with the approval of the Central Government, extend the provisions of the Act to any establishment or class of establishments, other than factories. The term appropriate Government has been defined to mean in respect of the establishments under the control of the Central Government, a Railway Administration, a major port or oil field, the Central Government; in all other cases, the State Government. Thus, the State Governments have the power to extend the provisions of the Act to non-factory establishments. The power to grant exemption from the provisions of the Act also rests in the appropriate Government. The State Governments are required to constitute Employees Insurance courts for adjudication of disputes and claims. The State Governments are also responsible to provide medical benefit to the insured persons and their families except where the Corporation itself has under taken the responsibility. The cost of providing medical benefits is shared between the Corporation and the State Governments.

These arrangements have been subject to criticism. While the State Governments are demanding greater decentralization of the administration of the Scheme delegating greater functions and powers to regional bodies, the review committees have suggested greater centralization of the functions especially with regard to the administration of the medical benefit. The Perspective Planning Committee 1993 has come out with the suggestion that the Corporation should take over the entire medical care system in stages over a period of time. It is however doubtful if the State Governments would accept this recommendations. This recommendation goes contrary to the current trend towards decentralization of administration, giving greater content to federalism. It is necessary to ascertain the views of the State Governments in this regard before implementing the recommendation of the Committee.

Main health insurance scheme namely the ESIS has not been satisfactory. It is unnecessarily rigid and rule bound in its application. It needs to be administratively restructured and calls for professionalisation of management. The Scheme has been reviewed several times, its defects have been identified and recommendations made for reform but the political will to carry out the reforms has not been forthcoming. Thus, one of the main ingredients for successful implementation of a social programme has been wanting and that is to learn from experience and to change and that has to be inculcated.

## **ANNEXURE - XIII**

### **PROVIDENT FUND SCHEMES:**

#### INTRODUCTION

Provident Fund Schemes are designed to provide a measure of economic security to a person or his family in the event of old age or death.

A Provident Fund is a means of compulsory saving. Workers and their employers or workers alone pay regular contributions into a fund and the contributions are credited to a separate account in respect of each subscriber to which interest is added periodically. Then as specified events or contingencies occur such as old age or death, the total amount standing to the credit of the account is paid out to the worker or to the survivors. Some funds permit partial withdrawal in the event of sickness or unemployment or for other specified purposes such as home purchase.

Provident Funds have been introduced in twenty Third World Countries of which 11 countries are in Asia and Oceania. They are Fiji, India, Indonesia, Kiribati, Malaysia, Nepal, Papua New Guinea, Singapore, Solomon Islands, Sri Lanka and Western Samoa.

There are several P.F. Schemes in India. Many of them have been established under the Provident Fund Act, 1925. There is no consolidated report in respect of these schemes. Besides, the following enactments provide for the establishment of Provident Funds :

1. The Coal Mines Provident Funds Act, 1948
2. The Employees Provident Funds and Miscellaneous Provisions Act, 1952
3. Sea Men's Provident Fund Act, 1966
4. The Assam Tea Plantations Provident Fund and Pension Fund and Insurance Fund Scheme Act, 1955
5. The Jammu and Kashmir Employees Provident Fund Act, 1961.

The first three Acts are Central Acts while the last two are State Acts.

In addition, the legislations in respect of certain institutions such as the universities, All India Institute of Medical Sciences, etc., also provide for the establishment of Provident Funds in respect of their employees. The Government employees are governed by separate rules framed under Article 309 of the Constitution. There is also a Public Provident Fund and other Provident Funds recognised under the Income Tax Act in respect of persons who are not covered by statutory schemes.

In this paper the salient features of the Employees Provident Funds and Miscellaneous Provisions Act which is the largest Provident Fund from the point of view of coverage are mentioned:

*The Employees Provident Funds and Miscellaneous Provisions Act, 1952*

*Object:*

The Employees Provident Funds and Miscellaneous Provisions Act, 1952 was enacted with the main object of making some provision for the future of the industrial worker after he retires or for his dependants in case of his early death. It was then felt, after considering the possible alternatives, that the most appropriate course for this purpose was the institution of Compulsory Contributory Provident Funds to which both the worker and the employer would contribute. It was recognised that such a scheme would have, apart from others, the obvious advantage of cultivation among the workers the spirit of saving something regularly and would also encourage the stabilisation of a steady labour force in industrial establishments.

Application of the Act:

The Act is applicable broadly to two categories of establishments:

- i. Factories engaged in industries specified in the Schedule I of the Act.
- ii. Other establishments or classes of establishments to which the Act has been made applicable by notification in the Official Gazette by the Central Government.

The following categories of establishments are specifically kept outside the purview of the Act:

- a. Factories and other establishments employing less than twenty persons;
- b. Cooperative societies employing less than fifty persons;
- c. Establishments belonging to or under the control of the Central or a State Government whose employees are entitled to the benefit of contributory provident fund or old age pension in accordance with any scheme or rule framed by the appropriate Government.
- d. Other establishments set up under any Central or State Act whose employees are entitled to the benefits of contributory Provident Fund or old age pension in accordance with any scheme or rule framed under the relevant statute.

The Act also provides for grant of exemption from the operation of all or any of its provisions to any establishment if the appropriate Government is of the opinion that the employees of the establishment are entitled to provident fund, pension or other benefits under any scheme of its own which are not less favourable than those admissible under the Act.

Every employee employed in or in connection with the work of a factory or other establishment to which the scheme applies is entitled and required to become a member of the Fund from the date of joining the factory/establishment. But employees whose wages

exceed Rs.5000/- per month are excluded from the purview of the Act. But they may join or continue to the Fund on voluntary basis.

According to the Annual Report of the EPF organisation for the year 1996-97 the Act was applicable to 177 industries and classes of establishments, 277555 establishments and 202.89 lakh subscribers as on 31.3.1997. Of these 2970 establishments with 45.36 lakh employees had been granted exemption under various provisions of the Act.

Schemes framed under the Act:

There are three schemes framed under the Act, viz.,

- i. Employees Provident Funds Scheme
- ii. Employees Pension Scheme; and
- iii. Employees Deposit Linked Insurance Scheme.

The Act initially provided for framing a scheme to be called the Employees Provident Funds Scheme for the establishment of provident Funds for employees covered under it. The Employees Provident Funds Scheme was accordingly framed and it came into effect from 1.11.1952.

On a review of the working of the Employees Provident Fund Scheme over the years it was found that although Provident Fund was an effective old age and survivor benefit, in the event of premature death of an employee, the accumulation in the provident fund might not be sufficient to render adequate and long term protection to the family. This led to the introduction of the Employees Family Pension Scheme with effect from 1.3.1971 for the employees covered under the Act and for creation of a Family Pension Fund by diverting a portion of the contribution to provident fund with an additional contribution by the Central Government.

In the year 1976, the Act was further amended with a view to introduce another scheme to provide for an insurance cover to the members of the Provident Fund without payment of any premium for the purpose. The insurance cover was linked to deposit in the provident fund to the credit of the employee. This scheme known as the Employees Linked Insurance Scheme came into effect from 1.8.1976.

The Employees Family Pension Scheme has been replaced by the Employees Pension Scheme with effect from 16.11.1995.

Contributions:

Initially the Act provided for a minimum contribution to the provident fund of 6.25 per cent of the wages payable to each employee by the employer in each establishment and the

employee was to make an equal contribution. The Act also provided that in its application to any establishment or class of establishments the Central Government may by notification fix a higher rate of contribution of 8 per cent of the wages. The Employees could contribute at higher rates but not exceeding 8.33 per cent

The above mentioned rates have since been revised. The minimum rate of contribution is now 10 per cent and the rate of contribution payable by specified establishments or classes of establishment is 12 per cent. The employees may, however, make contribution to the provident fund at any higher rate without any ceiling subject to the condition that the employers will not have the obligation to make a matching contribution in excess of the statutory rates.

A part of contributions to the Employees Provident Fund that is 8.33 per cent of the wages is diverted to the Employees Pension Fund. The Central Government makes an additional contribution of 1-1/6 per cent of the wages to the Pension Fund.

The employers contribute 0.5 per cent of the wages to the Employees Deposit Linked Insurance Scheme. There is no contribution from the employees or the Government to this Scheme.

Contributions received for this scheme during the years 1995-96 and 1996-97 were as follows :

	1995-96 Rs. in Crores	1996-97 Rs. in Crores
EPF Scheme	5766	5971
Family Pension Scheme / Employees Pension scheme	1273	2792
Employees Deposit Linked Insurance Scheme	120	92

The following amount of contributions were in arrears :

EPF Scheme	421	467
Family Pension Scheme		53
EDLI Scheme		11
Administration and Inspection charges		1

**Investments:**

The contributions to the Provident Fund after deduction of the payments on account of the EPF Scheme are invested according to a pattern prescribed by the Government of India. The pattern prescribed by the Government which was in force as on 31.3.1997 was as follows :

Central Government Securities	:	25per cent
Securities issued by the State Governments and other negotiated securities guaranteed by Central or State Governments	:	15per cent
Special deposits introduced by the Government of India which carries interest at the rate of 12per cent per annum	:	20per cent
Bonds/Securities of Public Financial Institutions	:	40per cent *

\* It has recently been decided to invest part of this in private financial institutions.

The total amount of investments on account of the EPF Scheme including that of exempted establishments on 31.3.1997 was Rs.56018 Crores.

The balances in the Pension Fund are required to be invested as follows :

- i. The corpus of the Employees Family Pension Scheme as on 15.11.1995 and the Central Government's contribution to the Employees Pension Scheme from 16.11.1995 are to be invested in the Public Account of the Government of India.
- ii. Other accretions to the Pension Fund are to be invested as per the pattern prescribed for the Employees Provident Fund Scheme

As on 31.3.1997 the amount invested in the Public Account on account of the Employees Pension Scheme was Rs.11640 Crores and the amount invested as per prescribed pattern was Rs.2221 Crores.

The balance in the Employees Deposit Linked Insurance Fund is also required to be kept in deposit with the Government of India. Rate of interest on the deposit is 8.5 per cent. The amount in deposit with the Government on this account as on 31.3.1997 was Rs.1730.77 Crores.

**Benefits : EPF Scheme**

The contributions made by the employers and the employees on account of the EPF Scheme are credited to the individual ledger accounts of the respective employees. The interest earned on the investments of the Employees Provident Fund is also credited to the accounts of the individual members *pro-rata*, that is, in proportion to the balance in the respective accounts. As the actual rate of interest earned may vary from year to year, the



members are assured of a minimum rate of interest. The minimum rate of interest declared for the year 1996-97 was 12 per cent. The same rate has been declared for the year 1997-98. A statement of account showing the contributions received, interest credited and the balance at the end of the year in each account is given to the respective members.

The balances in the individual accounts may be withdrawn by the members finally:

- i. On retirement from service after attaining the age of 55 years.
- ii. On retirement on account of permanent and total incapacity for work.
- iii. Pending migration out of India.
- iv. On termination of service due to retrenchment or on voluntary retirement.
- v. If they are transferred to an establishment which is not covered by the Act.

The balances in the individual account may also be withdrawn partially under the following circumstances; namely :

- i. Purchase or construction of a dwelling house including the acquisition of a suitable site for the purpose.
- ii. Serious illness involving heavy expenditure.
- iii. Marriage of children.
- iv. Higher education of children.
- v. Certain other contingencies specified in the scheme.

During the years 1996-97 final payment were made to the extent of Rs.1684 Crores against 11.13 lakh claims and partial payments were made to the extent of Rs.570 Crores against 3.83 lakh claims.

Employees Pension Scheme, 1995:

Scheme and Coverage:

The Employees Pension Scheme, 1995 was introduced with effect from 16.11.1995. After the introduction of this scheme the erstwhile Employees Family Pension Scheme, 1971 has ceased to operate. However, the pensioners who were drawing benefits under that scheme continue to draw them under the new scheme.

All Provident Fund members including those employed in exempted establishments who were contributing to the Family Pension Scheme, 1971 and new entrants to the Employees Provident Fund Scheme become members of the Employees Pension Scheme compulsorily. Those EPF members who had not joined the Family Pension Scheme and those who had left employment between 1.4.93 and 15.11.1995 have the option to join the new Pension Scheme.

There were 203.74 lakh members of the Employees Pension Scheme as on 31.3.1997.

**Eligibility:**

A person who has a minimum 10 years pensionable service including past service under the ceased Family Pension Scheme is entitled to superannuation pension under the Scheme. Normal superannuation pension is payable on attaining the age of 58 years. Early pension is also admissible on optional basis after one attains the age of 50 years and is out of employment but the amount of pension in such cases will be discounted by 3per cent for each year by which the age falls short of 58 years.

Where pensionable service is less than 10 years, the member has an option to remain covered by obtaining Scheme Certificate for pensionary benefits till 58 years of age or obtain the withdrawal benefits as prescribed. On retaining membership in such cases the death risk and consequential pension entitlement to family members will remain covered.

**Benefits**

The Employees Pension Scheme 1995 provides for a comprehensive pension package to the member and his family as follows :

- a. Monthly Pension to member:
  - i. On superannuation/retirement, and
  - ii. On permanent total disablement.
- b. Family pension to the spouse along with two children below 25 years of age at a time upon:
  - i. Death of the member in service or away from employment
  - ii. Death of the member as a pensioner after superannuation or retirement or permanent/total disablement.
- c. Facility also exists for payment of pension to a nominee for unmarried members and those having no family.

The amount of monthly pension will vary from member to member depending upon his pensionable salary and service. The formula for calculation of monthly member's pension is as under :

$$\text{Member's Pension} = \text{Pensionable Salary} \times \text{Pensionable Service}$$

70

A separate formula has been prescribed for the members of the ceased Family Pension Scheme in respect of their membership period under the said scheme. In the case of members who have contributed to the Family Pension Scheme for 24 years, the minimum amount of pension will be Rs.500 per month. For lesser period of membership the pension payable will be proportionately less but not less than Rs.265 per month. Depending on the date of retirement the amount of minimum pension for such members may be go even beyond Rs.800 p.m. The Family Pension members retiring with membership of only 10 years will also be eligible for a minimum pension of Rs.265 p.m.

In addition, such Family Pension members will get back their full provident fund including the employer's share along with interest accumulated in their account up to 15.11.1995. The members with less than 10 years membership retiring immediately will get their accumulations refunded on withdrawal benefit.

Disablement Pension:

If the member is permanently and totally disabled after having contributed to the pension fund at least for one month, he will be entitled to pension as per the prescribed formula subject to a minimum of Rs.250.

Family Pension:

In the event of death of a member while in service or away from employment before attaining the age of 58 years, the widow pension will be payable as under :

- i. Member's pension as would have been payable had he retired on the date of death.
- ii. Widow pension payable as per Table C appended to the Scheme whichever is higher subject to a minimum of Rs.450 in case of death in service and Rs.250 in case of death away from employment

In addition to the widow pension the children of the member are also entitled to pension. The rate of children pension is 25per cent of the widow pension for each child subject to a minimum of Rs.115 p.m. per child payable up to two children at a time up to their age of 25 years.

In the event of death of the widow/ widower or ceasing their pension payment as a result of remarriage, the scheme provides for payment of orphan pension at a higher rate of 75 per cent of the widow pension payable to two orphans subject to a minimum of Rs.170 p.m. per orphan.

The Scheme has provision for return of capital on optional basis upon death of the member and ceasing payment of member's pension or after a fixed period of 20 years. In such a case the member has to accept reduced pension per month by 10 per cent or 12-1/2 per cent respectively. The quantum of capital return is 100 times the monthly pension. For example, if the monthly pension is Rs.2000 and the employee opts for reduced pension he/ family will have refund of the capital amounting to Rs.2,00,000/- at the end of the guaranteed period or on death. In addition, the widow and two children will continue to get 50 per cent of the member's pension for life or upto the age of 25 as the case may be. In the case of the employee who opts for commutation the balance monthly pension payable after commutation will be deemed as original monthly pension for the purpose of return of capital.

An appropriate Government may grant exemption to any establishment or class of establishments from the operation of this Scheme if the employees of the establishment are in receipt of pensionary benefits under the establishment scheme either at par or more favourable than the benefits available in the statutory scheme.

**EDLI Scheme:**

The scheme provides that on the death of an employee who is a member of the Provident Fund his nominee/heir would be entitled to payment by way of an additional assurance benefit an amount equal to the average balance in his Provident Fund during the period of twelve months preceding his death. Where the average balance exceeds Rs.15000 the amount payable would be Rs.15000 + 25 per cent of the amount in excess of Rs.15000 subject to a ceiling of Rs.35,000. This benefit is payable provided there is a minimum balance of Rs.500 in the P.F. Account.

**Administration:**

Administration of the various schemes under the Act rests in the Central Board of Trustees, a body corporate. It is a tripartite body consisting of a Chairman, a Vice-Chairman, 5 representatives of the Central Government, 15 representatives of State Government, 10 representatives of organisations of employees and 10 representatives of organisations of employers. The Central Provident Fund Commissioner is the Chief Executive of the organisation.

16 per cent of the cost of administration of the Employees' Pension Scheme is met from the pension fund. The balance is met from the Administration Account of the EPF Scheme.

The cost of administration of the E.P.F Scheme and the EDLI scheme is met from contributions from employers as follows :

E.P.F.	1.10 per cent of wages
EDLI Scheme	0.10 per cent of wages

In the case of exempted establishments the employers are required to pay inspection charges at the following rates:

E.P.F. Scheme	0.18 per cent of wages
EDLI Scheme	0.005 per cent of wages

## Annexure XIV

### MICRO INSURANCE IN INDIA

The concept of social security is lately acquiring a broader meaning than was contemplated by the ILO and now includes preventive steps and other economic security measures through self help and self employment of poor, resulting in enhancement of income and creation of productive assets. In this context, the credit provided by NGOs and routed through Self help Groups of poor women also contributes towards social security of the poor by making financial assistance available to them in a simple flexible and fair manner.

Most of the measures are initially funded by donor inland or foreign. However, the NGOs have made efforts to make them self sustaining through recovery of cost or creating necessary funds for carrying on the schemes in future and providing income generation activities for beneficiaries to increase their paying capacity. Beneficiaries are also willing to contribute towards the cost of these welfare measures. Some examples are given below:

#### **(a) Death Insurance by NGO**

The scheme is operated by an NGO out of contributions made by the members which are kept as deposits and claims are paid out of the income from interest on the deposits. When a beneficiary dies, the claim is paid but after adjusting loan outstanding, if any. In the event of the beneficiaries not preferring any claim, the amount is reimbursed with bonus. The following are the salient features of the scheme:

- A minimum one time deposit of Rs.500 per head
- Minimum number of participants 1000
- Age group of members is kept as low as possible prohibiting membership to those who have crossed 60 years of age.
- All members have to participate whether they take any loans or not.
- All members deposit their contributions in lumpsum so as to get the maximum benefit for the corpus (core fund). The core fund should generate sufficient income to cover the claims for deaths which should not normally exceed 5 per 1000. The income should be generated from the investments at the lending rates which are presently 18 to 24 per cent per annum. No deposits are made in fixed deposits with banks since these carry low rates of interest
- In the event of death of member of the scheme relief is provided to a maximum of Rs.20,000 as per details given below:

#### **Deposits kept in between**

18-34 years of age  
35-40 years of age  
51-55 years of age  
59 -60 years of age

#### **Assured relief**

20 times deposit  
15 times deposit  
10 times deposit  
5 times of deposit

Experience of the concerned NGO in implementing the scheme has been found to be satisfactory and the scheme is viable financially

**(b) Cattle Insurance**

This scheme being operated in South by an NGO for insurance for cattle purchased out of a loan from SHG involves payment of premium at 4 to 5% of the cost of the animal in the first year but reduced to 1% in the 3<sup>rd</sup> year. Insurance cover is limited up to the amount of loan or actual cost of the animal whichever is less. It could be a viable proposition, provided about one thousand cattle on an average are registered for insurance and sufficient preventive measures are taken in the area to safeguard the health of the animals. Compensation claims on death of the animal are worked out in the following manner :

- Year : 75% of the cost of animal and deduction of incidental income through the disposal of skin etc.
- II Year : 75% of the cost of the animal and no further deduction.
- III Year : 100% of the cost of the animal without any deduction.
- Likely Future : 110% of the cost of animal (10% is the rearing charges)

During 1993-94 the average earning of scheme was stated to be Rs.60000 and the claims made amounted to about Rs.50000. NGO also had a separate section for cattle care and promotion. Schemes could be drawn for compensating loss of other assets on somewhat similar lines.

**GIC/LIC Linked Insurance Schemes :**

Many NGOs have adopted schemes in collaboration of GIC or LIC. Here the premium is paid per head, which ranges between Rs.20 to 50 per year depending on the coverage of contingencies like medical claims, accidental deaths, disability benefits, loss of assets etc. The schemes are replicable because in such cases the premium payable is reasonable and can be paid in the first instance the NGO from some welfare or common fund or interest earned on the thrift deposits of the members concerned. If paid by the NGOs, the premium could be recovered from the members in easy installments of Rs.2 to 5 per month depending on the amount of yearly premium. One such scheme is operated by an NGO in Gujarat by paying a premium of Rs.45 per annum per member (recovered from members in instalments). The member insured is entitled to the following benefits :

<b>S.No.</b>	<b>Benefits</b>	<b>Amount</b>
1.	Life Insurance	Rs.3,000
2.	Accidental Life Insurance	Rs.10,000
3.	Widowhood insurance	Rs.3,000
4.	Accidental widowhood	Rs.10,000

5.	Hospitalization reimbursement	Rs.1,000
6.	Reimbursement for natural or man made Disasters (riots, floods, fire etc.)	Rs.5,000
7.	Reimbursement for natural or man-made Disasters for damage of working tools	Rs.5,000

The scheme is reported to be recently revised to include the sickness, maternity benefits and loss of income during certain periods.

### **Death Relief and Rehabilitation Fund Scheme of the Rashtriya Mahila Kosh**

#### **1. Objectives**

The main objective of the scheme is to make provision for write off of loan outstanding against a woman borrower in the event of :

- (a) her death (both natural or accidental); and
- (b) irretrievable loss or damage (caused by fire, riots and other natural disasters/conditions) to the working tools/equipment's/productive assets purchased out of RMK loan and used for self-employment. (Damages arising out of theft of the assets will be excluded).

#### **2. Eligibility**

Women borrowers under RMK Scheme in the age group of 21-60 years.

#### **3. Scheme Voluntary**

The scheme will be optional for adoption by NGOs. The NGOs who wish to join the scheme may apply to RMK giving a letter of undertaking.

#### **4. Contributions**

- (a) The Fund is contributory and the contributions per woman borrower would be Re.1 per month for women borrowers having loans outstanding up to Rs.2500, Rs.2 pr month for outstanding up to Rs.5000 and Rs.3 per month for out-standings uptoRs.7500. Members joining the scheme will make an application to the NGO in the proforma given. (b)The contributions will be payable by a woman borrower only during the pendency of the loan(s) and these will be payable on a quarterly/monthly basis through the NGOs as indicated above. Matching contributions will also be made by the RMK. The NGO will submit to RMK a quarterly statement of contributions received and remitted to RMK in the proforma given. (c)The fund will be kept under a separate account in RMK and interest earned on investments of the fund will be credited to the fund.

#### **5. Settlement of Claims**

- (a) Simple procedures will be adopted by which the claims would be certified by the NGO and forwarded to RMK. On receipt of the claim and its scrutiny and verification, the amount

of loan outstanding against the woman borrower, whose claim has been received, will be suitably credited to the ST/MT loan account of the NGO who, in turn, will pass on the credit to the loan account of the woman borrower. Detailed rules for the types of claims and procedure for their settlement have been framed in consultation with the NGOs are given.

(b) The maximum amount of claim to be paid out of the Fund will not exceed the loan and interest thereon outstanding against the woman borrower under ST or MT or both. The maximum amount of claim will not exceed Rs.2,500 under ST and Rs.5,000 under MT.

(c) Application form for reimbursement of claims is given.

#### **6. Coordination committee**

(a) A small coordination committee of NGOs and RMK has been constituted. This Committee will decide all issues concerning the operation of the fund, settlement of claims, rate of contribution, type of contingencies to be covered in subsequent years, utilization of surplus available in the fund, etc.

(b) For administrative expediency, it has now been decided that claims up to Rs.15,000 will be settled by the Executive Director, Rashtriya Mahila Kosh. Claims exceeding Rs.15,000 will continue to be settled by the Coordination Committee.

#### **7. Advantages**

(a) The successors of a woman borrower will not face any responsibility for repayment of loan in case of her death or loss of her tools due to natural reasons and riots etc. :

(b) Liability of the NGO towards RMK to the extent of outstanding dues will also be transferred to the fund;

(c) Settlement of claims will be very easy compared to long process involved in GIC/LIC of which NGOs have no good experience; and

(d) In the event of total claims arising in a particular year being less than the total contributions, the resultant surplus will be available for providing more benefits to the women borrowers.

#### **Welfare Fund SHGs :**

Such funds have been constituted by some SHGs in certain states by making monthly or yearly contribution of Rs.2-5 per head which is used to give relief in emergencies like serious illness, accidental deaths, loss of assets etc. In one such scheme of a SHG in Kerala, 200 members were covered and each member paid contribution of Rs.2 per month. The amount collected was used for lending at 24% per annum and interest earned was credited to the Welfare Fund. The relief provided was Rs.1000 in the event of loss of assets and Rs.500 in serious sickness/accident etc. At times the NGO also contributed some matching amounts to the welfare fund of the SHGs, if some deficits were observed by making a review of the scheme.



**Health Care Schemes :**

Some NGOs in the country operate Health Care Schemes. In one such case in South, the NGO recovered Rs.50 per family per year and provided free medical facilities to them. To be viable, the minimum number of members should be such that their contribution cover the cost of a part time doctor or *dai*. The monthly charges for these two persons could easily be Rs.750, which means that at least 100 members of an SHG/NGO should contribute Rs.7.50 per month. If, however, the number of members increased, contribution per head could be reduced. Under the schemes, the doctor/*dai* will provide advisory/consultation services at no cost and medicines could be sold by the NGO on a no-profit basis, the aim being to ensure supply of quality medicines to the poor women at reasonable cost.

The above examples are given just to indicate the broad norms, which should guide the NGO while introducing such schemes. Each NGO, however, has to work out its own calculations taking into account, the types of risks and their incidence, number of members participating and funds available for the purpose.

**Some suggestions :**

- (i) The social security scheme should be designed by involving people for whom these are meant, and these should be need based.
- (ii) The NGO should take technical advice of insurance people/professionals while laying down the norms of benefits, contributions etc.
- (iii) The measures of the schemes should be simple in design and access of the people should be quite easy.
- (iii) There should be no leakage or misutilization of funds.
- (iv) The cost and other over heads should be kept to the minimum by making use of the available local resources and taking full support of professionals dedicated to the cause of the poor.
- (v) The working of the scheme need to be reviewed every year to see its financial workings so that suitable modifications could be made in the rate of contribution/benefits so as to make the scheme viable.

**Caution and safeguards:**

In the social security/development activity, NGO should exercise great caution. Experience has shown that some NGOs find themselves in the midst of violent agitation from the local people for a social cause and it may have many fall-outs in other developmental activities. NGOs should, therefore, consciously lead a path of education, awareness building, advocacy, publicity, creating favourable environment etc. to implement the social development/security programme.

### Micro Insurance Institutions

Brief particulars of some organizations providing such micro insurance facilities are given below:

The ***Self - Employed Women's Association (SEWA)*** is a registered trade union working mainly with women in the unorganized sector and, since 1972, has focused on employment – and income-related issues. Realizing that crises concerning health, death, natural calamities and the like lead poor families into downward poverty spirals, SEWA established a women's bank which became the central point for many of its programmes. An integrated social security package has been offered to its members on payment of Rs.60 per year. Protection is available to 12,000 women who have joined this scheme, covering illness, widowhood, maternity, accident, fire, communal riots, floods and so on. The scheme is run by the SEWA bank in collaboration with insurance agencies. The risks covered include sickness (up to Rs.1,000), natural or accidental death or disablement of the woman member or husband (for varying amounts up to Rs.10,000), a maternity benefit (of Rs.300), and loss of working tools, house and property (up to Rs.5,000). In 1996, 1,529 claimants could receive claims amounting to a total of Rs.1.58 million as life insurance, work security and maternity benefits. The social security package and the medical insurance were found by SEWA to have received a very positive response. The organization felt that its members were willing to pay for need-based social security services, and that the quality of service was more important than its being given free of charge. In the case of health insurance, dissatisfaction was experienced on account of non-coverage of family members, and the exclusion of a number of illnesses and of domiciliary treatments. While the insurance amount of Rs.1,000 was found to be adequate in about 50 per cent of cases, there were difficulties with completing claims procedures, even though SEWA shares the responsibility of documentation (Chatterjee and Vyas, 1997).

The ***Action for Community Organization, Rehabilitation and Development (ACCORD)*** has been working for over a decade among the tribals of Gudalur in Tamil Nadu State. The tribals were facing acute problems on account of alienation of land and exploitative working conditions. Hence ACCORD built its comprehensive tribal development program based on a campaign for land rights. The strategy involved organizing the tribals into small groups at hamlet level (*sangams*) with Adivasi Munnetra Sangam (AMS), a federative body at the top. While lobbying for a rethink on tribal development at the ground level, development activities relating to employment generation, education, plantation, health, credit etc. were implemented through the *Sangams*. The main emphasis was on participation and collective action. The major programmes of AMS included a credit fund to meet emergency consumption needs and indebtedness, set up on a 1 rupee per week contribution by members, with a matching share from ACCORD; a variation of this was the revival of a traditional savings scheme by some women's *sangams*; where a handful of rice was contributed daily to the pool by each family. Other programmes related to veterinary

assistance and training as barefoot veterinarians, vocational skills and a health program. In view of lack of medical facilities in the area, the extension of these through the self-help groups has been a significant achievement for ACCORD.

The health program was conceived and carried out by community health specialists who trained health workers, particularly women, to identify health related problems, to monitor antenatal and immunization programmes, and to disseminate eventually staffed by the tribals (from ACCORD's own funds and donations). Linking up with an insurance company, a composite social insurance package was drawn up on a premium of Rs.60 per month. For a family of five, it covers the risk of damage to their hut and belongings (up to Rs.1,500), death and permanent disability of the head of family (Rs.3,000), and all illnesses requiring hospitalization (Rs.1,500). The scheme has received an encouraging response from the tribals, but its sustainability seems to be confronted with a number of issues. Although payments are promptly made where the group is active, regular contributions and renewals of the insurance have been posing a problem. To ensure the collection of premiums, one approach could be to link the insurance programmes to the credit fund, a linkage that has been successfully used by some other agencies (Eswara Prasad, 1998).

**The Co-operative Development Foundation (CDF)**, generally known as Samakhya, is an institute which aims at strengthening co-operatives and is mainly working with thrift and credit groups. The CDF groups are mostly in Andhra Pradesh, particularly in Warangal and Karimnagar Districts. However, it has also formed a federation of 14 thrift and co-operative regional associations in Tamil Nadu, Karnataka and Kerala. For social security, a death relief fund has been constituted by the CDF covering about 25,000 members. Each member deposits an initial Rs.100 and can make further deposits in multiples of Rs.50. The scheme covers the risk of death (natural or accidental, up to the age of 60 years), the assured amount being a multiple of the deposit ranging between 5 and 20 times, depending on the age of the member. The maximum admissible amount is Rs.20,000. Besides life insurance, the other benefit under the scheme is security for the thrift co-operative loans, which gives total debt relief for the surviving family and the guarantors. On reaching the age of 60 years, or on withdrawing from the scheme, the deposit amount is returned with a 2 per cent bonus. Extension of the scheme to other contingencies like illnesses is also under consideration (Gupta, 1994).

**The Association for Sarva Seva Farms (ASSEFA)**, based in Tamil Nadu and Andhra Pradesh, is working in five other states as well. The organization works by encouraging the formation of people's associations and running various development programmes through them. In Hyderabad, ASSEFA has started its own insurance scheme for payment of compensation on the death of the insured, against a contribution of Rs.10 per family per year. In a pilot project in Madurai area, about 1,200 families are being covered for an amount of Rs.3,000 payable in case of death, whether natural, accidental or suicidal. But in the first

year itself, the death claims amounts to Rs.15,000 against the total premium of Rs.12,000. Obviously the scheme needs to be put on a sound footing, with a more professional management on the basis of actuarial calculations. The organization is now considering linking up their scheme with one of the various life insurance policies now available through the insurance companies, often at a reduced premium especially for the rural areas.

ASSEFA is also running a comprehensive scheme for preventive and curative health services, including referral services, for about 4,000 families at different centers, initially funded under the Plan International Programme, and managed by a cluster level committee having representation from the villages. The families are required to pay a premium of Rs.50 per year and can avail themselves for various services from the centers which are run by ASSEFA's own staff. Tie-up arrangements for referral services are made with government and non-government hospitals in Madurai. While the hospitals provide free beds, meals and nursing, the balance of costs, mainly of medicines, is shared between ASSEFA (two-thirds) and the beneficiary (one-third). Although the operational deficits in running the schemes have been declining, there is a need for income generation activities to be taken up by each cluster committee in order to support expenses in the health care scheme (Gupta, 1994).

**The Society for Promotion of Area Resource Centers (SPARC)**, which started its activities among slum dwellers and women pavement dwellers in Bombay, has now spread to 14 cities in India. Realizing that access to services was the key problem, SPARC retained the just distribution of urban resources as its major goal. This it seeks to achieve through (a) making local governments responsible and accountable to the people, and (b) organizing and empowering the people to demand the services rather than receive them as doles. The women are formed into groups known as "Mahila Milans", and collective leadership is promoted. It is running a successful crisis credit scheme in which women are organized into saving groups. Small amounts (Rs.1 to 5) are saved daily and given to collectors who, in turn, deposit the total amount at a central meeting place. From this composite credit fund, members can conveniently draw small amounts without procedural difficulties. Repayments are also normally made in time. SPARC has taken up an insurance policy with a professional company. A premium of Rs.30 is payable by each member against which these risks are covered – hospitalization (normally Rs.1,000), accidental death and disability cover for self and for husband (Rs.25,000), for partial disability (Rs.12,500), and loss of home, household goods and tools (Rs.3,000) (Krishnamurthy, 1998).

Annexure

### SELF-HELP GROUPS IN ORISSA

The Danish International Development Programme (DANIDA), has been promoting the formation of self help groups in Orissa. It launched the first such group in August 1997. In a village called Sankudi. The concept caught on with two more groups being formed under its aegis followed by another two promoted by the District Rural Development Agency of the State government

The SHGs have now become for all practical purposes, the prime movers of the socio economic transformation of the village with the help of the Integrated Livestock Development Programme of DANIDA.

The Chief Project Adviser of DANIDA says that the group members were given an outline of what they could do and left it at that but they had subsequently perfected the art of administering the system on their own. The Sankudi SHG has become a model for others in the district.

A SHG usually comprises 20 women whose goal is sustainable socio economic development based on the principles of affinity participation and mutual support without any political influence. The members are expected to meet at least once a week and discuss the modalities and problems in implementing a scheme. The person who enables the group to take decisions and to implement them is selected periodically by rotation. Discipline is the watchword, attendance is compulsory. A member who is absent is fined Rs.5. However leave of absence may be taken on genuine grounds. Thus, women manage their own development process. Medical leave is also sanctioned judiciously. If the ailment is not serious enough the absentee member has to pay the fine. Late comers have to pay Rs. 2. Failure to pay the bank deposit or loan instalments also attracts a fine. So loan recovery is 100 per cent. Occasionally default by a member is condoned in case of an emergency.

The SHG also ensures that the loan amount is not diverted for other purposes..

The members of the SHG experiment with new techniques of production.

They also carry out improvement in the infrastructure facilities in the village without depending on government by undertaking capital works like building roads and check dams on their own.

They have developed a string of dairy and poultry farms in and around the village as an income generating measure .

They have also been successful in ensuring compulsory education of their children. They initiate action against parents of dropouts. They bear the cost of books, slates and other stationery to the pupils. The parents have only to pay a nominal fee

They also organise health camps at regular intervals for those in and around the vilalge.

The achievement of these SHGs has had an impact on DANIDA who now have a target of setting up at least 150 SHGs in four blocks of Koraput District.

## **ANNEXURE - XV**

### **Employment Schemes**

#### **JAWAHAR GRAM SAMRIDHI YOJANA – (JGSY) :**

Jawahar Gram Samridhi Yojana (JGSY) has been launched w.e.f. 1.4.99 to ensure development of rural infrastructure at the village level by restructuring the erstwhile Jawahar Rozgar Yojana (JRY). Jawahar Rozgar Yojana was one of the major wage employment programmes launched in the year 1989 by merging the two wage employment programmes namely National Rural Employment Programme (NREP) & Rural Landless Employment Guarantee Programme (RLEGP). It was the single largest wage employment programme implemented in all the villages of the country through the Panchayati Raj Institutions. It also contributed to a great extent in creating durable rural infrastructure, which has a critical importance in the development of village economy thereby improving the standard of living of the rural poor. Both Jawahar Rozgar Yojana and Employment Assurance Scheme resulted in the creation of durable assets in the form of school buildings, roads and other infrastructure. However, under these programmes, the generation of wage employment was getting overriding priority and the effort was to see that in the process of creating employment, durable assets were created.

It was, however, felt that a stage has come when the development of village infrastructure needs to be taken up in a planned manner. This could best be done by the village panchayats who are closest to the ground realities and who can effectively determine their local needs. Accordingly, the Government have restructured the existing wage employment programme namely Jawahar Rozgar Yojana (JRY) and Employment Assurance Scheme (EAS). The new programme – Jawahar Gram Samridhi Yojana (Restructured JRY) is dedicated entirely to the development of rural infrastructure at the village level and is being implemented by the village panchayats. This programme has come into effect from 1<sup>st</sup> April 1999.

#### **Objects of JGSY:**

The primary objective of JGSY is creation of demand driven community village infrastructure including durable assets at the village level and assets to enable the rural poor to increase the opportunities for sustained employment.

The SHGs have now become for all practical purposes, the prime movers of the socio economic transformation of the village with the help of the Integrated Livestock Development Programme of DANIDA.

The Chief Project Adviser of DANIDA says that the group members were given an outline of what they could do and left it at that but they had subsequently perfected the art of administering the system on their own. The Sankudi SHG has become a model for others in the district.

A SHG usually comprises 20 women whose goal is sustainable socio economic development based on the principles of affinity participation and mutual support without any political influence. The members are expected to meet at least once a week and discuss the modalities and problems in implementing a scheme. The person who enables the group to take decisions and to implement them is selected periodically by rotation. Discipline is the watchword, attendance is compulsory. A member who is absent is fined Rs.5. However leave of absence may be taken on genuine grounds. Thus, women manage their own development process. Medical leave is also sanctioned judiciously. If the ailment is not serious enough the absentee member has to pay the fine. Late comers have to pay Rs. 2. Failure to pay the bank deposit or loan instalments also attracts a fine. So loan recovery is 100 per cent. Occasionally default by a member is condoned in case of an emergency.

The SHG also ensures that the loan amount is not diverted for other purposes..

The members of the SHG experiment with new techniques of production.

They also carry out improvement in the infrastructure facilities in the village without depending on government by undertaking capital works like building roads and check dams on their own.

They have developed a string of dairy and poultry farms in and around the village as an income generating measure .

They have also been successful in ensuring compulsory education of their children. They initiate action against parents of dropouts. They bear the cost of books, slates and other stationery to the pupils. The parents have only to pay a nominal fee

They also organise health camps at regular intervals for those in and around the vilalge.

The achievement of these SHGs has had an impact on DANIDA who now have a target of setting up at least 150 SHGs in four blocks of Koraput District.

**ANNEXURE - XV****Employment Schemes****JAWAHAR GRAM SAMRIDHI YOJANA – (JGSY) :**

Jawahar Gram Samridhi Yojana (JGSY) has been launched w.e.f. 1.4.99 to ensure development of rural infrastructure at the village level by restructuring the erstwhile Jawahar Rozgar Yojana (JRY). Jawahar Rozgar Yojana was one of the major wage employment programmes launched in the year 1989 by merging the two wage employment programmes namely National Rural Employment Programme (NREP) & Rural Landless Employment Guarantee Programme (RLEGP). It was the single largest wage employment programme implemented in all the villages of the country through the Panchayati Raj Institutions. It also contributed to a great extent in creating durable rural infrastructure, which has a critical importance in the development of village economy thereby improving the standard of living of the rural poor. Both Jawahar Rozgar Yojana and Employment Assurance Scheme resulted in the creation of durable assets in the form of school buildings, roads and other infrastructure. However, under these programmes, the generation of wage employment was getting overriding priority and the effort was to see that in the process of creating employment, durable assets were created.

It was, however, felt that a stage has come when the development of village infrastructure needs to be taken up in a planned manner. This could best be done by the village panchayats who are closest to the ground realities and who can effectively determine their local needs. Accordingly, the Government have restructured the existing wage employment programme namely Jawahar Rozgar Yojana (JRY) and Employment Assurance Scheme (EAS). The new programme – Jawahar Gram Samridhi Yojana (Restructured JRY) is dedicated entirely to the development of rural infrastructure at the village level and is being implemented by the village panchayats. This programme has come into effect from 1<sup>st</sup> April 1999.

**Objects of JGSY:**

The primary objective of JGSY is creation of demand driven community village infrastructure including durable assets at the village level and assets to enable the rural poor to increase the opportunities for sustained employment.



**Main features of JGSY :**

- The main emphasis of Jawahar Gram Samridhi Yojana (JGSY) is to create rural infrastructure at the village level.
- Implementation of the Jawahar Gram Samridhi Yojana entirely by the Village Panchayat.
- Direct release of funds to the Village Panchayats by District Rural Development Agencies (DRDAs)/Zilla Parishads (ZPs).
- Village Panchayat is the sole authority for preparation of Annual Action Plan and its implementation with the approval of Gram Sabha.
- Empowerment to the Gram Sabha for approval of schemes/works.
- Village Panchayats can execute works/schemes up to Rs.50,000/- without technical/administrative approval. However, Gram Sabha's approval is must.
- 22.5% of JGSY funds have been earmarked for individual beneficiary schemes for SCs/STs.
- 3% of annual allocation would be utilized for creation of barrier free infrastructure for the disabled. Wages under JGSY will either be the minimum wages notified by the States or higher wages fixed by States through the prescribed procedure.
- Panchayats can suitably relax 60:40 wage material ratio for building up demand driven rural infrastructure.
- 15% of funds can be spent on maintenance of assets.
- Social Audit by the Gram Sabha.
- Village level Monitoring and Vigilance Committee to oversee and supervise the works/schemes undertaken.
- DRDA/ZP is responsible for overall guidance, coordination, supervision, monitoring and periodical reporting.

**Works to be Taken Up:**

All works that result in the creation of durable productive community assets can be taken up by the village panchayat under the programme as per the felt need of the area/people.

While creating rural infrastructure, the wage material ratio of 60:10 prescribed under JRY has suitably been relaxed so as to enable the build up of demand driven rural infrastructure. Care has, however, been taken to ensure that purely material oriented works are not taken up and simultaneously efforts should be made to take up labour intensive works with sustainable low cost technology.

**Following works should be given priority:**

- Infrastructure for SCs/STs habitations.
- Infrastructure support for SGSY.
- Community infrastructure for education and health and
- Other social, economic and physical infrastructure.

**The following works will not be allowed to be taken up:**

- Building for religious purposes such as temple, mosque, gurudwara, church etc.
- Monuments, Memorials, Statute, Idols, Arch Gate/Welcome Gate.
- Bridges
- Building for higher secondary schools
- Building for colleges
- Desiltation of tanks
- Black topping of roads.

**Earmarking of Resources:**

There is no sectoral earmarking of resources under JGSY, except the following :

- (a) 22.5% of the annual allocation must be spent on individual beneficiary scheme for SCs/STs as per JGSY Guidelines. Diversion of funds meant for SCs/STs to other works is not permitted.
- (b) 3% of annual allocation would be utilized for creation of barrier free infrastructure for the disabled. In case, funds are not utilized under this Head, the village panchayat may utilize the funds for other works under JGSY.
- (c) The State Government are provided an amount of Rs.10.00 lakh or 1% of the annual allocation, whichever is less, to meet the training expenses of officials / non-officials (elected Panchayat Functionaries) involved in the implementation of JGSY provided that at least 75% of this must be spent on the training of non-officials (Panchayat Functionaries). The funds for the purpose have been released to the States of Orissa, Assam, Himachal Pradesh, Punjab, West Bengal, Madhya Pradesh, Uttar Pradesh, Goa, Tamilnadu, Andhra Pradesh and Tripura during the current year. The remaining States UTs. have been asked to submit a proposal in this regard.

**Main features of JGSY :**

- The main emphasis of Jawahar Gram Samridhi Yojana (JGSY) is to create rural infrastructure at the village level.
- Implementation of the Jawahar Gram Samridhi Yojana entirely by the Village Panchayat.
- Direct release of funds to the Village Panchayats by District Rural Development Agencies (DRDAs)/Zilla Parishads (ZPs).
- Village Panchayat is the sole authority for preparation of Annual Action Plan and its implementation with the approval of Gram Sabha.
- Empowerment to the Gram Sabha for approval of schemes/works.
- Village Panchayats can execute works/schemes up to Rs.50,000/- without technical/administrative approval. However, Gram Sabha's approval is must.
- 22.5% of JGSY funds have been earmarked for individual beneficiary schemes for SCs/STs.
- 3% of annual allocation would be utilized for creation of barrier free infrastructure for the disabled. Wages under JGSY will either be the minimum wages notified by the States or higher wages fixed by States through the prescribed procedure.
- Panchayats can suitably relax 60:40 wage material ratio for building up demand driven rural infrastructure.
- 15% of funds can be spent on maintenance of assets.
- Social Audit by the Gram Sabha.
- Village level Monitoring and Vigilance Committee to oversee and supervise the works/schemes undertaken.
- DRDA/ZP is responsible for overall guidance, coordination, supervision, monitoring and periodical reporting.

**Works to be Taken Up:**

All works that result in the creation of durable productive community assets can be taken up by the village panchayat under the programme as per the felt need of the area/people.

While creating rural infrastructure, the wage material ratio of 60:10 prescribed under JRY has suitably been relaxed so as to enable the build up of demand driven rural infrastructure. Care has, however, been taken to ensure that purely material oriented works are not taken up and simultaneously efforts should be made to take up labour intensive works with sustainable low cost technology.

**Following works should be given priority:**

- Infrastructure for SCs/STs habitations.
- Infrastructure support for SGSY.
- Community infrastructure for education and health and
- Other social, economic and physical infrastructure.

**The following works will not be allowed to be taken up:**

- Building for religious purposes such as temple, mosque, gurudwara, church etc.
- Monuments, Memorials, Statute, Idols, Arch Gate/Welcome Gate.
- Bridges
- Building for higher secondary schools
- Building for colleges
- Desiltation of tanks
- Black topping of roads.

**Earmarking of Resources:**

There is no sectoral earmarking of resources under JGSY, except the following :

- (a) 22.5% of the annual allocation must be spent on individual beneficiary scheme for SCs/STs as per JGSY Guidelines. Diversion of funds meant for SCs/STs to other works is not permitted.
- (b) 3% of annual allocation would be utilized for creation of barrier free infrastructure for the disabled. In case, funds are not utilized under this Head, the village panchayat may utilize the funds for other works under JGSY.
- (c) The State Government are provided an amount of Rs.10.00 lakh or 1% of the annual allocation, whichever is less, to meet the training expenses of officials / non-officials (elected Panchayat Functionaries) involved in the implementation of JGSY provided that at least 75% of this must be spent on the training of non-officials (Panchayat Functionaries). The funds for the purpose have been released to the States of Orissa, Assam, Himachal Pradesh, Punjab, West Bengal, Madhya Pradesh, Uttar Pradesh, Goa, Tamilnadu, Andhra Pradesh and Tripura during the current year. The remaining States UTs. have been asked to submit a proposal in this regard.

**Budgetary Allocation During 2000-2001:**

The budgetary provision under JGSY for the current year (2000-02) at the BE stage was Rs.1650.00 crore, out of which Rs.931.45 crore has been released up to 30.11.2000 which includes releases to the State/UTs (Rs.930.45 crore) and other miscellaneous releases (Rs.1 crore0).

**Review of Performance:**

The performance of JGSY during 1999-2000 and the current year 2000-2001 is as follows :

**A. FINANCIAL PERFORMANCE**

(Rs.in Crore)

Year	OB Allocation Center+ State	Total release (Central State Share)	Total availed +fund	Total	Expenditure	%age
1	2	3	4	5	6	7
1999-2000	552.71	2205.58	2243.16	2798.88	2035.27	72.80
2000-2001*	624.26	2192.96	1079.41	1703.67	711.35	41.75

**B. PHYSICAL PERFORMANCE**

(In nos.)

Year	Works Completed	Works under	Total Works Progress	Works exclusively (2+3)	Total Mandays for SC/STs Generated (in lakh)
1	2	3	4	5	6
1999-2000	698448	262409	960857	256405	2683.08
2000-2001*	244069	329479	573548	90753	885.12

- Performance up to September 2000.

The practice of fixing target for mandays generation has been dispensed with since wage material ratio of 60:40 has been relaxed under the restructured programme of JGSY. The State wise statements indicating physical and financial performance during the last year and the current year (2000-01) are at *annexure III & IV*.

### **SWARNJAYANTI GRAM SWAROZGAR YOJANA**

#### **Introduction :**

Anti-poverty Programmes have been a dominant feature of government initiatives in the rural areas. The Programmes have been reviewed and strengthened in the successive years in order to sharpen their focus on reduction of rural poverty. The results achieved, in the meanwhile, are worth noting. In percentage terms, rural poverty, has reduced from 56.44% of the country's population in 1973-74 to 37.27% in 1993-94. Some States have been more successful in reducing their poverty (rural) during this period. These States are Andhra Pradesh (48.41% to 15.92%), Goa (46.85% to 5.34%), Gujarat (46.35% to 22.18%), Karnataka (55.14% to 29.88%), Kerala (59.19% to 25.76%), Rajasthan (44.76% to 26.46%), Tamil Nadu (57.43% to 32.48%), and West Bengal (73.16% to 40.80%).

However, the cause of concern is that the estimated number of the rural poor is still about 244 million which has led to further review and restructuring of the anti-poverty programmes. The Swarnjayanti Gram Swarozgar Yojana (SGSY) is the result of such latest review and restructuring of the programme.

The Swarnjayanti Gram Swarozgar Yojana (SGSY) has been launched with effect from 1.4.1999 as a new Self-employment Programme. With the coming into effect of the SGSY, the earlier Programmes of Integrated Rural Development Programme (IRDP), Training of Rural youth for Self-Employment (TRYSEM), Development of Women and Children in Rural Areas (DWCRA), the Ganga Kalyan Yojana (GKY) as well as the Million Wells Scheme (MWS) are no longer in operation. The brief details of the programme are indicated in the following paragraphs :

#### **Objective :**

The objective of the SGSY is to bring the assisted poor families (Swarozgaris) above the Poverty Line by providing them income-generating assets through a mix of Bank Credit and Governmental Subsidy.

#### **Strategy :**

The SGSY is different from earlier Programmes, in terms of the strategy envisaged for its implementation, and has been conceived as a holistic Programme of self-employment covering all aspects of self-employment, viz. Organization of the rural poor in to Self-Help-Groups and their capacity building, training, planning of activity clusters, infrastructure build-up and technology and marketing support.

**Activity Clusters – Planning and Selection :**

There are two key aspects of the SGSY, namely, Activity Clusters and the Group Approach. Each block has to concentrate on 4-5 key activities based on local resources, occupational skills of the people and availability of markets so that the 'Swarozgaris' can draw sustainable incomes from their investments. Selection of these activities has to be done with the approval of the Panchayat Samitis at the Block level and District Rural Development Agency/ Zilla Parishad at the District level. These key activities should preferably be taken up in clusters so that the backward and forward linkages can be effectively established.

The SGSY also focuses on organization of the poor at grassroots level through a process of social mobilization for poverty eradication. Social mobilization enables the poor build their own organizations {Self-Help/Groups (SHGs)} in which, they participate fully and directly and take decisions on all issues that will help them in coming above the Poverty Line. A SHG may consist of 10-20 persons belonging to families below the Poverty Line and a person should not be a member of more than one group. In the case of minor irrigation schemes and in the case of disabled persons, this number may be a minimum of five (5).

**Target Group:**

Below the Poverty Line families in rural areas constitute the target group of the SGSY. Within the target group, special safeguards have been provided to vulnerable sections, by way of reserving 50% benefits for SCs/STs, 40% for women and 3% for disabled persons.

**Financial Assistance :**

Assistance under the SGSY to individual Swarozgaris of Self-Help-Groups, is given in the form of subsidy by the Government and credit by the Banks. Subsidy under the SGSY to individuals is uniform at 30% of the Project Cost subject to a maximum of Rs.7500. In respect of SCs/Sts, the subsidy is 50% of the Project Cost subject to a maximum of Rs.10,000. For groups of Swarozgaris, the subsidy is 50% of the cost of the Scheme, subject to a ceiling of Rs.1.25 lakh. There is no monetary limit on subsidy for Irrigation Projects; subsidy is back ended.

**Funding Pattern :**

The Swarnjayanti Gram Swarozgar Yojana (SGSY) is financed on 75:25 cost sharing basis between the Center and the States.

**Implementing Agencies :**

The SGSY is being implemented by the District Rural Development Agencies (DRDAs), with the active involvement of Panchayati Raj Institutions (PRIs), the Banks, the Line Departments and the Non-Government Organizations (NGOS).

**Monitoring :**

A comprehensive system of monitoring has been adopted under the SGSY. The programme is monitored from the Central level down to the grass-roots level. At the Central level, the Central Level Co-ordination Committee (CLCC) monitors and reviews the implementation of the Programme and lays down Policy Guidelines for all aspects related to credit linkages for the SGSY. The Performance Review Committee of the Department of Rural Development also reviews the implementation of the SGSY. At the State level, a State Level Coordination Committee (SLCC) monitors the Programme. In addition, the progress under the SGSY is monitored periodically through Reports and Returns submitted by DRDAs/States. Detailed monitoring formats for reporting progress of the Programme has been circulated to all the DRDAs. Implementation of the Programme is monitored and reviewed through the Project Directors Workshops and periodic Meetings with the State Secretaries. At the Block/DRDA level, monitoring is done through field visits and physical verification of assets. Efforts are underway to bring all the DRDAs of the country within online networks for smooth flow of information from the Districts to the Center and the States/UTs.

**Salient features :**

The salient features of the Swarnjayanti Gram Swarozgar Yojana (SGSY) are given below :

- The Swarnjayanti Gram Swarozgar Yojana aims at establishing a large number of micro enterprises in the rural areas, building upon the potential of the rural poor.
- The SGSY emphasises on the cluster approach for establishing the micro enterprises. For this, 4-5 key activities have to be identified in each Block. The major share of the SGSY assistance has to be in activity clusters.
- The SGSY adopts a Project approach for each Key Activity. Project Reports are to be prepared in respect of each of the identified Key Activities. The Banks and other financial institutions have to be closely associated and involved in preparing these Project Reports, so as to avoid delays in sanctioning of loans and to ensure adequacy of financing.
- The existing infrastructure for the cluster of activities should be reviewed and gaps identified. Critical gaps in investments have to be made up under the SGSY, subject to a ceiling of 20% (25% in the case of North Eastern States) of the total allocation made under the SGSY for each District. This amount is maintained by the DRDAs as SGSY – Infrastructure Fund'.
- In the planning of the Key Activities, care has to be taken to ensure that the maximum numbers of Panchayats are covered without jeopardizing the quality of the Programme.
- The assisted families may be individuals or groups (Self-Help-Groups). The SGSY, however, favours the group approach.
- The Gram Sabha authenticates the list of Below the poverty Line families identified in the BPL Census. Identification of individual families suitable for each key activity is to be made through a participatory process.



- The group approach involves organization of the poor into Self-Help Groups (SHGs) and their capacity building. Efforts have to be made to involve women members in each SHG. Besides, exclusive women groups are also to be formed. At the level of the block, at least half of the groups should be exclusively women groups. Group activities are given preference and progressively, majority of the funding should be for Self-Help Groups.
- The SGSY is a credit cum subsidy Programme. However, Credit is the critical component of the SGSY, subsidy being a minor and enabling element. Accordingly, the SGSY envisages greater involvement of the Banks. They are to be involved closely in the planning and preparation of Project Reports, identification of activity clusters, infrastructure planning as well as capacity building and choice of activity of the SHGs, selection of individual 'Swarozgaris', pre-credit activities and post-credit monitoring including loan recovery.
- The SGSY seeks to promote multiple credit rather than a one-time credit 'injection'. The credit requirements of the 'Swarozgaris' need to be carefully assessed; the 'Swarozgaris' are allowed and, in fact, encouraged to increase credit intake, over the years.
- The SGSY seeks to lay emphasis on skill development through well-designed training courses. Those, who have been sanctioned loans, are to be assessed and given necessary training. The design, duration of training and the training curriculum is tailored to meet the needs of the identified key activities. DRDAs are allowed to set apart up to 10% of the SGSY allocation on training. This may be maintained as 'SGSY – Training Fund'.
- The SGSY attempts to ensure upgradation of technology intervention and seeks to add value to the local resources, including processing of the locally available material from natural and other resources for local and non local market.
- The SGSY provides for promotion of marketing of the goods produced by the SGSY Swarozgaris, which involves provision of market intelligence, development of markets and consultancy services, as well as institutional arrangements for marketing of the good including exports.
- The SGSY is implemented by the DRDAs through the Panchayat Samitis. The process of planning, implementation and monitoring integrate the Banks and other financial institutions, the Panchayat Raj Institutions (PRIs), Non-Government Organizations (NGOs), as well as Technical Institutions in the district.
- 15% \$ of the funds under the SGSY are set apart at the national level to try new initiatives for self-employment of the rural poor through "Special Projects", in conjunction with other Departments or Semi-Government/International Organizations, which includes initiatives to be taken in individual Districts or across the Districts.

**Progress made under the SGSY during 1999-2000 and 2000-2001 (Provisional):**

The year 1999-2000 was the first year of implementation of the SGSY which is a process oriented Programme. Detailed preparatory works like issue of guidelines, consultation with RBI and other Commercial Banks, sensitization of officials at different levels and Bankers, etc. have to be completed for successful implementation of the Programme. The financial and physical progress under the SGSY during 1999-2000 and 2000-2001 (up to December, 2000) are given below :

**Financial progress:**

Items	1999-2000	2000-2001
<b>A. Financial Progress (Rs. in Crores)</b>		<b>(Dec.,2000)</b>
1. Total Allocation	1472.33	1332.50
2. Central Allocation	1105.00	1000.00
3. Central Release	869.55	274.32
4. State Release	261.47	136.59
5. Total Funds Utilized	959.86	499.38
<b>%age of Funds Utilized to Allocation</b>	<b>65.19</b>	<b>37.48</b>
6. Total Credit Target	3205.00	3205.00
7. Total Credit Mobilized	1056.46	558.46
<b>%age Credit Mobilized</b>	<b>32.96</b>	<b>17.42</b>

**Physical Progress :**

Items	1999-2000	2000-2001
<b>C. Physical Progress (Nos).</b>		
1. No. of Self-Help Groups (SHGs) Formed	292426	385443*
2. No. of SHGs Taken up Economic Activities	29017	16956
3. Total Swarozgaris Assisted	933868	44190
4. %age of SC/STs Assisted	44.32	44.79
5. %age of Women Assisted	44.62	43.23
6. %age of Disabled Assisted	0.91	0.73

\* Since inception (1.4.1999).

State wise physical and financial performance under SGSY during 1999-2000 (provisional) and during 2000-2001 (up to Dec. 2000) are given at *Annexure -VII* and *Annexure - VIII*

Reasons for the slow progress of Utilization of Funds during 1999-2000 are given below :-

1. The year 1999-2000 was the first of the SGSY. Being the 1st year of the SGSY, it took sometime for the Guidelines to be understood by all concerned, including Banks.
2. The implementation of the SGSY is process oriented. Besides this, the time involved in initial preparatory works have been the reasons for slow progress of expenditure.
3. A Self-Help group (SHG) is entitled for assistance for economic activity after passing grade-II which, including the time taken for a group to be entitled for revolving funds, takes at least one year.
4. Other related reasons for the low achievements during 1999-2000 seems to be of delay in receiving the instructions by the Banks from the RBI and NABARD, delay in identification of key activities by the DRDA/Blocks, deployment of State machinery in Parliament Elections and Assembly Elections in some States, delay in constitution of District/Block level SGSY Committees and non-availability of latest BPL list to the Bankers, etc.

#### **EMPLOYMENT ASSURANCE SCHEME :**

Creation of employment opportunities has always been an important objective of developmental planning in India. The relative higher growth of population and labour force has led to an increase in the volume of unemployment and under-employment from one plan period to another. The developmental planning aims at bringing employment into a larger focus with the goal of reducing unemployment to a negligible level within the next ten years. Such an approach is necessary, because it is now realised that larger and efficient use of available human resources is the most effective way of alleviating poverty; reduction in inequalities and sustenance of reasonable high pace of economic growth.

Accordingly, Employment Assurance Scheme (EAS) was launched on 2<sup>nd</sup> October 1993, in 1778 identified blocks of 257 districts situated in the drought prone areas, desert areas, tribal areas and hill areas in which the Revamped Public Distribution system (RPDS) was in operation. The scheme has since picked up and is at present being implemented in all 5448 rural blocks of the country.

Based on the experience of last five years of implementation of the programme, EAS has been restructured *w.e.f.* 1.4.1999 and it has become single wage-employment programme. While the basic parameters have been retained, the allocation to States/Districts is more definitely applied. In keeping with the spirit of democratic decentralization the Zilla Parishads have been designated as the "Implementing Authority" under the programme.

**Objectives:**

The primary objective of the EAS is creation of additional wage-employment opportunities during the period of acute shortage of wage employment through manual work for the rural poor living below the poverty line.

The secondary objective is the creation of durable community assets for sustained employment and development.

**Status:**

The programme is implemented as a Centrally Sponsored Scheme on cost of sharing basis between the Center and the States in the ratio of 75:25. In the case of Union Territories, the Center provides entire funds under the Scheme.

**Target Group:**

The EAS is open to all rural poor who are in need of wage-employment. Since the programme is self-targeting in nature and only the minimum wages are to be paid, it is expected that only persons below the poverty line would come for the unskilled work. While providing employment, preference is given to Scheduled Castes/Scheduled Tribes and parents of Child Labour withdrawn from hazardous occupations who are below poverty line.

**Programme strategy:**

The programme is implemented through the Zilla Parishads. The list of the works is finalized by the Zilla Parishad in consultation with the MPs.

Where there is no Zilla Parishad, a Committee comprising of MLAs, MPs and other Public representatives is constituted for the selection of works.

Employment Assurance Scheme is operational in District/Panchayat Samiti level throughout the country. However, works under EAS are taken up only on those pockets of the Panchayat Samitis/Districts where there is need for creating additional wage-employment.

70% of the funds allocated for each district are all allocated to the Panchayat Samities (Intermediate Panchayat). 30 per cent of the funds are reserved at the District level and are to be utilized in the areas suffering from endemic labour exodus/areas of distress.

No work needs to be taken up under the programme if the demand for the wage employment can be fulfilled under other plan or non-plan works. Only labour intensive works of productive nature which create durable assets should be included in the Annual Action Plan.

The works under the Scheme are normally to be taken up to provide additional wage-employment whenever there is acute shortage and the resources under normal plan-non-plan schemes are not available to generate adequate opportunities of wage-employment to meet demand.

The selection of work is decided by Zilla Parishad, after consultation with MPs of that area.

In the absence of Elected Bodies, a Committee comprising of Local MPs/MLAs and other elected representatives would be constituted.

**The Salient features of EAS:**

- EAS is open to all-needy rural poors living below poverty line. A maximum of two adults per family would be provided wage-employment.
- The funds are shared in the ratio of 75:25 between the Center and the States.
- Allocation of funds to the districts would be based on an index of backwardness worked out of the proportion of SC/ST population of the Districts and the inverse of agriculture production per agricultural worker.
- The flow of funds from District to blocks would be in proportion to the rural population of the blocks.
- DRDA will release 30% of the District allocation to Zilla Parishads and 70% to the Panchayat Samitis.
- 30% of the funds reserved at the District level shall be utilized in the areas suffering from endemic labour exodus/areas of distress.
- 80% of the funds has been released to Districts as per normal procedure, the remaining 20% are released as an incentive only if the State has put in place elected and empowered Panchayati Raj Institutions.
- State Government shall release its matching share to the DRDAs within a fortnight after the release of Central Assistance.
- Diversion of funds from one District to another and similarly from one Panchayat Samiti to another is not permitted.
- The funds would flow to the DRDAs/Zilla Parishads and would be lapseable if not utilized with permission to carry forward only 15% as opening balance in the following year.
- Programme will be implemented through the Zilla Parishads (DRDAs in those States where Zilla Parishads do not exist) for selection of works.
- No works can be taken up under Employment Assurance Scheme unless it forms part of Annual Action Plan.
- Priority be given to the works of soil, moisture conservation, minor irrigation, rejuvenation of drinking water sources and augmentation of ground water, traditional water harvesting structures, work related to Watershed Schemes (not watershed development), formation of rural roads linking the villages with agricultural fields, drainage works and forestry. Desilting of Irrigation Tanks/Village Ponds has been permitted vide order No.24011/3.2000EAS dated 15.5.2000.

The following works shall not be taken up under the programme:

- (a) Building for religious purposes, etc.
- (b) Monuments, Memorials, Statues, Idols, Arches, Gates/Welcome Gates.
- (c) Big bridges
- (d) Government office buildings, Panchayat Buildings, compound walls.
- (e) Building of higher secondary schools, colleges.

Detail of works under the Scheme should be published and Gram Sabhas informed to ensure transparency and accountability.

- The Gram Panchayat will maintain a live employment register containing the details of the workers and numbers of days for which wage-employment is provided under the Scheme.
- Zilla Parishads/Panchayats Samitis are permitted to spend up to a maximum of 15% on maintenance of the assets created under the Scheme.
- Funds available from other sources like market committees, cooperatives, societies or other institutions/departments should also be dovetailed with the Employment Assurance funds for similar purposes.
- 80% of funds would be released to the implementing agencies as per normal procedure, the remaining 20% will be released as an incentive only if the States have put in place elected and empowered Panchayat Raj Institutions. The Ministry of rural Development would develop suitable guidelines in this regard.
- The wage-material ratio of 60:40 would be strictly implemented and block will be the unit for consideration.
- Payment of wage under the programme would be the Minimum Wage rates fixed by the State authorities. Higher wages would be paid only to the skilled persons and to the extent of 10% of the total wage component.
- The State Level Co-ordination Committee (SLCC) for the Rural Development Programme will be responsible for the overall supervision, Guidance and monitoring of EAS.
- As the State, District and Panchayat Samiti levels, works under EAS will be monitored by the Monitoring and Vigilance Committees.
- The State Secretaries should evolve and publish "Rural Standard Schedule of Rates" as has already been done by Rajasthan to eliminate the role of contractors.

**Year-wise Plan Allocation of Funds under EAS**

---

<b>Year</b>	<b>Central Allocation (Rs. in Crores)</b>
1993-94	600.00
1994-95	1200.00
1995-96	1700.00
1996-97	1940.00
1997-98	1970.00
1998-99	1990.00
1999-2000	2040.00
2000-2001	1300.00

---

**Performance During 2000-2001:**

During 2000-2001, Rs.1300.00 crores have been allocated. Against this, the Central releases made to the States and UTS are Rs.714.84 crores, which were released to the States/UTs during the year.

**Financial and Physical Performance:**

Year	Rs. in crores					
	Central Release	State release	Total funds Available Including OB	Total utilization	% utilization	Wage days generated (in lakhs)
1993-94	439.10	109.66	548.76	183.75	33.48	494.74
1994-95	1128.52	281.76	1775.26 (365.01)	1235.45	69.59	2739.56
1995-96	1705.69	425.94	2671.45 (539.81)	1720.61	64.61	3465.27
1996-97	1939.59	484.19	3383.34 (959.54)	2160.41	63.85	4030.02
1997-98	1968.72	491.75	3425.88 (964.84)	2307.95	67.37	3816.77
1998-99	1988.45	496.68	3357.80 (872.66)	2882.18	85.84	4279.36
1999-00	1736.42	593.11	2329.53 (581.14)	2182.60	74.99	2786.17
2000-01	722.00	171.26	1554.37 (661.11)	650.16	41.83	745.24

31.12.2000

Against the total funds of Rs.1372.33 crores available with the States/UTs (including OB, Central Share & State Share) the utilization of funds was Rs.650.16 crores (43.25% up to 31.12.2000). The Employment generation during the period was 745.24 lakh mandays.

**Evaluation :**

The Programme Evaluation Organization (PEO) of Planning Commission has conducted an Evaluation study of the EAS and submitted its report. In addition, the "Impact Assessment Studies" of implementation of EAS programme in rural areas of the States of Andhra Pradesh, Madhya Pradesh, Rajasthan, Tamil Nadu and Uttar Pradesh have also been given to three independent research institutes. The reports are awaited.