

*Report of the
Working Group on*

Social Security



Government of India
Planning Commission
New Delhi

ACKNOWLEDGEMENTS

A Working Group on Social Security in the context of formulating the Eleventh Five Year Plan was set up by the Planning Commission under the chairmanship of Shri K.M. Sahni, Secretary, Ministry of Labour & Employment, Government of India. The Working Group included several renowned experts and practitioners on the subject who contributed immensely in the finalization of this report.

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I also acknowledge with thanks the valuable cooperation and the support extended by the officers and staff of office of the Director General Labour Welfare especially of Shri Suraj Bhan, Director and Smt. Urmila Goswami, Under Secretary.

Manohar Lal
Director General (Labour Welfare)
Convener

CONTENTS

1. Chapter-1	Introduction	4-7
2. Chapter-2	Executive Summary	8-13
3. Chapter-3	Social Security Concept	14-16
4. Chapter-4	Organized Sector	17-47
5. Chapter-5	Minimum Wages Act	48-55
6. Chapter-6	Social Security in Unorganised Sector	56-72
7. Chapter-7	Summary of Recommendations	73-77
8.	Annexure I	78
9.	Annexure II	79

CHAPTER NO. 1

INTRODUCTION

1.1 In India a large majority of workforce is devoid of any formal social security protection. There is a dearth of formal social security protection i.e. either a contribution based social insurance scheme or tax/cess based social security benefits. This is a major challenge to the existing social security systems that have evolved in the last century. Security and institutional support are required by all persons in order to face difficulties and to mitigate hardships in the event of losses due to sickness, injury, loss of income and inability to work.

1.2 Labour protection for the working people in India is available under various laws enacted by the Parliament as well as the State Legislatures. The Preamble of the Constitution of India guarantees its citizens justice- social, economic and political; liberty of thought, expression, belief, faith and worship; equality of status and opportunities and fraternity, dignity of individual and dignity of nation. Part IV of the Constitution of India relating to Directive Principles of State Policy, inter-alia, call for provisions for right to work and education; public assistance in cases of unemployment and of social security; just and humane conditions of work; maternity relief; living wage and working conditions capable of ensuring decent standard of life (Articles 41 to 43); workers participation and management

1.3 Part III of the Constitution of India prohibits the forced labour and employment of children in factories or mines or in hazardous occupations (Articles 23 and 24). Fundamental right to freedom of association and formation of unions is also guaranteed under Article 19.

1.4 There are several ILO Conventions on Social Security like Convention No.102 on Social Security (Minimum Standard) adopted in 1952 includes measures on medical care and benefit for sickness, unemployment, old age, employment injury,

maternity and survivor benefits. Government of India has not ratified the Convention No.118 regarding Equality of Treatment (Social Security Convention) 1962 which enjoins upon the member states to grant equality of treatment to the nationals of any other member under its legislation with its own national, both as regards the coverage and right to benefits in respect of every branch of social security as specified in Convention No.102. However, Government of India ratified this Convention as early as in the year 1964. Most of the laws relating to social security in India are generally conforming to the Conventions and Recommendations of ILO, although many of the Conventions are yet to be ratified by India.

1.5 The organized sector workers which constitute about 7% of the total workforce of about 400 million in the country are covered under various legislations providing social security to these workers. The major legislations providing social security to these workers are: the Employees' State Insurance Act, 1948 and the Employees Provident Fund & Miscellaneous Provisions Act, 1952 etc. These two legislations provide for medical and health insurance and provident fund & pension to the workers respectively.

1.6 The workforce in the unorganised sector comprising about 37 crore or 93% of the total workforce do not get adequate labour protection in terms of job security, wages, working conditions, social security and welfare due to various factors such as: casual and seasonal employment; scattered work place; poor working conditions; lack of employer-employment relationship; irregular and often long working hours; limited access to credit; lack of legal protection, social security and government support.

1.7 In the context of preparation of the Eleventh Five Year Plan, the Planning Commission had set up a Working Group on Social Security under the Chairmanship of Secretary, Ministry of Labour & Employment, Government of India vide their Order No. Q-20017/6/06/LEM/LP dated 3rd March, 2006.

Composition of the Working Group:-

1. Secretary, Ministry of Labour & Employment, Government of India	Chairman
2. Secretary, (or his nominee), Ministry of Social Justice and Empowerment, Government of India	Member
3. Secretary (or his nominee), Ministry of Rural Development, Government of India	Member
4. Secretary, (or his nominee), Department of Posts, Government of India	Member
5. Dr. A.K. Shiva Kumar, Member, National Advisory Council and Adviser, UNICEF	Member
6. Joint Secretary (Capital Market Division), Pension Fund Regulatory and Development Authority, Ministry of Finance	Member
7. Director General, Employees' State Insurance Corporation	Member
8. Central Provident Fund Commissioner	Member
9. Secretary (Labour), Government of Kerala, Thiruvananthapuram	Member
10. Secretary (Labour), Government of Tamil Nadu, Chennai	Member
11. Secretary (Labour), Government of Uttar Pradesh, Lucknow	Member
12. Secretary (Labour), Government of Madhya Pradesh, Bhopal	Member
13. Secretary (Labour), Government of Gujarat, Gandhinagar	Member
14. Secretary (Labour), Government of West Bengal, Kolkata	Member
15. Secretary (Labour), Government of Assam, Guwahati	Member
16. Shri T.S. Sankaran, Former Chairman, Central Advisory Contract Labour Board(CACLB), Chennai	Member
17. Shri K.P. Kannan, Member, National Commission for Enterprises in the Unorganised Sector	Member
18. Shri Nilesh Sathe, Chief (SBU-P& GS), Yogakshema Life Insurance Corporation of India, Mumbai	Member
19. Shri R.K.A. Subrahmanya, Secretary General, Social Security Association of India, Bangalore	Member
20. Smt. Renana Jhabvala, Secretary, Self-Employed Women's	Member

Association, Ahmedabad	
21. Adviser (Labour, Employment and Manpower), Planning Commission	Member
22. Joint Secretary (Social Security), Ministry of Labour & Employment	Member
23. Joint Secretary / DG (LW), Ministry of Labour & Employment	Convener

The Terms of Reference of the Working Group:

- (a) To review the existing social security measures for organized and unorganized workers and to suggest strategy for providing social security cover to the unorganized workers.
- (b) To review the implementation of Minimum Wages Act at the State Level and recommend institutional mechanism and legislative measures that would ensure at least the minimum income to most of the wage employed.
- (c) To suggest division of responsibility for implementation of a wider social security system among the Centre, State, Employers and Employees.
- (d) To suggest prioritization for extending social security coverage by category or workers, such as agricultural workers, weavers, handloom workers, fishermen and fisherwomen, toddy tappers, leather workers, plantation workers, beedi workers, construction workers etc.
- (e) To examine the functioning of institutions such as ESIC, EPFO, Welfare Boards, etc. and to suggest necessary reforms so as to strengthen these Organisations.

A meeting of the Working Group was held on 23rd June 2006 under the Chairmanship of Secretary (L&E). The matter was discussed in detail and the Chairman invited suggestions from the members for inclusion in the Report of the Working Group. The suggestions so received have been as far as possible incorporated in the report.

CHAPTER NO. 2

EXECUTIVE SUMMARY

2.1 Social security in India was traditionally taken care of by the set up of family/community in general. With the rapid industrialization/urbanization beginning during the early 20th century resulting to an extent the break up of the family set up the need for institutionalized and State-cum-society regulated social security arrangement has been felt necessary. The problem has been aggravated further with the ageing of the society and embarking towards market economy.

2.2 Institutionalized social security in an organized manner covering old age/post service financial support and for providing invalidity and survivorship protection in respect of workers employed in industrial and commercial sector establishments and their family members after death of the worker was not available in India during pre-independence era until 1947. Only a handful of Govt. employees had the benefit of retirement pension or contributory provident fund together with other complementary support for them and their family members to take care of their old-age/post service retrieval period and their family members after their death. Similarly, very few of the then industrial/commercial sector establishments, in their own wisdom had extended certain measures in this regard on voluntary basis for their employees. A large majority of workers remained uncovered without any support measure and were left to fend for themselves. This situation in its normal impact had created an unstable future and dependency upon family unsure of future position. Lack of financial strength often created a void and genuine hardship during the fag end of their life. The position started worsening with the weakening of family bondage for various social and economic factors. The background of this socio-economic position, perhaps, prompted the need for addressing this problem in a planned manner in wider social/economic interest at national level. Currently ongoing measures towards transformation process for trade and industry and consequential change in the nature

of destabilization in employment arena, and increase in longevity in general world over has added new dimension to the issue and enhanced the requirement further towards a planned and regulated institutionalized measure in the form of social security in its common understanding.

2.3 Accordingly, over the years, both Central and State Governments have been taking initiatives for the welfare and social security of the workers in the unorganized sector. The Ministry of Labour & Employment is implementing welfare schemes for certain categories of unorganized sector workers like beedi workers, cine workers and certain non-coal mine workers. Similarly, several insurance/poverty alleviation schemes are being implemented by various Ministries/Departments, as well as by States like Kerala and Tamil Nadu which have constituted Welfare Funds for certain occupational groups. Some States have launched certain group insurance schemes for their workers. Yet, some states like West Bengal initiated State Assisted Provident Fund Schemes for the unorganized workers. However, coverage under various initiatives have been miniscule.

2.4 The National Common Minimum Programme (NCMP) of the United Progressive Alliance (UPA) Government has accorded high priority to the matter of ensuring the welfare and well-being of workers, particularly those in the unorganised sector like agricultural workers, construction workers, beedi workers, handloom workers, leather workers, etc.

2.5 The Ministry of Labour & Employment drafted the 'Unorganised Sector Workers Bill, 2004' which, inter-alia, envisages provide for safety, social security, health and welfare matters. The National Advisory Council (NAC) has forwarded a draft Bill namely, 'the Unorganised Sector Workers Social Security Bill, 2005. In the meantime, the National Commission for Enterprises in the Unorganised Sector (NCEUS) has also drafted two bills i.e. (i) Unorganised Sector Workers (Conditions of Work & Livelihood Promotion) Bill, 2005 and (ii) Unorganised Sector Workers Social Security Bill, 2005. All the four draft Bills are being examined. The National Commission for Enterprises in

the Unorganised Sector has also presented its report on Social Security for Unorganised Sector Workers in May, 2006. The recommendations of the NCEUS's report , amongst other, include that any worker registered with the National Social Security Scheme for the unorganized workers, on payment of prescribed contribution, shall be entitled to National Minimum Social Security benefits including health insurance, maternity benefit, insurance to cover natural and death due to accident, old age pension to Below Poverty Line (BPL) workers above the age of 60 years and Provident Fund for above poverty line (APL) workers.

2.6 The Report as well as all the draft Bills are being examined in consultation with all concerned partners.

Magnitude of Workforce in the Unorganised Sector

2.7 The first national Commission on Labour (1966-69) has defined unorganised labour as those who have not been able to organise themselves in pursuit of common objectives on account of constraints like casual nature of employment, ignorance and illiteracy, small and scattered size of establishments and the position of power exercised over them by employers because of the nature of the industry. Nearly, 20 years later, the National Commission on Rural Labour (1987-91) too portrayed a similar picture and contributory factors for the unorganised workforce in India.

2.8 In the rural areas, the unorganised sector mainly comprises landless agricultural labourers, small and marginal farmers, share croppers, those engaged in animal husbandry, poultry and fishing activities, rural artisans, forest workers, toddy tappers etc. whereas in the urban areas it comprises mainly of manual labourers engaged in construction, carpentry, trade transport, communication etc. and also includes street vendors, hawkers, head load workers, garment makers etc.

2.9 As per the survey carried out by National Sample Survey Organisation in the year 1999-2000, the total employment in both organized and unorganised sector in the

country was of the order of 397 million. Out of this, about 28 million were in the organised sector and the remaining 369 million in the unorganised sector. A similar survey carried out by the NSSO in the year 1993-94 had shown that the total employment in both the organized and unorganised sector was 374 million out of which around 27 million were in the organised sector and the balance 347 million in the unorganised sector.

2.10 These estimates very clearly reveal that whereas there has been almost no increase in the workforce in the organized sector, it has increased by 22 million between 1993-94 to 1999-2000 i.e. six years.

Justification for social security for unorganised sector

2.11 The Constitution of India enacted upon independence of the country though does not provide for compulsory institution of social security for all, yet, its directive principles of state policy contained in article 38 to 47 provide for theme idea in this regard explicitly. Same precisely provides for as under:

- The State shall 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 shall in particular strive to minimize the inequalities in income, and endeavour to eliminate inequalities in status, facilities and opportunities, not only amongst individuals but also amongst groups of people residing in different areas or engaged in different vocations.
- The State shall in particular, direct its policy towards securing –
 - a) that the citizens both men and women equally have the right to an adequate means of livelihood;

- b) that the ownership and control for the material resources of the community are so distributed as best to sub-serve the common good; and
- The State shall, within the limits of its economic capacity and development, make effective provision for securing the right to work, to education and to public assistance in cases of unemployment, old age, sickness and disablement, and in other cases of undeserved want.

2.12 Social security in our country has evolved in conformity with the spirit of this loftily goal. However, it has remained confined primarily to the organised sector which comprises not more than 7% of the workforce. Social security for the unorganised sector is justified primarily on grounds of equity and social justice. As pointed out by the First National Commission on Labour (which has also been confirmed by various studies), the unorganised sector is characterized by irregular employment, unstable income, prevalence of piece wage rates and absence of any legal protection with regard to income, employment, health and safety. Further, in view of the low skill levels of this workforce, there is almost no scope for them to move vertically in the occupational ladder to increase their financial situation.

2.13 Though the Government has taken several initiatives i.e. legislative measures and welfare schemes/programmes to improve the lot of this segment of working class, still the coverage is miniscule.

2.14 The National Common Minimum Programme (NCMP) of the present Government highlights the commitment of the Government towards the welfare and well being of all workers, particularly, in the unorganised sector. The NCMP states that:

“The UPA Government is firmly committed to ensure the welfare and well-being of all workers, particularly those in the unorganised sector who constitute 93% of our workforce. Social security, health insurance and other schemes for such workers like weavers, handloom workers, fishermen and fisherwomen,

toddy tappers, leather workers, plantation labour, beedi workers, etc. will be expanded.”

2.15 In this direction the government proposes to enact a comprehensive legislation for the workers in the unorganised sector to provide social security to these workers. The proposal is at the stage of consultation with all concerned. It is endeavour of the Government to enact such a law which is beneficial for the workers and is equally acceptable to all other social partners.

CHAPTER NO. 3

SOCIAL SECURITY CONCEPT

3.1 The concept of social security has evolved over a period of time. In the primitive societies it was mankind's prime need to protect himself from the vagaries of nature like earthquakes, famines or even finding shelter and food in his day to day life. Societal groups were formed to confront and brave such hazards which turned into community living and formation of villages and also bringing in the concept of a family. These institutions provided whatever limited social security those societies needed and served them adequately.

3.2 The industrial revolution brought in its wake altogether a new set of needs for the workers. These workers living around factories were mostly dependent upon their wages for subsistence and sustenance. They had left their villages and families to come and work in the factories. In the event these workers were rendered jobless because of accident, injuries or sickness or may be their services were not required, they were to live on their savings or from help from the fellow workers. Such arrangements were found grossly inadequate and it was felt the civil society as a whole or the State was required to play a major role in providing much needed respite to workers under such circumstances. This is how the concept of social security kept evolving.

3.3 In 1952 ILO adopted a comprehensive Convention No. 102 concerning Minimum Standards of Social Security in which provisions of medical care, sickness benefits, unemployment benefit, old-age and invalidity benefits, employment injury benefit, family and maternity benefit. The concept of social security has been further widened, so as to include provisions for housing, safe drinking water, sanitation, health, educational and cultural facilities as also a minimum wage which can guarantee workers a decent life.

3.4 The labour policy followed in the successive five year plans since independence adopted an approach which rested on considerations that the basic needs of workers for food, clothing and shelter must be satisfied. The objective of achieving 'socialistic pattern of society' was the avowed goal of early five year plans and provisions were made accordingly for the welfare of workers. However, not much could be achieved by way of all these efforts. Majority of the labour laws enacted sought to benefit only the organized sector. The Employees State Insurance Act was enacted in 1948, and similarly the Factories Act too was enacted in the same year. The Employees' Provident Funds and Miscellaneous Provisions Act came on the Statute Book in 1952. The unorganized sector, however, was left almost out of all these efforts as far social security coverage was concerned.

3.5 The term social security has been defined differently by various authorities and thus, there is no commonly accepted definition of the term. Recently, some new concepts viz. social safety nets, social protection and social funds relating to social security have emerged. Social safety nets are measures to mitigate the negative effects of structural adjustments mostly in form of cash payments. Broadly all these concepts are part of the all pervasive term '*social security*' .

3.6 Social security comprises mainly two elements job/work and income securities. That is why social security is taken linked to work or economic security. As important as the work security is income security. Inadequate income resulting from unprotected and irregular employment, is a direct threat to their lives and families. Their income needs to be protected against the vagaries of economy. Therefore, socially relevant minimum wages should be guaranteed. In addition to income security, certain other basic elements of social protection are also essential towards work security. These are health care, including maternity benefits (anti-natal and post-natal care), shelter and education.

3.7 Social security to the workers would involve providing or framing such schemes or services or facilities and amenities which can enable the workers to lead a

decent minimum standard of life and having financial/economic security to fall back upon in the event of loosing job for whatsoever may be the reason in the circumstances beyond their control. The workers must be given the wages and other services which will enable them and the members of their family to lead a decent life. The social security is an instrument for social transformation and good governance.

CHAPTER NO. 4

ORGANISED SECTOR

4.1 The social security schemes in India cover only a very small segment of the workers. The workers employed in the public sector, are provided with a budget-financed medical and old age benefits. Out of an estimated work force of about 397 million only 28 million workers are having the benefits of formal social security protection. About 24 million workers were covered under various employees provident funds schemes and about 8 million workers were covered under the ESIS, in addition to about 4.5 million under the Workmen Compensation Act and about 0.5 million under the Maternity Benefit Act in the year 2000.

Social Security Laws

4.2 The social security legislations in India derive their strength and spirit from the Directive Principles of the State Policy as contained in the Constitution of India. These provide for mandatory social security benefits either solely at the cost of the employers or on the basis of joint contribution of the employers and the employees. While protective entitlements accrue to the employees, the responsibility for compliance largely rests with the employers. The major enactments are:

Employee's Provident Funds and Miscellaneous Provisions Act, 1952

4.3 The Employee's Provident Funds and Miscellaneous Provisions Act, 1952 is a welfare legislation enacted for the purpose of instituting a Provident Fund for employees working in factories and other establishments. The Act aims at providing social security and timely monetary assistance to industrial employees and their families when they are in distress and/or unable to meet family and social obligations and to protect them in old age, disablement, early death of the bread winner and in some other contingencies.

Coverage

4.4 The Act is applicable to factories and other classes of establishments engaged in specific industries, classes of establishments employing 20 or more persons. The Act, however does not apply to cooperative societies employing less than 50 persons and working without the aid of power. The Act also does not apply to employees of the Central Government or State Government or local authority. The Central Government is empowered to apply the provisions of this Act to any establishment employing less than 20 persons after giving not less than two months notice of its intent to do so by a notification in the official gazette. Once the Act applied, it does not cease to be applicable even if the numbers of employees falls below 20. An establishment/factory which is not otherwise coverable under the Act, can be covered voluntarily with mutual consent of the employers and the majority of the employees under Section 1(4) of the Act thus membership of the fund is compulsory for Employees drawing a pay not exceeding Rs. 6500 per month (at the time of joining). Every employee employed in or in connection with the work of a factory or establishment shall be entitled and required to become a member of the fund from the date of joining the factory or establishment. Employees drawing more than Rs. 6500 per month at the time of joining may become member on a joint option of employer and employee. The Act is currently applicable to factories and other establishment engaged in about 180 specified industries, class of establishments employing 20 or more persons. (Industries are specified in Schedule I of the Act)

Schemes under the Employees Provident Fund and Miscellaneous Provisions Act, 1952

- 1. Employees Provident Fund Scheme, 1952**
- 2. Employees Deposit Linked Insurance Scheme, 1976.**
- 3. Employees Pension Scheme, 1995 (erstwhile FPS 71)**

Employee Provident Fund Scheme, 1952

Contribution

4.5 The normal rate of contribution to the Provident Fund by the employees and employers each is 12 % of the pay of the employees. The term wages includes basic wage, dearness allowance, including cash value of food concession and retaining allowances. However for few industries the rate of contribution is 10 % each by employers and employees. Under the scheme (para 69), member may withdraw the full amount standing to his credit in the fund in the event of:

- retirement from service after attaining the age of 55years;
- retirement on account of permanent and total incapacity;
- migration from India for permanent settlement abroad;
- termination of service in the course of mass or individual retrenchment
- termination of service under a voluntary scheme of retirement framed by employer and employee under a mutual agreement.

Employees Pension Scheme,1995

4.6 The Employees' Provident Funds Miscellaneous Provisions Act,1952 was amended and a separate Pension Scheme was launched from November 16,1995 replacing the then Employees family Pension Scheme,1971.

Benefits

- Superannuation pension
- Early pension
- Permanent total disablement pension
- Widow or widower's pension
- Children pension or orphan pension
- Nominee pension/dependent parents pension.

Contribution

- From and out of the contributions payable by the employer in each month to the Provident Fund, a part of contribution representing 8.33% of the employee's

- pay is remitted to the Employee's Pension Fund. Employer to pay for cost of remittance.
- The Central Government contributes 1.16% of the pay employee to the Employees' Pension Fund.
 - If the pay of the employee exceeds rupees 6500 per month, the contribution payable by the employer and the Central Contribution will be limited to the amount payable on his pay of rupees 6500.

Pension Criteria

- **Superannuation pension will be payable on attaining the age of 58 years and on completion of 20 years of service or more.**
- **Early pension can be taken at a reduced rate between 50-58 years of age, on completion of 10 years Pensionable service or more.**
- **No pension for less than 10 years of service ---lump sum withdrawal benefit is paid in such cases.**

Employee's Deposit linked Insurance Scheme, 1976

Contribution

4.7 Under the Scheme the employers make contributions to the Insurance Scheme, the employees are not required to contribute to the insurance scheme. the Contribution of employer not to exceed more than one percent of the aggregate of the basic wages, dearness allowance and retaining allowance .for the administration of Insurance Scheme the employer also has to pay administrative charges @ 0.05% of wages.

Benefits

4.8 Under the Scheme, the nominees/ members of the family of the employees of the covered establishments get in the event of death of the employee while in service, an additional amount equal to the average balance in the provident fund account of the deceased during the preceding 12 months wherever the average provident fond

balance is less than Rs 35000. In case where the average provident fund balance of preceding twelve months exceeds Rs.35000, the amount payable shall be Rs. 35000 plus 25% of the amount in excess of Rs. 35000 subject to a ceiling of Rs. 60,000.

New Initiatives to streamline the working of the EPF Scheme

Business Process Re-engineering

4.9 The "Re-inventing EPF, India" Project initiated in June 2001 is the dénouement to more than a decade of initiatives to address the evolving needs of the Organization and keep it attuned to the momentous structural changes in the Indian Economy as it adopted liberalization and globalization. The Economy was witnessing a shift in focus from the traditional sectors to a rapid development of the services sector. There was a growing tendency to outsource services and activities even in the traditional sectors that was creating a steady rise in the employment potential of a new class of workers in these sectors.

4.10 The wide ranging and sweeping changes in the Economy, presented the Organization with a fresh set of mandates to address the social security needs of the new class of employees that had emerged as well as the set of employees who were in the covered unorganized sector like migrant labourers, brick kiln workers, building industry workers, home workers in the Bidi industry that had hitherto stayed outside the fold of the social security net. The need of the hour was to devise policies to reach out to this set of people and instill and foster confidence in them in Organization's capability to handle moneys for them in a safe and secure manner for the welfare of the workers and their families. This could be achieved only by raising the service delivery quality and the options for the target population.

4.11 The existing work processes of the Organization were originally designed for the organized sector of the Economy that was under the ambit of the Employees' Provident Funds & Miscellaneous Provisions Act, 1952 had reached a point its trajectory where they were found to be woefully inadequate to address the emerging needs and had admittedly outlived its purpose. These processes, obsolete and

cumbersome as they were, had become the stumbling block in the desire of the Organization to meet the mandate enforced by the new Economic scenario and devise new products and services for the new class of employees and to raise the service/benefit delivery standards of the Organization.

4.12 It was under this backdrop that the Organization set out in its ambitious project to realize the mandates presented to it by re-inventing and re-positioning itself as a world class Organization offering world class products and services and in the process registering geometric growth to bring the maximum number of the working population under the fold of social security.

4.13 With the intent of realizing all round efficiencies and effectiveness and the desirability of the introduction of computerization in all the functional areas of the Organization, the Executive Committee, CBT, EPF in its 30th meeting held on 05.03.1999, had set up a Multi Disciplinary Expert Committee in the area of information technology and business process re-engineering. This Committee was assisted by cross-functional experts in Pension, Compliance, PF claims, Finance & Accounts. The Multi Disciplinary Expert Committee was given a mandate to study the existing processes and systems and chart out a road map for implementation of IT reforms in EPFO to realize the goals set by the Central Board of Trustees, EPF and Executive Committee, CBT, EPF.

4.14 The study conducted by the Multi Disciplinary Experts Committee clearly brought out the bottlenecks in the existing processes and systems and highlighted the areas of functioning that would require drastic improvements-

- The benefit delivery mandate of 30 days is not achieved in respect of the majority of claims.
- The Updation of member accounts takes place with a lag of one year; further there is considerable backlog in respect of this activity.
- The coverage process is very subjective and not driven by any scientific information.

- The process of default detection and follow up actions thereon have become too ineffective in the result that a significant number of defaults go unnoticed for a considerable period of time.
- The grievance redressal process does not inspire any confidence.
- The existing technology application is not holistic in its approach and more significantly was not preceded by any re-engineering of the existing process.
- The loss on account of pipeline money from collection points (Base branches) to link branches and withholding money in link branches awaiting cheques for clearance was estimated to be above Rs. 50 crores a year.
- The conflicts in each work area have cascading effect in bringing down the efficiency of the organization.
- The past computerization efforts did not lead to leveraging benefits of the computerization because the work was done on batch process mode. No relational database was created. None of the software program talked to each other. There was no security to data, as the data can be manipulated by anyone in the EDP Cell without any audit trail. Most important shortcoming was that the initial combination of Unix 2.0 version and Fox base was never upgraded, a combination, which is not supported now. In a way EPFO missed the PC revolution of the 90's and did not undertake a technology upgradation and is a prisoner of an old archaic technology.

4.15 The Multi Disciplinary Expert Committee set out clearly measurable business goals under the project for IT reforms. This report and implementation road map was accepted and approved by the Executive Committee in its 33rd meeting held on 14.03.2000. As per the recommendations of the Multi Disciplinary Expert Committee and by following extant instructions in this regard, tenders were invited and the contract was awarded to **M/s. Siemens Information Systems Ltd. (SISL)** as a Consultant to the project named "Re-inventing EPF India". **The identified policy goals** of the project are as follows:-

- (i) To replace the existing system with an information driven system that creates a compelling environment and facilitates voluntary compliance and promotes pro compliance choice among the employers by reducing compliance costs and by encouraging employers to move into the mainstream of compliance;
- (ii) to create an institutional system that habitually identifies and tracks delinquency without exception and within a reasonable period of time and at an affordable cost;
- (iii) to register a geometric growth in the number of covered establishments and in the number of enrolled subscribers;
- (iv) to create a system that makes available to subscriber members access to their individual accounts at any place and at any time;
- (v) to achieve a turn around time between receipt of a claim and issue of cheque to a subscriber within two (2) to three (3) days;
- (vi) to create an accounting system that is able to maintain real time updated running ledger accounts of the subscribers; and
- (vii) to retool accountancy and book keeping in order to establish a system that is effective and secure with audit trails and authorization levels and to have a constant system of reconciliation in accordance with internationally accepted and bench marked accounting procedures.

4.16 With the above mentioned Project mandates in view, the Project team consisting of professionals of SISL as well as officers of EPFO has been working on the Project since July 2001. The following work was required to be done by the project team:

- I. Business Process Re-engineering
 - (i) Mapping of existing business process i.e. practice and procedure prevalent in the field offices.
 - (ii) Mapping the prescribed procedure as per the manual.
 - (iii) Gap analysis between prescribed procedure and existing procedure.
 - (iv) Conceptualizing the re-engineered or “To Be” procedure.

- (v) Detailing the new procedure and documenting it in the form of a BPR report.
- II Re-tooling of accounting practices and procedure
 - (i) Mapping of existing practice.
 - (ii) Mapping the deviations from prescribed practice and procedure.
 - (iii) Conceptualizing the re-engineered or “To Be” procedure.
 - (iv) Shift from present single entry system to double entry system to conform to international accounting practices.
 - (v) Detailing of the “To Be” procedure for incorporation in the BPR report.
- III Conceptualizing and recommending the hardware and network architecture necessary for supporting the re-engineered business processes for meeting the project goals.
- IV. Development of application software to IT enable the recommended business processes.
- V. Conceptualizing development and implementation of SSN.
- VI. Implementation of the new software and processes in six pilot sites.
- VII. Training in the pilot sites for new processes.

4.17 The overall Project can be conceptualized as comprising of four distinct phases. Submission of the **Business Process Re-engineering Report** by the consultants marks the completion of two phases out of the four conceptual phases of the Project. **The two completed phases are the Re-engineering of the existing processes and the Re-design of the accounting system** flowing from the current single entry system to a double entry system of book-keeping. **The remaining two phases comprise the development of the Application Software to support the proposed business processes and the pilot implementation of the Re-designed system.**

4.18 The consultants have since developed and submitted the application software which is being subjected to a rigorous user testing by a dedicated team of EPFO

officials drawn from various offices of the organization. The Technical Architecture required for the implementation of the Project has been put in place and a concerted effort is being made to implement the project at the pilot centres. The preparatory activities required for data migration and commencement of the project has been taken up and the implementation is expected soon.

4.19 After implementation of the Project, the tangible benefits that is expected are as under:-

- Information driven **coverage of all the coverable Establishments.**
- **Real time default detection** and follow up action thereon.
- **Benefit delivery within 2 to 3 days** in respect of all the claims, which are complete.
- **Scientific accounting** of the monies based on the established accounting standards.
- **Updation of Members account on real time basis and real time access convenience** to the members to their accounts.
- **Efficient fund flow management** duly taking advantage of technology available and saving of loss to bank on the 'float'.
- **Long-term savings on telephone/fax.** This would reduce the impact on the miscellaneous expenditure.
- The settlement of claims which includes 80% resignation cases would be reduced substantially with the introduction of SSN.
- **Highly effective grievance settlement machinery.** With the reduction of number of claims, the number of grievances will come down.
- **Savings on the cost of returning claims.**
- **Efficiency increase with target time of 3 days for claim settlement.**
- **Increase in customer satisfaction levels.**
- With accurate database proposed in the Re-engineered Business Process, the reliability of statistics/data is expected to rise. In such scenario, we shall be able to **sustain the scheme using scientific approach and take corrective measures as and when the problems surface.**

- Anytime anywhere services will **reduce the cost to the subscribers** as they need not visit the office where they are registered and the records are kept.
- Since the subscribers can have access to his account anytime, this would lead to **transparency and provide public confidence** in the institutions of the government.
- **Enhancement of handling capacity** manifold.
- Labour market movement, gender, occupation/industry wise labour data, job and wage profiles etc. will get created as **a by product for strategic management and for policy evaluation, formulation and for research.**
- **Prevent exponential growth in manpower and attendant costs.**

Social Security Number (SSN) Initiative

4.20 The Social Security Number (SSN) initiative was taken up as a smaller component of the overall project. The Social Security Number aims at uniquely identifying a subscriber, nationally. This will ensure that the primary problem of a mobile workforce is addressed and at the same time issue SSN to every working person. SSN will be allotted to each member ensuring that a member does not have another SSN allotted by EPFO and the same SSN is not allotted to any other member

4.21 The SSN was meant to address the needs of a largely mobile and seasonal workforce with no fixed address or contact point as well as to avoid the possibility of multiple accounts for same member. The SSN would be an intelligent means of administering subscriber identification and uniqueness that are necessary because a of member's identity is essential for each claim and in this scenario a member is directly recognised by EPFO without dependence on employer for attestation.

4.22 The SSN initiative provides the means to build a clean and validated member database for the complete re-engineered system. The SSN minimizes the possibility of multiple pension claims for same person, and other fraudulent practices. The SSN allotment will enhance the image of EPFO and provides the possibility of its use in a wider perspective as Workforce Identifier and Proof of Identity by other agencies.

4.23 The SSN allotment is based on the reliability of Personal Data for Identification and ensures quick access and retrieval of Data. It provides ease-of-use for members and EPFO, support for customer convenience and usability of the system in Indian Environment. The SSN has conformance to Established Standards of ISO and BIS for numbering scheme and ILO guidelines for identification scheme. It provides for design for the Future with scalability of numbering scheme and flexibility for incorporating future identification needs.

4.24 The SSN data collection activity has been commenced and the data collection activity has been outsourced to a data collection vendor. The identified data collection vendor is required to establish data collection camps where SSN forms of members are accepted. Form filling assistance is also being provided to members to fill up the forms correctly. Properly filled up forms are also being accepted from employers. Till date more than 30 lakh SSN have been allotted and the data collection and number allotment exercise has been commenced in all offices of EPFO and entire activity is expected to be completed within 12 months.

Employees State Insurance Act,1948

4.25 The question of introducing a Health Insurance Scheme in India was engaging the attention of the Royal Commission on Labour appointed in 1929. However, the publication of the Beveridge Report in 1942 outlining a health insurance scheme for industrial workers in the United Kingdom renewed the interest for introducing a similar health scheme in India. This, coupled with the mounting pressure from trade-unions for positive action for introducing social security scheme for industrial workers culminated in appointment of Professor B.P. Adarkar by the Govt. of India to prepare a scheme of health insurance for industrial workers. On August 15, 1944, Professor Adarkar submitted a scheme of health insurance for workers to the Govt. of India for covering workers below a certain wage ceiling in three major groups of industries: Textile, Engineering and Minerals & Metals. The Scheme was intended to provide medical care and sickness benefit for insured persons.

4.26 Before proceeding to enact a health insurance law, the Govt. of India sought the technical assistance from the ILO for carrying out an expert examination of the scheme prepared by Prof. Adarkar. Accordingly, two ILO Experts, M. Stack and R. Rao examined the scheme and while agreeing with the fundamental principles laid down by Adarkar regarding coverage of contingencies, the financial participation of the provincial governments and the adoption of an integrated scheme covering sickness, maternity and employment injury. However, one important aspect on which they differed with him was the administration of medical benefits. While Prof. Adarkar had recommended that the medical services under the scheme should be the responsibility of the Insurance Institution itself, the ILO experts, anticipating the greatly increasing facilities for medical care and public health in all parts of the country would make it difficult to justify the establishment of a separate medical organization by health insurance institution itself.

4.27 Prof. Adarkar's Scheme and the suggestions made by the ILO experts were incorporated into the Workmen's State Insurance Bill of 1946, which was passed by the Legislative Assembly in April 1948 as the Employees' State Insurance Act. This was, in fact, the first social legislation adopted by the country after independence.

The Scheme

4.28 The ESI Act, 1948 presently applies to the factories using power in the manufacturing process and employing 10 or more persons and non-power using factories, shops, hotels and restaurants, cinema and preview-theatres, road-motor transport undertakings and newspaper establishments employing 20 or more persons. The employees of factories and establishments drawing wages upto Rs.7,500/- per month are covered under the Scheme.

4.29 The Scheme is administered by a Corporate Body called the Employees' State Insurance Corporation which has the members representing employers, employees, Central & State Governments, medical profession and the Parliament. A Standing

Committee constituted from amongst the members of the Corporation acts as the Executive Body for administering the Scheme. There is a Medical Benefit Council to advise the Corporation in matters connected with provision of medical care. The Director General who is the CEO of the Corporation is also an Ex-Officio Member of the Corporation and its Standing Committee.

4.30 The Scheme is financed mainly by contributions from employers and employees. While the employer's share of contribution is 4.75% of the wages payable to employees and employees' share of contribution is 1.75% of their wages. Employees drawing wages upto Rs.50/- per day are not required to contribute. However, employer's are required to pay their share of contribution. The State Government's share of expenditure on provision of medical care is to the extent of 12.5% of the total expenditure on medical care in their respective States subject to a per capita ceiling prescribed by the Corporation from time to time, beyond which the expenditure is borne by the State Govts.

4.31 The details of number of States/UTs. covered, number of Centres, number of employees, IPs, beneficiaries, employers, number of dispensaries, hospitals and Revenue Income and Revenue Expenditure for the years 2000-2001 to 2004-05 are given below.

	<u>POSITION AS ON</u>				
	<u>31.3.01</u>	<u>31.3.02</u>	<u>31.3.03</u>	<u>31.3.04</u>	<u>31.3.05</u>
❖ Number of implemented centres	677	678	687	689	718
❖ Number of Employers covered	2.38 lacs	2.48 lacs	2.54 lacs	2.63 lacs	2.81 Lacs
❖ Number of Employees covered	77.54 lacs	71.59 lacs	70.00 Lacs	70.82 lacs	75.70 Lacs
❖ Number of Insured	84.93	80.04	78.28	79.12	84.98

Persons	lacs	lacs	Lacs	Lacs	Lacs
❖ Number of Insured Women	14.64 lacs	14.05 lacs	14.30 Lacs	13.47 Lacs	15.43 Lacs
❖ Number of beneficiaries	3.30 crores	3.11 crores	3.04 crores	3.07 crores	3.30 crores
❖ Number of Branch Offices/Pay Offices	846	837	840	808	811
❖ Number of ESI Hospitals	141	141	142	143	144
❖ Number of ESI Annexes	43	43	43	43	42
❖ Number of beds in ESI Hospitals	22620	22620	22,834	23,063	23,063
❖ Number of beds in ESI Annexes	867	867	867	849	849
❖ Reserve beds in other hospitals	3436	3165	3,148	3,187	3,187
❖ Number of ESI Dispensaries	1453	1451	1,447	1,452	1,427
❖ Number of Insurance Medical Officers	6222	6240	6812	7171	6,960
❖ Number of Insurance Medical Practitioners	2950	2789	2651	2,511	2,135
❖ Revenue Income (Rupees in crores)	1564.28	1730.19	1704.81	1975.64	2246.06
❖ Revenue Expenditure (Rupees in crores)	1082.58	1104.12	1118.32	1170.48	1258.19

Provision of Cash & Medical Benefits

Cash benefits:

1. **Sickness Benefit** : payable in cash at the rate of about 50% of wages for a maximum of 91 days in a year extendable upto 2 years (ESB) in case of 34 specified long term diseases at a higher rate of about 70% of wages. Enhanced Sickness Benefit for 7 days in case of vasectomy and 14 days for the tubectomy at full wages is also payable.
2. **Maternity Benefit** : payable for 12 weeks for confinement, six weeks for miscarriage and additional one month for sickness arising out of pregnancy at the rate of about full wage.
3. **Temporary Disablement Benefit** : payable at the rate of about 70% of wages till the disability is there.
4. **Permanent Disablement Benefit** : payable in the form of periodical payment for life depending upon the extent of loss of earning capacity determined by a duly constituted Medical Board. Full rate of benefit is about 70% of wages.
5. **Dependants' Benefit** : payable to the dependants in the contingency of death of insured person due to employment injury at the rate of about 70% of wages.
6. **Funeral Expenses** : actual expenditure on the funeral of a deceased insured person upto Rs.2500/- is reimbursable to any person incurring the same.
7. **Rehabilitation Allowance/ Vocational Rehabilitation Allowance** : payable at full wage during the period an I.P. remains admitted in artificial limb centre for fixation/repair/replacement of artificial limbs. Further cash benefit @Rs.123/- per day or the amount charged by Vocational Rehabilitation Centre is also payable during the duration of vocational rehabilitation training availed by the disabled I.P. at a Vocational Rehabilitation Centre.
8. **Unemployment Allowance** : payable for a maximum of six months to I.Ps losing employment due to closure of factory/ retrenchment/ permanent invalidity @50% of the wages.

Medical Benefits:

4.32 The medical care services under ESI scheme in the states are provided by the respective State Government except in Delhi and Noida where the medical care services are provided directly by ESI corporation. Besides this ESI Corporation is also running one hospital in the state (which has been designated as Model hospital) and five Occupational Disease Centers.

4.32 Medical care services to beneficiaries are provided by two ways:-

- Direct Provision through ESI schemes own network of dispensaries, diagnostic centers and hospitals.
- Indirect Provision by contracting with private clinics (panel system), diagnostic centers and hospitals.

4.33 ESI Scheme is providing medical care under different systems depending upon the requirements of the region. The various system prevalent are:-

- Allopathy
- Ayush which include Ayurveda, Sidha, Unani, Homeopathy and Yoga
- ESI Scheme provides all three different levels of care i.e. Primary care, Secondary care and Tertiary care (Super specialty care). Primary care is provided through dispensaries & panel clinics. Secondary care is provided through diagnostic centers and hospitals. Tertiary care is provided by entering into tie up arrangement with specialized private and government diagnostic facilities and hospitals.

4.34 ESI scheme is providing full medical care to its beneficiaries which includes preventive, promotive, curative and rehabilitative services. The various benefits available are:-

- Health education
- Family welfare services

- Immunization services
- HIV and AIDS control services
- Outpatients, inpatients, emergency medical services
- Diagnostic laboratory and radiological services
- Antenatal, natal and post natal services
- Occupational health services
- Super specialty services including specialized investigations
- Physical and vocational rehabilitation
- Ambulance services
- Artificial aids and appliances such as spectacles, dentures, hearing aids, artificial limbs etc.
- Drugs and dressings

4.35 Expenditure on medical care is shared between ESI Corporation and the State Government in the ratio of 7 : 1 within the prescribed ceiling which is revised from time to time. The current ceiling is Rs 900 per IP family unit per annum with two sub heads Rs 540 administrative and Rs 360 others. The expenditure over and above the ceiling has to be borne by state government. There is no limit on the per capita expenditure on individual medical care. ESI Corporation is also incurring expenditure outside the ceiling fully and on sharable basis on various items.

Major initiatives taken by the corporation in recent past for effecting improvement in the scheme:

4.36 The Corporation has gradually increased the scope of coverage to bring more and more employees within the social security umbrella. Some of the major steps taken in this direction were as under –

Initially the scheme applies only to factories using power and employing 10 or more persons. Based on the recommendation of a Committee on Perspective Planning (1972), the Corporation gradually extended the threshold for coverage to

non-power using factories employing 20 or more persons. Side by side several non-factory establishments such as shops, hotels & restaurants, cinemas including preview theatres, road-motor-transport undertakings and newspaper establishments employing 20 or more persons were brought within the purview of the scheme by using the enabling provisions of Section 1(5) of the Act, which empower the appropriate Govt. to extend the scheme to new categories of establishments.

4.37 The Scheme, which started with just two centres, namely, Delhi and Kanpur w.e.f. 24.2.1952, to-day, applies to 718 centres in 25 States and Union Territories covering 84.98 lakh insured persons and a total of 329.73 lakh beneficiaries. This was achieved by phased implementation of the scheme with the cooperation of the concerned State Governments in so far as the States have to first create necessary infrastructure for providing medical care before the scheme can be extended to a new area.

4.38 Initially when the scheme was introduced only employees drawing wages upto Rs.400/- were covered under the Scheme, the wage ceiling for coverage was gradually extended from time to time to keep pace with rise in the wages due to increase in the cost of living index. The ceiling was enhanced from Rs.400/- to Rs.500/- in 1966, Rs.1,000/- in 1975, Rs.1,600/- in 1985, Rs.3,000/- in 1992, Rs.6,500/- in 1997, and Rs.7,500/- from 1.4.2004. The Corporation has since approved in its 136th meeting of the Corporation held on 15.6.2006 approved enhancement in the wage ceiling from Rs.7,500/- to Rs.10,000/- per month for the coverage of the workers. The Central Govt. has issued a notification on 21/22.7.2006 for inviting objections.

4.39 When the Scheme was initially introduced, medical care under the scheme was provided only to the insured worker himself. However, w.e.f. 1977 the medical care was also extended to families of insured persons.

4.40 The duration and rates of various benefits such as Sickness benefit, Extended Sickness Benefit, Disablement & Dependents' Benefit were also enhanced from time to time. The duration of Sickness Benefit was enhanced from 56 days to 91 days in two consecutive benefit periods w.e.f. 1.5.1977 to bring it at par with the standard laid down by the ILO for developing countries. Similarly, the rate of Disablement and Dependents' Benefit was enhanced from 125% to 140% of the standard benefit rate in case of employment injury sustained on or after 1981. The amount of periodical payments of Permanent Disablement Benefit and Dependents' Benefit was enhanced from time to time to keep pace with the increases in the cost of living index to compensate for erosion in the real value of these benefits. The last such enhancement was made w.e.f. 1.8.2002. The minimum daily rate of Dependents' Benefit was enhanced to Rs.14/- w.e.f. 1.1.90. The limit of daily wages upto which employees are not required to contribute to the scheme was enhanced from time to time. The last such enhancement was made from Rs.40/- to Rs.50/- per day w.e.f. 1.4.2004. The contributory conditions for Sickness Benefit were reduced from 91/92 days to 78 days in the relevant contribution period w.e.f. 19.9.98. Similarly, the contributory condition for maternity benefit were reduced from 80 days to 70 days in immediately preceding two contribution periods w.e.f. 19.9.98. The duration and the rate of Extended Sickness Benefit was also enhanced in the year 1994 and 2000. The rates for reimbursement of funeral expenses were enhanced from Rs.1,500/- to Rs.2,500/- w.e.f. 1.10.2000.

4.41 A Sub Committee of the Corporation known as General Purpose Medical Care Sub Committee comprising of representatives of employers and employees visits the States to supervise and monitor the functioning of the Scheme. Recommendations and observations of this committee are placed before the members of ESI Corporation.

4.42 In order to facilitate the flow of funds to the State Govts. a Scheme of Revolving Fund has been introduced. Under this, an amount as per requirement of State Govt. is kept with the Regional Directors for the purpose of super-speciality treatment of the

beneficiaries. The amount is also to be utilised for speciality treatment if not available in ESI institutions. This methodology has become very popular with the States, since the funds are directly and readily available. This Scheme has been further extended to cover expenses on drugs & dressings, AMCs and equipments and is operational in some States.

4.43 To give more flexibility to the States, the sub-ceilings within Rs.360 earmarked for other expenditure out of a total ceiling of Rs.900/- per I.P. family unit per annum, have been removed and the states are now free to allocate any amount on expenditure on drugs, super speciality, annual repairs & maintenance etc. as per their requirement.

4.44 Hospital Vigilance Committees have been constituted at the hospital level with the representatives of employees, employers and medical professions to monitor the activities of the hospital in a participative way.

4.45 A Perspective Plan has been drafted to take various steps with regard to removal of duality of control in administration, reorganization of hospitals and dispensaries infrastructure, upgradation of primary health care services, direct flow of fund to ESI scheme, utilization of rate contract for drugs and equipments, utilization of training funds and human resource development etc. The Perspective Plan aims at ensuring efficiency in service and cost effectiveness through optimum utilization of the already constructed infrastructure, wherein it has been proposed to upgrade and modernize hospital services wherever bed occupancy is good, open the services to general public wherein there is low occupancy of hospital but adequate coverage exists and involve Third Party Participation for the administration of hospitals, wherein the bed occupancy is low and there are inadequate number of IPs.

4.46 A scheme of model hospitals has been implemented in 2001 as per the decision of the ESI Corporation. As per the model hospital scheme one hospital in the state is to be taken over from the state government and run by ESI Corporation

directly. Till now twelve hospitals have been taken over from the state governments by the ESIC. Besides these Five ESIC hospitals cum Occupational Disease Centers are also functioning as model hospitals for these states.

4.47 A Project Implementation Plan 1999-2004 had been approved through World Bank/NACO to take up various activities for prevention and control of HIV/AIDS amongst ESI beneficiaries. Under this plan a number of Blood Banks, Blood Storage and STD clinics/VCTCs have been set up in ESI Hospitals.

4.48 To monitor the functioning of the Schemes regular inspections are taken up through the Medical Referees, SSMCs/SMCs, Regional Directors, Officers of the Hqrs. Office and Ministry etc. and remedial actions are taken on their observations.

4.49 Recent & Proposed Initiatives :

- **Rajiv Gandhi Shramik Kalyan Yojna (Unemployment Allowance Scheme) :**
Under this Scheme, insured persons losing their employment due to closure of factory/ establishment, retrenchment and permanent invalidity are provided unemployment allowance @about 50/% of wages for a maximum period of six months. During this period, the insured person and his family is also entitled for medical care.
- **Extension of ESI Scheme to Educational and Private Medical Institutions :**
The Corporation approved extension of ESI Scheme to educational institutions in its 125th meeting held on 21.2.2003. All the State Governments were accordingly requested to issue necessary notification under Section 1(5) of the Act. So far the States of Rajasthan, Bihar, Pondicherry, Jammu & Kashmir, Uttaranchal and Chhattisgarh have already issued the notification extending the scheme to educational institutions in their States. The ESI Corporation also approved extension of ESI Scheme to private medical institutions in its meeting held on 27.2.2005. The State Governments are in the process of issuing necessary notification.

- **Enhancement in Daily rate of Rehabilitation Allowance:** The Corporation has approved enhancement in the rate of daily allowance from Rs.43 per day to Rs.123 per day payable to disabled IPs due to employment injury and receiving training through Vocational Rehabilitation Centres under DGE&T w.e.f. 1.1.2006.
- **Implementation of ESI Scheme in the areas of Municipal Corporations/ Municipalities:** The ESI Corporation in its 130th meeting held on 1.2.2005 approved the implementation of ESI Scheme in the areas falling under Municipal Corporations/ Cantonment Boards where the scheme has not yet implemented. During the period 2005 to 2007 necessary action for implanting the scheme in all the remaining Municipalities is underway.
- **Enhancement in the wage ceiling for coverage from Rs.7,500/- to Rs.10,000/- :** The ESI Corporation in its 136th meeting held on 15.6.2006 has approved enhancement of wage ceiling for coverage of employees under the ESI Act from Rs.7500/- to Rs.10000/-. The matter is under consideration of Ministry of Labour & Employment for issue of final notification.
- **Reduction in threshold for coverage:** The ESI Corporation has also approved reduction in the threshold for coverage of employees to 10 both in the case of factories/establishments irrespective of whether power is used in the manufacturing process or not.
- **Implementation of ESI Scheme in new areas :** During the year 2005-06, the ESI Scheme was implemented in 90 areas covering 1.69 lakhs employees as per phased programme.
- **Setting up of zonal Super-Specialty Hospitals in four Zones :** In the 133rd meeting of ESI Corporation held on 7.7.05, a decision has been taken to set up four zonal super-specialty hospitals in Delhi, Kolkata, Hyderabad and Mumbai at a cost of Rs.50 crores each. Hospital Services Consultancy Service Corporation has been entrusted with the task of preparing the detailed project report for super-specialty hospital to be set up at ESI Hospital, Sanathnagar, Hyderabad at a pilot project.

- **Taking over of administration of ESI Medical Care Scheme by ESI Corporation :** ESI Corporation in its meeting held on 15.6.2006 has taken an in principle decision to take over the administration of ESI Medical Care Scheme from the State Governments in the States which give consent for the same. This would remove the difficulties being faced in the functioning of medical care scheme because of duality of control. The modalities are being worked out.

- **Financial sustainability of the ESI Scheme :** To ensure the financial sustainability of the ESI Scheme including medical scheme, the following measures are under consideration:-
 - (i) Utilization of spare capacity in the existing ESI Hospitals :** For optimum utilization of existing capacities of the ESI Hospitals, the opening of the services to general public on user charges is under considerations. In this regard, legal opinion has been sought from the Ministry of Labour/Law whether the same can be done within the provisions of the existing ESI act or amendment of the Act is required.

 - (ii) Running of ESI Hospitals through third party :** In the States where the State Governments are not willing to commission the newly constructed buildings of ESI Hospitals, it is proposed to run these hospitals by inviting third party participation which is under active consideration of the ESI Corporation Board.

 - (iii)To function as service providers for health insurance companies :**The issue of ESI Hospitals acting as Service Providers for the Insurance Companies at a pre-determined cost is also under consideration.

The Payment of Gratuity Act, 1972

Objective

4.50 The Act provides for a scheme of compulsory payment of gratuity to employees engaged in factories, mines, oil fields, plantations, ports, railway companies, motor transport undertakings, shops or other establishments.

Coverage

- Every factory, mine, oilfields, plantations, port and Railway Company.
- Every shop or establishment within the meaning of any law for the time being in force in relation to shops and establishments in a State, in which 10 or more persons are employed or were employed on any day of the preceding 12 months.
- Every motor transport undertaking in which 10 or more persons are employed or were employed on any day of the preceding 12 months.
- Such other establishments or class of establishments in which 10 or more employees are employed or were employed on any day of the preceding 12 months, as the Central Government may, by notification, specify in this behalf.

A shop or establishment once covered shall continue to be covered notwithstanding that the number of persons employed therein at any time falls below 10.

Entitlement

- Every employee, other than apprentice irrespective of his wages is entitled to receive gratuity after he has rendered continuous service for five years or more. Gratuity is payable at the time of termination of his services either (i) on superannuation or (ii) on retirement or resignation or (iii) on death or disablement due to accident or disease. Termination of services includes retrenchment. However, the condition of 5 years continuous service is not necessary if services are terminated due to death or disablement.

- In case of death of the employee, gratuity payable to him is to be paid to his nominee, and if no nomination has been made then to his heirs.

Calculation of Benefits

- For every completed year of service or part thereof in excess of six months, the employer pays gratuity to an employee at the rate of 15 days wages based on the rate of wages last drawn by the concerned employee.
- The amount of gratuity payable to an employee not to exceed (Rs 3, 50,000).

Administration

4.51 The Act is enforced both by the Central and State Government. Section 3 authorizes the appropriate government to appoint any officer as a controlling Authority for the administration of the Act. Mines, Major ports, oilfields, railways .factories and established owned or controlled by the Central Government and establishment having branches in more than one State, are controlled by the Central Government. The remaining factories and/establishments are looked after by the State Governments.

4.52 The Central/State Governments appoint the Controlling Authorities for different areas and inspectors, to ensure that the provisions of the Act are complied with. The Central/State Governments also frame rules for administration of the Act. In Maharashtra, the labour courts in different localities are notified as Controlling Authority for the administration of the Act.

The Maternity Benefit Act, 1961

4.53 The Maternity Benefit Act, 1961 is a piece of social legislation enacted to promote the welfare of working women.

Benefits

4.54 The Act prohibits the working of pregnant women for a specified period before and after delivery. It also provides for maternity leave and payment of certain monetary benefits for women workers during the period when they are out of employment on account of their pregnancy. The services of a woman worker cannot be terminated during the period of her absence on account of pregnancy except for gross misconduct.

Period of coverage

4.55 Maximum period for which a woman can get maternity benefit is twelve weeks. Of this, six weeks must be taken prior to the date of delivery of the child and six weeks immediately following that date.

The Works men's Compensation Act, 1923

4.56 The main objective of the Act is to impose an obligation upon the employers to pay compensation to workers for accidents arising out of and in course of employment.

Coverage

4.57 The Act applies to any person who is employed otherwise than in a clerical capacity, in railways factories, mines, plantations, mechanically propelled vehicles, loading and unloading work on a ship, construction, maintenance and repairs of roads and bridges, electricity generation, cinemas, catching or trading of wild elephants, circus, and other hazardous occupations and other employment specified in Schedule II to the Act, Under Section 2(3) of the Act, the State Governments are empowered to extend the scope of the Act to any class of persons whose occupations are considered hazardous after giving three months' notice in the official gazette. The Act, however, does not apply to members serving in the Armed Forces of Indian Union, and employees covered under the provisions of the Employees' State Insurance Act 1988 as disablement and dependents' benefit is available under this Act.

Entitlement

4.58 In order to be a “workman” within the meaning of Section 2(1) (n) of the Workmen’s Compensation Act, firstly, a person should be employed; secondly his employment should not be of a casual nature; thirdly, he should be employed for the purposes of the employer’s trade or business; and lastly, the capacity in which he works should be one set out in the list in Schedule II of the Act.

Benefits

4.59 The compensation has to be paid by the employer to a workman for any personal injury caused by an accident arising out of and in the course of his employment (Section 3).The employer will not be liable to pay compensation for any kind of disablement (except death) which does not continue for more than three days. If the injury is cause when the workman was under the influence of Alcohol or drugs or willfully disobeyed a clear order or violated a rule expressly framed for the purpose of securing the safety of workman or willfully removed or disregarded a safety devise. The rate of compensation in case of death is an amount equal to 50 per cent of the monthly wages of the deceased workman multiplied by the relevant factor or an amount of Rs. 50,000 whichever is more. Where permanent total disablement results from the injury, the compensation will be an amount equal to 60 per cent of the monthly wages of the injured workman multiplied by the relevant factor or an amount of Rs. 60,000, whichever is more. Where the monthly wages of a workman exceed two thousand rupees, his monthly wages for the above purposes will be deemed to be two thousand rupees only.

Administration

4.60 The State Governments administer the provisions of this Act through the Commissioners appointed for specified areas. The State Governments also make rules for ensuring that the provisions of the Act are complied with.

The Factories Act, 1948

4.61 The Factories Act, 1948 regulates the working conditions in the factories and ensures that basic minimum requirements for the safety, health and welfare of the factory workers are provided. The Act also envisages to regulate the working hours, leave, holidays, overtime, employment of children, women and young persons.

Coverage

4.62 The Act covers all workers employed in the factory premises or precincts thereof, directly or by through any Agency including a contractor, with or without the knowledge of the principal employer, whether for remuneration or not, in any manufacturing process or any kind of work incidental or connected thereto. The Act is applicable to all factories including government factories. A 'factory' as per section 2(m) means 'any premises including the precincts thereof (i) wherein 10 or more workers are employed on any day of the preceding 12 months and a manufacturing process is carried on with the aid of the power; or (ii) wherein 20 or more workers are employed on any day of the preceding 12 months and a manufacturing process is carried on without the aid of the power.

Administration

4.63 The State government is the Chief Administrative Authority that ensures enforcement of the Factories Act in its territory through the inspectorate, State Government is bound by such directions of the Central Government as it may give for executing the provisions of the Act.

Industrial Disputes Act, 1947

4.64 Chapter VA and Chapter VB of the Industrial Disputes Act, 1947 deal with Lay-off, Retrenchment and Closedown of any units.

Chapter VA

4.65 Chapter VA deals with those industrial establishment (Factory, Mines and units of plantations) which are not of seasonal character and in which at least 50 workmen on an average is employed for continuous period of at least one year.

4.66 Lay-off: In case an employee is Laid-off, the employer shall pay compensation for the days laid-off at the rate of 50% of the (basic Salary plus Dearness Allowance) subject to the Maximum of 45 days. If any employee is laid-of beyond 45 days the Employer can retrench such employee after paying retrenchment compensation.

4.67 Retrenchment: Under the Industrial Disputes Act, 1947, employer cannot retrench any employee unless:

- a) One month notice is served upon the employee or paid for in lieu of notice;
- b) Compensation is paid to such employee at the rate of 15 days salary multiplied by number of years of continuous service; and
- c) Notice of any such retrenchment must be made to the appropriate government.

4.68 Closedown: In case of closedown of any Industrial undertaking,. The employees are entitled to:

- a) Notice of 60 days before the intended date of closure.
- b) Compensation in the same rate as if retrenched. Provided that if the undertaking is closed on account of unavoidable circumstances the maximum compensation to be paid shall not exceed 3 months salary.

Chapter VB

4.69 Chapter VB deals with industrial undertaking where the number of employee is in excess of 100. The compensation for any lay-off, retrenchment and closedown is the same as that stated above under Chapter VA.

4.70 Lay-Off: Employer cannot layoff workers without seeking the prior written approval of appropriate authority as specified in the official gazette.

4.71 Retrenchment and Closedown: Employer cannot retrench or closedown an undertaking without the prior written approval of the appropriate authority. Employer is also required to serve a notice of at least 3 months before any such retrenchment or closedown can take place.

CHAPTER NO. 5

MINIMUM WAGES ACT

Objectives

5.1 The Minimum Wages Act was enacted in the year 1948 primarily to safeguard the interests of the workers engaged in unorganised sector who are vulnerable to exploitation due to illiteracy and lack of bargaining power. The Act binds the employers to pay the minimum wages to the workers as fixed under the statute and workers get protected against exploitation.

Provisions

5.2 Under the provisions of the Minimum Wages Act, 1948, both Central and State Governments are appropriate Governments to fix, review and revise the minimum wages of the workers employed in the scheduled employments under their respective jurisdictions. The appropriate Governments have also been empowered to notify any employment in the schedule where the number of employees is 1000 or more and fix the rates of minimum wages in respect of the employees employed therein. There are 46 scheduled employments in the Central Sphere while in the State Sphere the number of such employments is as many as 1530. The Minimum Wages Act does not provide for any discrimination between male and female workers or different minimum wages for them. All the provisions of the Act equally apply to both male and female workers.

Norms for fixation of Minimum Wages

5.3 The Minimum Wages Act has neither defined minimum wages nor has it laid down any norms/criteria for fixing the minimum wages. Many a times, the `minimum wages` get confused with `fair wages` and the `living wages`. The Committee on Fair Wages (1948) had given the concepts of living wages, minimum wages and fair wages as under :-

- (i) **Living wage:** Living wage should enable the wage earner to provide for himself and his family not merely the bare essentials of food, clothing and shelter but also a measure of frugal comfort including education of children, protection against ill health, requirements of social needs and a measure of insurance against the more important contingencies like old age.

- (ii) **Minimum Wage:** Minimum wage must provide not merely for the bare sustenance of life but for preservation of the efficiency of the worker. For this purpose the minimum wage must also provide for some measure of education, medical requirements and amenities.

- (iii) **Fair wage:** The Committee did not define fair wage but it indicated where it would lie in the context of the living and minimum wage. While the lower limit of the fair wage must obviously be the minimum wage, the upper limit is equality set by what may broadly be called the capacity of the industry to pay.

5.4 In the absence of any standard methodology, the norms recommended by the Indian Labour Conference, held in 1957 are taken into account while fixing the minimum wages. These are as follows: -

- a) 3 consumption units for one earner.
- b) Minimum food requirements of 2700 calories per average Indian adult.
- c) Clothing requirements of 72 yards per annum per family.
- d) Rent corresponding to the minimum area provided for under Government's Industrial Housing Scheme.
- e) Fuel, Lighting and other miscellaneous items of expenditure to constitute 20% of the total minimum wage.

5.5 There was a judicial pronouncement also in the year 1992 when the Supreme Court delivered a historic judgement in the case of Reptakos & Co. Vs. its workers that the children's education, medical requirement, minimum recreation including festivals/ceremonies, provision for old age, marriage etc. should further constitute 25%

of the minimum wage and used as a guide in fixation of minimum wages. The State Governments are requested from time to time to keep the above said norms and judicial pronouncement in view while fixing/revising the minimum wages. A statement indicating range of minimum wages of the unskilled workers across the country including Central sphere is placed at Annexure-I.

5.6 A Working Group was set up under the Minimum Wages Act, 1948 by the Central Advisory Board. The Group after having visited sites of backward areas in States of Chhattishgarh and Orisa and indepth analysis of the ground realities and detailed discussion recommended the following norms for fixation of minimum wages:

- a) The norm of 3 consumption units i.e. 2 adults plus 2 children for one earner.
- b) Minimum food requirement of 2700 calories per average Indian adult. This incidentally synchronizes almost with 2668 calories of basket of food items worked out as per capita food consumption in rural area reported by NSSO (55th Round) Consumer Expenditure Survey in 1999-2000, which may be accordingly calibrated with reference to NSSO quinquennial Surveys.
- c) The clothing requirement in terms of per capita expenditure as estimated by NSSO Consumer Expenditure Survey.
- d) The expenditure on fuel, lighting and miscellaneous as per ILC norms and expenditure on children's education, medical requirement etc. as per Supreme Court Judgment should also be determined by the results of Consumer Expenditure Survey conducted by NSSO.
- e) The minimum wages so determined using the guidelines as enumerated in a) to d) above would be applicable to the unskilled labour each for rural area and the urban area and in respect of each scheduled employment.
- f) The minimum wages for semi-skilled, skilled and highly skilled workers need not be fixed separately as these would automatically get settled at relatively higher levels.

5.7 Based on the norms suggested by the Working Group and its acceptance by the Central Advisory Board subsequently in its meeting held on 19.12.2003, national minimum wage has last been revised upwards to Rs. 66/- per day with effect from 1.02.2004.

Procedure for Fixation/Revision of minimum Wages:

5.8 Section 5 of the Minimum Wages Act, 1948 stipulates two methods for fixation/revision of minimum wages. These are Committee method and Notification method.

Committee Method: Under this method, committees and sub-committees are set up by the appropriate Government to hold enquiries and make recommendations with regard to fixation or the revision of the minimum wages as the case may be.

Notification Method: In this method, Government proposals are published in the Official Gazette for information of the persons likely to be affected thereby and specify a date not less than two months from the date of the notification on which the proposals are taken into consideration.

5.9 After considering advice of the Committees/Sub-committees and all the representations received by the specified date, the appropriate government shall, by notification, in the official Gazette, fix/revise the minimum wages in respect of the concerned scheduled employments and it shall come into force on expiry of three months from the date of issue.

Revision of minimum wages

5.10 According to the provisions contained in the Minimum Wages Act, 1948, the appropriate Government will revise the minimum wages in all the scheduled employments under its jurisdiction at an interval not exceeding five years.

5.11 Considering five years period too long to check price escalation, idea of Variable Dearness Allowance (VDA) was mooted in terms of recommendation of the

Labour Ministers' Conference held in 1988. Accordingly, VDA is revised periodically twice a year effective April and October.

Statutory Provisions

5.12 Section 12 and 13 of the Act protect the workers from possible exploitation. Section 12 prevents the employers from paying them any rate lesser than the prescribed minimum wage and that the wages shall be without any deduction except as authorised. Section 13 provides for fixation of number of hours in a working day and a rest day after a week. Therefore under this section the employer is prevented from deploying any worker beyond the prescribed time limit of work. Under section 22, an employer is punishable with imprisonment for a term of six months and/or fine upto Rs.500/- for contravention of any provision of the Act.

Enforcement

5.13 The enforcement of the provisions of the Minimum Wages Act, 1948 has been prescribed under provisions of the Act. It is secured at two levels. While in the Central Sphere, the enforcement is secured through the officers of the Central Industrial Relations Machinery (CIRM), the compliance in the State Sphere is ensured through the State enforcement machinery. The officers of these machineries are appointed as Inspectors under the provisions of the Act. They conduct regular inspections and in the event of detection of any case of non-payment of minimum wages, they advise the employers to make payment of the shortfall of wages. In case of non-compliance of advices of inspectors, there are the provisions of prosecutions also in the Act against the defaulting employers. In addition, special inspection drives are also undertaken for ensuring effective implementation of Minimum Wages Act. Details regarding enforcement of the Minimum Wages Act during 2003-04 is given at Annexure-II

5.14 **National Common Minimum Program (NCMP):** NCMP of UPA Government also envisages effective implementation of Minimum wages Act, 1948. It states "The UPA administration will ensure the fullest implementation of minimum wage laws for farm labour."

5.15 Prime Minister's Office has also directed for development and introduction of a system of external monitoring through civil society in respect of the actual implementation of minimum wage law in each State. Thus, all the Labour Secretaries have been requested to take suitable measures so that implementation of the Act can be monitored in a more transparent and effective manner.

5.16 Effective implementation of the Minimum Wages Act in the Central sphere was discussed in the All India Deputy Chief Labour Commissioners' (C)/Regional Labour Commissioners' (C) Conference held on 10-11 May, 2006 at New Delhi.

Steps taken to reduce disparities

Five regional committees

5.17 There is disparity in rates of minimum wages in various regions of the country. This is due to differences in socio-economic and agro-climatic conditions, prices of essential commodities, paying capacity, productivity and local conditions influencing the wage rate. The regional disparity in minimum wages is also attributed to the fact that both the Central and State Governments are the appropriate Government to fix, revise and enforce minimum wages in scheduled employments in their respective jurisdictions under the Act. To bring uniformity in the minimum wages of scheduled employments, the Union Government has requested the States to form regional Committees. At present there are five Regional Minimum Wages Advisory Committees in the country which are as under:-

Region

States/Uts covered

Eastern Region: West Bengal, Orissa, Bihar, Jharkhand., Chhattisgarh, Sikkim and Andaman & Nicobar Islands.

North Eastern Region: Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura.

Southern Region: Andhra Pradesh, Karnataka, Kerala, Tamil Nadu, Pondicherry and Lakshadweep.

Northern Region: Punjab, Rajasthan, Himachal Pradesh, Jammu & Kashmir, Haryana, Uttar Pradesh, Uttranchal, Delhi and Chandigarh.

Western Region: Maharashtra, Gujarat, Goa, Madhya Pradesh, Dadra & Nagar Haveli and Daman & Diu.

5.18 The meeting of the Regional Committee on Minimum Wages for the Northern Region has been held recently at Chandigarh on 19.4.2006 under the Chairmanship of Secretary, Ministry of Labour & Employment. Southern Region meeting on 28th June, 2006 at Trupati and North-Eastern Region meeting on 6th July, 2006 at Guwahati.

National Minimum Wage

5.19 In order to have a uniform wage structure and to reduce the disparity in minimum wages across the country, concept of National Floor Level Minimum Wage was mooted on the basis of the recommendations of the National Commission on Rural Labour (NCRL) in 1991. Keeping in view the recommendation of NCRL and subsequent rises in price indices, the National Floor Level Minimum Wage was fixed at Rs.35/- per day in 1996. The Central Government raised the national floor level minimum wage to Rs.40/- per day in 1998 and further to Rs.45/- w.e.f. 01.12.1999, and Rs. 50/- per day w.e.f. 1.9.2002 keeping in view the rise in consumer price index.

5.20 Based on the norms suggested by the Working Group and its acceptance by the Central Advisory Board subsequently in its meeting held on 19.12.2003, national floor level minimum wage has last been revised upwards to Rs. 66/- per day with effect from 1.02.2004. The national floor level minimum wage, however, has no statutory backing. The State Governments are persuaded to fix minimum wages

such that in none of the scheduled employments, the minimum wage is less than National floor level minimum wage. This method has helped in reducing disparity among different rates of minimum wages to some extent.

5.21 To sum up, effective implementation of the Minimum Wages Act, 1948, which primarily falls in the State sphere, is assiduously pursued by us through discussion, writing letters, personal interaction and visits to States, including the North-Eastern States. The State Governments are regularly asked to fix and revise minimum wages in scheduled employments to be at least at par with national floor level minimum wage of Rs. 66 per day. What they actually do is in keeping with their respective paying capacity.

CHAPTER NO. 6

UNORGANISED SECTOR

Introduction

6.1 The unorganized sector workers are those who have not been able to pursue their common interests due to constraints like casual nature of employment, invariably absence of definite employer-employee relationship, ignorance, illiteracy, etc. The unorganised workers are also generally low paid and a majority of them are devoid of any of the social security benefits like life and medical insurance, health care, maternity benefits, and old age pension etc. which are available to the workers in the organised sector under the Employees State Insurance Act, 1948; the Employees Provident Funds and Other Miscellaneous Provisions Act, 1952 and the Factories Act, 1948 etc.

Magnitude of Workforce in the Unorganised Sector

6.2 The National Sample Survey Organisation (NSSO) carried out a sample survey in 1999-2000 and its results showed that out of total workforce of 397 million, only 28 million workers are employed in the organised sector and remaining in the unorganised sector.

Characteristics of Unorganised Sector

6.3 The unorganized sector workers can be categorised broadly into four categories i.e.

(i) **Occupation:** Small and marginal farmers, landless agricultural labourers, share croppers, fishermen, those engaged in animal husbandry, in beedi rolling beedi labelling and beedi packing workers in building and construction, etc. (ii) **Nature of Employment:** Attached agricultural labourers, bonded labourers migrant workers,

contract and casual labourers come under this category (iii) **Specially distressed categories:** Toddy tappers, scavengers, carriers of head loads, drivers of animal driven vehicles, loaders and unloaders belong to this category and (iv) **Service categories:** Midwives, domestic workers, fishermen and women, barbers, vegetable and fruit vendors, newspapers vendors etc. come under this category.

6.4 The Government has enacted certain legislations for the protection of these workers. Some of the legislations applicable to the workers in the unorganised sector include the Workmen Compensation Act, 1923; the Minimum Wages Act 1948; the Maternity Benefit Act, 1961, the Contract Labour (Abolition & Prohibition Act, 1970; the Bonded Labour System (Abolition) Act, 1976; the Inter-State Migrant Workmen (RECS) Act, 1979; the Building and Other Construction Workers (RECS) Act, 1996; and the Building and Other Construction Workers Welfare Cess Act, 1996.

Social Security for Unorganised Sector Workers

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

- Central Legislations including Welfare Funds;
- Social assistance through welfare funds of Central
- Social insurance schemes;
- State Legislations including Welfare Funds; and
- Public initiatives.

Central Legislations including Welfare Funds

6.6 The Central Government through the Ministry of Labour and Employment operates five Welfare Funds for beedi workers, limestone & dolomite mine workers, iron ore, chrome ore & manganese ore mine workers, mica mine workers & cine workers created under the following Acts:

- a) The Mica Mines Labour Welfare Fund Act (1946),
- b) The Lime Stone and Dolomite Mines Labour Welfare Fund Act (1972),
- c) The Iron Ore, Manganese Ore and Chrome Ore Mines Labour Welfare Fund Act (1976),
- d) The Beedi Workers Welfare Fund Act (1976), and
- e) The Cine Workers Welfare Fund Act (1981).

6.7 All above funds are financed out of proceeds of cess levied on manufactured beedis, export of mica, consumption of limestone & dolomite and consumption and export of iron ore, manganese ore and chrome ore and feature films respectively.

6.8 The Welfare funds are utilized to implement welfare schemes for these workers in areas of housing, health & medical care, education to the children and recreational facilities to workers. The details of the schemes are as under:

Housing: A subsidy of Rs. 40,000/- is given to the workers under the welfare funds for construction of house except for cine workers.

Health & Medical Care: Apart from regular medical care facilities through 10 hospitals and about 300 dispensaries, there is provision of reimbursement of expenditure up to Rs. 1.30 lakh for heart disease and Rs. 2 lakh for kidney transplant, Rs. 30 thousand for minor surgeries and full reimbursement in case of cancer treatment. The scheme also provides for an amount of Rs. 150/- for purchase of spectacles, reservation of bed in T.B hospitals, treatment and subsistence allowance not exceeding Rs. 750/- p.m. in case of tuberculosis.

Education: An annual scholarship of Rs. 250 for children of such workers studying in class I to Rs. 8000 for children studying in BE/MBBS class is available.

6.9 About 50 lakh workers and members of their families are getting benefits under these schemes.

Building & Other Construction Workers

6.10 The building and other construction workers constitute second largest segment of the unorganized sector in India. According to the sample survey conducted by NSSO in 1999-2000, about 1.76 crore workers are employed in the construction activities. The Government have enacted the following legislations for the construction workers.

- The Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996;
- The Building and Other Construction Workers' Welfare Cess Act, 1996

6.11 These legislations provide for regulating the employment and conditions of service, safety and health and welfare measures for the construction workers. A Welfare Fund at the State level can be constituted by way of levy of cess @ 1% on all constructions costing more than Rs. 10 lakh. The Fund is to be used for giving financial assistance to the families of beneficiaries in case of accident, old age pension, housing loans, group insurance, children's education, medical and maternity benefits, etc. The states of Kerala and Pondichery, Delhi, Madhya Pradesh, Gujarat, Uttaranchal and West Bengal have started its implementation. Tamil Nadu has been implementing its own legislation. Kerala, the first state to start its implementation has created a corpus of Rs. 300 crore (app.) by now.

Centrally Funded Social Assistance/Employment Generation Schemes

6.13 **National Old Age Pension Scheme (NOAPS):** The Government has been implementing National Old Age Pension programmes for destitute persons of more than 65 years of age. The amount of pension which was Rs. 75/- p.m. per beneficiary till now has been increased to Rs 200/-p.m. In addition to the central share, some States by adding their own share give pension at the enhanced rates.

6.14 **Swarnajayanti Gram Swarozgar Yojana (SGSY);** The objective of the scheme is to bring the self-employed persons above the poverty line by providing them income-generating assets through bank credit and Government subsidy. Up to November 2005 (the Centre and States, sharing the costs on 75:25 basis), an amount of Rs. 6,980 crore had been utilized to assist 62.75 lakh self-employed.

6.15 **Sampoorna Grameen Rozgar Yojana (SGRY);** The Sampoorna Grameen Rozgar Yojana was launched in September 2001. The objective of this programme is to provide additional wage employment in the rural areas as also food security and creation of durable community, social and economic infrastructure in the rural areas. 48.75 crore mandays were created under this scheme upto November 2005 (2005-06). The Centre's contributions in terms of the cash and foodgrains components up to January, 2006 were Rs. 4651 crore and 35 lakh tones, respectively. Under the special component, about 11.65 lakh tones of foodgrains have been released to the 11 calamity-hit States in the current year.

6.16 **Indira Awas Yojana (IAY):** The Government is implementing Indira Awas Yojana (IAY) with the objective to provide dwelling units, free of cost, to the Scheduled Castes (SCs), Scheduled Tribes (STs), and freed bonded labourers, and also the non-SC/ST BPL families in rural areas. A financial assistance of Rs. 25,000/- per unit in the plains and Rs. 27,500/- for hilly/difficulty areas is provided under this scheme. Up to January 30, 2006, about 138 lakh houses had been constructed/upgraded with an expenditure of Rs. 25,208 crore. The Government has approved a Plan Scheme for construction of houses by beedi workers and others and a token allocation of Rs. 5 crore has been made for the year 2006-07.

6.17 **National Rural Health Mission (NRHM):** The Government has recently launched National Rural Health Mission which seeks to provide effective health care to rural population including unorganized sector labourers throughout the country.

6.18 National Rural Employment Guarantee Act (NREGA): Recently the Government has enacted National Rural Employment Guarantee Act which provides for 100 days of guaranteed wage employment in every financial year to every household whose adult members volunteer to do unskilled manual work. About 56 lakh workers have so far been getting benefit under the Act which also provides an insurance cover of Rs. 25,000 in case of death of a worker due to accident.

6.19 Pradhanmantri Gram Sadak Yojana (PMGSY): Launched in December 2000 as a 100 per cent CSS, PMGSY aims to provide all-weather connectivity to all the eligible unconnected rural habitations. It provides employment to rural poor in addition to systematic upgradation of the existing rural road network. Up to December 2005, with an expenditure of Rs. 12,049 crore, a total length of 82,718 Km. of road works had been completed. The requirement of funds is met mainly by through cess on diesel.

6.20 Swarna Jayanti Shahari Rozgar Yojana (SJSRY): The Urban Self-Employment Programme (USEP) and the Urban Wage Employment Programme (UWEP), are the two special components of the SJSRY. In 2005-06, out of an allocation of Rs. 160.00 crore, Rs. 84.52 crore had been utilized until November 30, 2005.

Social Insurance Schemes

6.21 Janshree Bima Yojana (JBY): Janshree Bima Yojana (JBY) a group insurance scheme implemented by LIC is available to persons between age of 18 to 60 years and are living below or marginally above poverty line. The scheme is extended groups of 25 members or above. The benefits under the scheme include Rs.30,000 in case of natural death; Rs.75,000 in case of death due to accident. The children of beneficiaries of JBY studying in classes 9th to 12th including ITI courses are eligible to a scholarship @ Rs.300/- per quarter per child for a maximum period of 4 years under Shiksha Sahyog Yojana. The annual premium is Rs. 200 per beneficiary out of which

Rs. 100 is paid by Central Government. Some of the States are contributing the share of beneficiaries also. More than 35 lakh lives have been covered upto March 2005.

6.22 Universal Health Insurance Scheme (UHIS): The Government has also launched heavily subsidized Universal Health Insurance Scheme (UHIS) for BPL families. The benefits under the scheme are: reimbursement of hospitalization expenses vide Rs. 30,000/- for the family, and personal accident insurance cover of Rs. 25,000/- etc. The premium for an individual is Rs. 165/- per annum (Subsidy Rs. 200/-), for a family of 5 (including the first 3 children), Rs. 248/- (Subsidy Rs. 300/-) and for a families upto to seven, Rs. 330/- (Subsidy Rs. 400).

Insurance Schemes for Handloom Weavers:

6.23 Deen Dayal Hathkargha Protsahan Yojana (DDHPY) has been launched to provide assistance to the handloom weavers for basic inputs like looms, working capital loans etc. The centrally sponsored scheme entailed an expenditure of Rs. 257 crore (aprox) during Xth Plan.

6.24 Work shed-cum-Housing scheme A subsidy of Rs.7,000/- for rural work shed and Rs.9000/- for urban work shed is extended to the handloom weavers by the Government. A subsidy of Rs. 1152.86 lakh has been released to the States as on 28.2.2006.

6.25 Thrift Fund Scheme: The scheme envisages the benefits like temporary advance, partial and final withdrawals. The scheme is implemented through the Weavers' Cooperative Societies/Corporations etc. A sum of Rs. 4.12 crore was released to the State Governments to cover 1,04,075 weavers.

6.26 **The Health Package Scheme:** The scheme provides financial assistance for reimbursement of cost of medicine and treatment of diseases like T.B., Asthma upto Rs.1500/- per weaver per annum, cost of testing of eyes Rs.40/- and cost of spectacles Rs.150/-, Rs.35,000/- for bore-well for supply of drinking water in weavers locality, maternity benefit of Rs.500 per delivery twice in lifetime and Rs. One lakh for primary health centre, etc.

6.27 **Insurance schemes :** The benefits include assistance in case of loss of dwelling or its contents due to natural calamities, accidental death or permanent total disability. The Group Insurance Scheme is implemented through LIC. During 2005-06 (upto Feb. 06) an amount of Rs. 8 crore has been released to the States.

6.28 **New Health Insurance Scheme:** The scheme has been launched through ICICI Lombard. The annual health insurance cover is Rs. 15000 per family, out of which OPD cover will be of Rs. 7500. An amount of Rs. 21.53 crore has been sanctioned to ICICI Lombard upto Feb. 2006 for covering 2,38,731 weavers.

6.29 **Mahatma Gandhi Bunkar Bima Yojana** has been launched on 2.10.2005 through LIC. Under the scheme, the sum assured is Rs. 50,000 in case of natural death, Rs. 80,000 in case of accidental death. An amount of Rs, 3.15 crore has been sanctioned to LIC upto 28.2.06 to cover 210000 weavers.

Welfare Schemes for Fishermen

6.30 **Development of model fishermen villages:** It provides basic civil amenities such as housing, drinking water and construction of community hall for fishermen villages.

6.31 **Group Accident Insurance Scheme for Active fishermen:** The active fishermen are ensured for a sum of Rs.50,000 for one year against death or permanent total disability and Rs.17,500 for partial total disability.

6.32 **Saving-cum-Relief for the Fishermen:** Under the saving-cum-relief component, marine fishermen contribute a part of their earnings during non-lean months @Rs.75/- per month which is matched with equal contribution shared on 50:50 basis between the central and state governments and the beneficiary is paid Rs.300 per month during the lean season of four months

State Welfare Fund Schemes & Other Programmes

6.33 **Kerala:** The Government of Kerala has constituted more than 20 welfare funds for the unorganised workers to cover a wide range of occupations. Some of these welfare funds are statutory and others are non-statutory. The benefits under these funds include provident fund, gratuity, monthly pension (old age), disability and accident cover, health cover, unemployment relief, educational allowance, housing assistance, marriage assistance and funeral expenses. Some of the important welfare funds are those for agricultural workers, construction workers, headload workers and toddy tappers. The contributions are made by the workers, employers and the government.

6.34 **Tamil Nadu:** The Government of Tamil Nadu has constituted the Welfare Board for Construction workers. More than 6 lakh workers have been registered with the Board. A number of schemes are being implemented under the Board including group insurance scheme, assistance for education, assistance for marriage, assistance for maternity, Group Personal Accident Insurance Scheme, life cover, assistance for funeral expenses and old age pension.

6.35 **Tamil Nadu Manual Workers Social Security and Welfare Board:** A number of Welfare Boards for various categories of unorganized sector workers were constituted in Tamil Nadu over the years. These Boards amalgamated into one Board in July 2004 were specifically for the welfare of auto rickshaws and taxi drivers, washer men, hairdressers, tailors, palm tree workers, handicraft workers, etc. Benefits similar to the construction workers are available to the workers under the

scheme to workers under 67 employments under the reconstituted Board. In case of beedi workers the Government is giving an additional amount of Rs.5,000/- per house to the beedi worker constructing a house under the "Integrated Housing Scheme for Beedi workers" of the Government of India. As per this Scheme, the Government of India is providing a subsidy upto a maximum of Rs. 40,000/- or 50 per cent of the cost of construction of a house whichever is less.

6.36 **Maharashtra:** The Maharashtra Government enacted "The Maharashtra Mathadi, Hamal and other Manual Workers (Regulation of Employment and Welfare) Act, 1969", to provide a range of social security measures to the manual workers engaged in loading and unloading of goods. Apart from the regulation of conditions of work, the welfare activities include health care by way of several hospitals being run by the Board, education and housing. On the same pattern, there is also Maharashtra Security Guards Boards for providing social security to private social security guards.

6.37 **Karnataka:** The Government of Karnataka has also been working for quite some time to enact a legislation for the unorganized sector workers. The draft Bill has proposed to constitute the Karnataka Labour Welfare Board to administer welfare schemes for the unorganised workers in 68 employments.

6.38 **Goa:** The State of Goa has enacted The Goa Employment (Conditions of Service) and Retirement Benefit Act, 2005. to cover all workers in all establishments in every industrial activity, except agriculture and self-employed professionals to provide retirement benefits to the unorganized sector workers who have completed 240 days of continuous employment.

6.39 **Gujarat:** The Gujarat Rural Workers Welfare Board administers four group personal accident insurance schemes for landless agricultural labourers, fisherman and forest workers, salt workers, and for other unorganized workers. There is another scheme for the welfare of agriculture labour and rural workers. Yet there is another

scheme for the 45,801 salt workers providing for construction of *Balvadis*, primary health care, libraries, crèche at worksites, and financial assistance for housing.

6.40 **Haryana:** The Government of Haryana has been implementing a scheme for people with disability including the blind, deaf & dumb, very low IQ, and the mentally retarded providing for a monthly pension of Rs.200/- to all the beneficiaries.

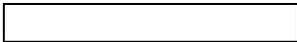
6.41 **Madhya Pradesh:** The Government of Madhya Pradesh enacted the Madhya Pradesh Unorganised Welfare Act, 2003 which is applicable to the employments including agricultural and allied workers, quarry and brick kiln workers, manual workers engaged in loading and unloading in markets, public transport and several categories of unorganized workers. The benefits to be extended to the workers include old age pension, housing loan, scholarships, marriage assistance, medical assistance, maternity assistance, group insurance, etc.

6.42 **Punjab:** The Government of Punjab has been implementing an old age pension scheme for men and women more than 65 years and 60 years respectively providing a pension of Rs. 200 per month.

6.43 **Tripura:** The Government of Tripura has been implementing a State Assisted Scheme for Unorganised Workers (Asanghatita Shramik Shayika Prakalpa) for workers employed in 15 industry groups and 17 self-employed activities on the lines similar to the scheme in West Bengal. Similarly, there is a scheme of old age pension @ Rs. 125 per month for beedi workers of age more than 65 years.

6.44 **West Bengal:** The West Bengal Government has been implementing a State Assisted Scheme of Provident Fund for Unorganised Workers. All wage and self-employed workers between the ages of 18 to 55 years employed in nearly 50 industry groups and 16 self employed activities are eligible to be enrolled in the scheme. The Government contribution is Rs. 20 per month per worker and the contribution of

worker is also Rs. 20 per month. The worker receives the total contribution along with the interest on attainment of the age of 55 years.



Public Initiatives

6.45 Self-Employed Women's Association (SEWA): SEWA a women's organization, is promoting social security through the formation of co-operatives. It aims to provide need based services to the women on demand and on payment of affordable charges. An Integrated Insurance Scheme introduced by SEWA for its members, offers several benefits for a consolidated premium of Rs.45/- per annum. While SEWA itself provides some of the benefits, it also works as a nodal agency to get cover under various policies separately for specific benefits from different insurance companies. The risk covered includes health costs upto Rs.1000/-, maternity benefit of Rs.300/- and payment of varying amounts upto Rs.10,000/- in case of natural or accidental death including disablement of the member or her husband. The total coverage of SEWA social security scheme is about 50,000 women.

6.46 Working Women Forum (WWF): The Working Women's Forum India (WWF) selects and trains women cadres from the poorer neighbourhood communities to perform marketable skills in the field of health care to the poor as advocates at the grassroots. The health care system of WWF has impacted a population of about 1 million in 720 slums and 340 villages through 960 health cadres from the grassroots. Further about 5 lakh members are covered under the social security scheme for insurance for life, full/partial disability, accidents and crisis management towards rehabilitation during natural calamities. A Health Insurance Programme provides maternity benefits, reimbursement of hospitalization expenses etc., and also organizes preventive health check-ups.

Social Security Schemes Launched during 9th & 10th Five Year Plan

Krishi Shramik Samajik Suraksha Yojana

6.47 The Government has launched the Krishi Samajik Suraksha Yojana, 2001 w.e.f. 1st July, 2001 through Life Insurance Corporation of India (LIC) in 50 identified districts in the country to cover 10 lakh agricultural workers @ 20,000 in each district during the first phase of three years. Every agricultural worker within the age group of 18-50 is eligible to join the scheme. The worker is required to pay Rs. 1/- per day (Rs. 365/- per year) and the contribution of the Government is Rs. 2/- per day. The Government contribution is to come from Social Security Fund. The benefits include group insurance, the lump sum amount of Rs. 4,000/- as money back after 10th year and to be doubled after every next 10 years till the age of 60 years, pension ranging from Rs. 100/- to Rs. 1900/- per month depending upon the age of entry.

6.48 The Scheme has since been closed. The workers registered under the Scheme as on 31st March, 2003 (around 2.5 lakh) would however, be receiving the benefits under the Scheme.

The Unorganised Sector Workers' Social Security Scheme, 2004

6.49 The Government launched the 'Unorganised Sector Workers' Social Security Scheme, 2004' in January 2004 on pilot basis in 50 districts covering all States. The scheme envisages three benefits: old age pension at the rate Rs. 500/- per month on attaining the age of 60 years; personal accident insurance cover of Rs. one lakh; and coverage under Universal Health Insurance Scheme. There was provision of contribution by the Worker, Employer and the Central Government. The Worker's contribution was @ Rs.50/- p.m. (18-35 Yrs) and @ Rs.100/- p.m. (36-50 Yrs). The Employer was required to contribute Rs.100/- p.m. in both the categories. Self-employed workers in the age group of 36-50 years to contribute employer's share also. The Government's contribution was @ 1.16% of the wages of the workers towards pension scheme as available in the organized sector. EPFO was to issue

Unique Social Security Number (Card) to each registered worker. Only 3500 workers who were mostly self-employed could be enrolled. It was observed that the Scheme was not financially viable because it has no statutory backing and was voluntary in nature. Further, contribution from the employers was also not forthcoming. The scheme has since been closed.

UPA Government Initiatives:

6.50 The present Government attach high priority to the welfare of all workers. This is also included as one of the items of the National Common Minimum Programme (NCMP) which state that:

“The UPA Government is firmly committed to ensure the welfare and well-being of all workers , particularly those in the unorganised sector who constitute 93% of our workforce. Social security, health insurance and other schemes for such workers like weavers, handloom workers, fishermen and fisherwomen, toddy tappers, leather workers, plantation labour, beedi workers, etc. will be expanded.”

6.51 The Ministry of Labour & Employment drafted the ‘Unorganised Sector Workers Bill, 2004’ which, inter-alia, envisages to provide for safety, social security, health and welfare matters. The National Advisory Council (NAC) has forwarded a draft Bill namely, ‘the Unorganised Sector Workers Social Security Bill, 2005. In the meantime, the National Commission for Enterprises in the Unorganised Sector (NCEUS) on the request of Ministry of Labour & Employment has also drafted two bills i.e. (i) Unorganised Sector Workers (Conditions of Work & Livelihood Promotion) Bill, 2005 and (ii) Unorganised Sector Workers Social Security Bill, 2005. All the four draft Bills are being examined in consultation with all stakeholders. The discussions are being held with LIC and other insurance agencies to formulate a social security scheme comprising of life/accidental insurance, maternity benefits, health insurance and pension.

6.52 The National Commission for Enterprises in the Unorganised Sector (NCEUS) has presented its report on the Social Security for the Unorganized Sector Workers to the Government in May, 2006. Amongst its various recommendations the Commission has recommended old age pension of Rs.200/- per month to all workers aged 60 years and above and belonging to BPL families. Similarly, the Commission has also recommended provision of provident fund to all other workers (above poverty line) with a minimum guaranteed return of ten per cent to the workers, under the proposed provident fund scheme. The Social Security Scheme, as recommended by the Commission includes a hospitalization cover of Rs.15,000/- per year, maternity benefit of Rs.1,000/- per delivery, a personal accident cover of Rs.25,000/- and sickness cover of 15 days to all registered workers. The sum assured for natural death of the worker as per the scheme is Rs.15, 000/-.

6.53 All above proposals are being examined in consultation with all stake holders. It is the endeavour of the Government to enact legislation and formulate a social security scheme for the unorganized sector workers during 11th Five Year Plan.

6.54 The Government, however, in anticipation of finalization of a social security scheme for the workers in the unorganized sector has allocated a token outlay of Rs. 5 crore for the annual plan of year 2006-07.

6.55 **Strategy for the Eleventh Five Year Plan**

- Extension of existing social security legislations i.e. The Employees Provident Funds and Miscellaneous Provisions Act, 1952 and The Employees State Insurance Act, 1948 to the identifiable groups in the unorganized sector.
- The threshold limit of workers in an establishment under both these organization i.e. ESIC and EPFO should be reduced by amending the respective legislations so that a large number of unorganized sector establishments/workers are covered.
- A National Social Security Policy for the unorganized sector and formulation of a detailed action plan to cover as many segments of the unorganized workforce

as possible under some form of social security with the ultimate goal of covering all unorganized workers in the long run.

- There is need of social security scheme providing for minimum benefits of medical and health care, personal & accidental death cover, maternity benefit and old age pension. There are some models under consideration. However, any scheme would prove sustainable only if it has statutory backing and commitment of regular flow of Government funds.
- The scheme under Rural Employment Guarantee Act now being implemented in 200 districts should be extended to all 600 districts (app.) during 11th Five Year Plan.
- There is a need of organizing massive awareness generation programmes for propagating and publicizing the existing schemes/programmes which are in operation for the poor including unorganised sector workers.

6.56 Main focus during the 11th Plan would be on:

- Extension of National Old Age Pension Scheme (NOAPS) to be extended to all old age persons above 60 years of age and who are living below the poverty line.
- Government to adopt a pivotal and proactive role in encouraging contribution based social security schemes for the workers in the unorganized sector which are as far as possible self financing and sustainable.
- Involvement and active role to be played by Banking and Insurance sector in designing and implementing contribution based micro-credit, insurance and pension schemes for workers in the unorganised sector.
- Identification of mechanism where employers have to contribute towards the social security programme of the workers.
- Improve efficiency of delivery mechanism of existing programmes to reach the workers in the unorganized sector.
- State as a welfare state to play an important role in providing required funds for providing minimum level of social security viz. group insurance, medical &

health care, maternity benefits and pension to the unorganized sector workers. The beginning may be made with the most vulnerable section of such workers.

- Creation of National Social Security Authority and formulation of a National Social Security Policy.

CHAPTER NO. 7

SUMMARY OF RECOMMENDATIONS

7.1 There is a need to evolve a National Social Security Policy for the unorganized sector and formulate a detailed action plan to cover as many segments of the unorganized workforce as possible under some form of social security with the ultimate goal of covering all unorganized workers in the long run.

7.2 The enforcement of existing social security legislations namely EPF Act and ESIC should be strengthened.

7.3 The initiatives taken up by the EPFO during Xth Plan to streamline the delivery system and issue of National Social Security Number to the workers should be continued during XIth Five Year Plan. It would help in reducing harassment to the workers and reduce corruption in the organization.

7.4 The proposed initiatives of ESIC to extend ESI Scheme to educational and private medical institutions, enhancement in daily rate of rehabilitation allowance, implementation of scheme in new areas, enhancement in the wage ceiling for coverage from Rs.7,500/- to Rs.10,000/- reduction in threshold for coverage and Setting up of zonal Super-Specialty Hospitals in all Zones should be completed.

Social Security for Unorganized Sector Workers

7.5 The welfare of the workers especially unorganised workers is on high priority of the UPA Government. This Sector comprises near 93% work force of the country. A social security cover for the unorganised sector which can take care of medical care, accident benefits and old age pension should receive priority attention.

7.6 The proposal of providing social security cover through legislation should be finalized and social security scheme providing for medical care, natural and accidental death cover and old age pension be formulated for these workers.

7.7 In most of the cases the employer is not identifiable. Therefore, the Government have to come in a big way and ensure regular flow of government funds on continuous basis for a period of 20-30 years.

7.8 The implementation of the Minimum Wages Act, 1948 may be strengthened.

7.9 The Government of Madhya Pradesh has appointed all Gram Sabhas as Inspectors under Minimum Wages Act in respect of some Scheduled employments i.e. employment in tobacco (including beedi making), employment in the construction or maintenance of road or building operation, employment in brick kilns, employment in manufacturing in tiles and employment in stone breaking or stone crushing. This may lead to effective implementation of the Act. This could be replicated in other States.

7.10 The National Old Age Pension (NSOP) is presently available to the older destitute only. However, some States are giving pension to the persons at the age of 60 years and above and are living below the poverty line. The condition of destitute be deleted and pension be given to all BPL (60 years and above) persons.

7.11 National Maternity Benefit Scheme has been modified into a new scheme called Janani Suraksha Yojana. The benefits under the scheme are available to women in 'Below Poverty Line' families. The Scheme should be extended to the women unorganised workers and spouses of the unorganised workers getting the remuneration upto Rs. 5000/-.

7.12 Government to adopt a pivotal and proactive role in encouraging contribution based social security schemes for the workers in the unorganized sector which are as far as possible self financing and sustainable.

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

7.14 Innovative schemes under the Employees' State Insurance Scheme should be launched on experimental basis targeting groups like rickshaw pullers and threshold limit for coverage under the scheme be reduced.

7.15 The Employee Provident Fund Scheme be extended to the unorganised sector on the basis of occupational groups or reducing the threshold limit for coverage under the EPF scheme.

7.16 The benefits under EPF Act should be de-bundled and unorganised sector workers should be given option to take benefit of the schemes of his choice.

7.17 The awareness generation programmes for propagating and publicizing the existing schemes/programmes which are in operation for the poor including unorganised sector workers may be augmented.

Implementation of Labour Laws

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

7.19 The Minimum Wages Act, 1948, may be amended enhancing the penalty so that the violation of the provisions under the Act is made highly costly to the employers. Section 26 of MW Act on power to grant exemption from payment of minimum wages needs to be reviewed in view of its possible misuse.

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

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

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

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

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

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

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

- workers both in organized and unorganized sectors are well aware of the various benefits under the Workmen's Compensation Act, 1923; the Maternity Benefit Act, 1961; the Payment of Wages Act, 1936; and the Minimum Wages Act, 1948 Acts and also procedures to be followed in case of violations.
- employers are motivated to make available various benefits to workers as per provisions under these Acts.

Social security for the hitherto uncovered sections of the workers can be thought of through the following two mechanisms:-

Extending the coverage of existing social security schemes

At present the Workmen's Compensation Act, 1923 is applicable to persons employed in hazardous employments specified in Schedule – II of the Act. So far 50 hazardous employments have been included in the Schedule (Annexure – III). As the Act has wide applicability particularly in the unorganized sector, its coverage may be extended to more such employments. Further, the claims for death compensation are settled by the Commissioner of Workmen's Compensation, an authority notified by the State Governments. The process is so time consuming that it causes a great deal of hardship to the affected families. There is, therefore, a need to notify more than one authority within the district as well as fix a time limit for deciding such claims.

At present, the Employees Provident Fund Scheme is applicable to 180 establishments with employee wage limit of Rs.5,000/- pm for coverage. This will now get raised to Rs.6,500/- p.m. The scheme is applicable to establishments employing 20 or more persons. Thus, the law excludes establishments other than those listed, from the purview of the Act. It will also exclude workers drawing more than Rs.6,500/- pm and self employed persons. A suggestion has been given that the wage limit and schedule of industry restrictions should be done away with altogether and the number of persons for coverage be reduced from 20 to 10. The implementation of such a measure will increase the penetration of the existing schemes and expand the membership significantly. This would require building up of suitable capacity in the Employees Provident Fund Organisation to service the accounts and handle the additional work load.

The ESI Scheme is at present applicable to establishments employing 10 or more persons and drawing wages upto Rs.6,500/- pm. The Task Force on Social Security, in their report, has recommended that the coverage of ESI Scheme should be extended to establishments employing 5 or more persons. This is a recommendation that needs to be considered.

The ESI Scheme does not at present apply to seasonal factories i.e. those which work for less than 7 months in a year. Although this provision is now more or less irrelevant, because of advancements in technology, there may yet remain a few categories of factories which are still seasonal in nature. Hence there is a need to extend the ESI Scheme to such factories.

According to a survey of the ESI Corporation, there are 9.8 lakh workers who are coverable, but not yet covered. Under the ESI Scheme, expansion of the ESI scheme is not taking place as per the programme due to inability of the State Governments to complete medical arrangements in time. Although, the Corporation constructs hospitals and dispensaries at its own cost and also meets 7/8 of the expenditure incurred in running these hospitals/dispensaries yet the services in the States are stated to be not up to the mark. Co-operation of the State Governments and other social partners is required to expand the coverage and improve the health delivery system.

(II) Devising new and innovative programmes to address the needs of the most vulnerable categories of workers who have yet no social protection.

- There is a need to evolve a National Social Security Policy for the unorganized sector and formulate a detailed action plan to cover as many segments of the unorganized workforce as possible under some form of social security with the ultimate goal of covering all unorganized workers in the long run. In the task of implementation of the action plan, it may be necessary to get the active participation of Panchayati Raj Institutions and NGOs. There are a number of agencies and institutions

e.g. SEWA in the country which impart various forms of social security for workers in unorganised sector. These could be strengthened and a national network created which would reinforce their efforts at all levels.

- Several NGOs, public and co-operative institutions, like SEWA and Mathadi Workers Welfare Boards, have undertaken innovative measures to provide social security to small segments of the underprivileged workforce. There is a need to carefully study their success stories with a view to replicating or adopting them in other regions according to their requirements.
- The welfare fund mechanism needs to be extended wherever feasible to hitherto uncovered sections of the unorganized sector. New welfare funds, such as a welfare fund for fish processing workers, carpet weavers, salt workers, leather workers, etc. may be considered to be set up and funds generated may be utilized for extending the health facilities through ESIC scheme, wherever possible, or through alternate arrangements.

We need to improve the administration and delivery of the existing social security schemes. We have to learn lessons of successful experiments carried out so far to improve the coverage of social security for the workers in the unorganised sector where only negligible persons are covered.

At present, many workers in unorganised sector in rural areas are below poverty line. Unless there is greater flow of resources and creation of more jobs with better income distribution it will not be possible to ensure economic security which is required as well for social security. More thrust needs to be given to poverty alleviation programmes, spread of education, skill training for ensuring better quality jobs. Given the vast network of existing schemes, legislations, policy initiatives and organizations already functioning in this sector, social security for the unorganised sector can become a distinct reality. In order to achieve this goal, all concerned social partners need to work in a coordinated and purposeful way.

In addition to above, there are various schemes implemented by the Development Commissioner for Handlooms to address the needs of weavers who constitute the disadvantaged social strata of the society. The Deen Dayal Hathkargha Protsahan Yojana (DDHPY) has been launched to provide assistance to the handloom weavers in an integrated and comprehensive manner. The other schemes for these workers include Work shed-cum-Housing scheme, Thrift Fund Scheme, The Health Package Scheme, Insurance schemes, Bunkar Bima Yojana, etc. There is also a Scheme for pension to Master Crafts persons which provides for a pension to master crafts persons unable to work due to old age.

The Department of Animal Husbandry is also implementing some schemes for the welfare of fishermen. The schemes include: Development of model fishermen villages Scheme to provide basic civil amenities such as housing, drinking water and construction of community hall for fishermen villages, Group Accident Insurance Scheme for Active fishermen and Saving-cum-Relief for the Fishermen

The Government of Kerala has constituted Welfare Funds for certain occupational groups like agricultural, cashew, coir, construction, fisheries, khadi, handloom toddy tapping etc. the benefits provided to these workers include pension, death benefits, medical care (Ex-gratia for treatment) maternity benefits, funeral assistance, education to the children etc. There is no uniform pattern of funding. The workers, employer, and Govt. contribute to the fund. The Kerala Government was the first State to adopt the Building & Other Construction Workers Act and constitute a Welfare Fund for construction workers.

The Tamil Nadu Construction Workers Welfare Board

The Government of Tamil Nadu has been implemented its own legislation for the welfare of the construction workers and constituted Welfare Board. A number of schemes are being implemented under the Board which *inter alia* cover: Group Personal Accident Insurance Scheme; Assistance for Education; Assistance for Marriage; Assistance for Maternity; Assistance to Family in case of Natural Death; Assistance for Funeral Expense; Assistance for Reimbursement of Cost of Spectacles and Old Age Pension.

The State of Tamil Nadu constituted Welfare Boards for various other categories of unorganized sector workers over the years. For the purpose of securing proper management of Boards, the Government amalgamated nine Boards with the Tamil Nadu Manual Workers Social Security and Welfare Board with effect from 21.07.2004. These Boards were specifically for the welfare of auto rickshaws and taxi drivers, washer men, hairdressers, tailors, palm tree workers, handicraft workers, foot wear and leather goods manufacturers and tannery workers, artists, and handloom and handloom silk weaving workers. The schemes similar to those being implemented for construction workers are being implemented for these workers.

The Mathadi Workers Welfare Board

The Maharashtra Government enacted “The Maharashtra Mathadi, Hamal and other Manual Workers (Regulation of Employment and Welfare) Act, 1969”, to provide a range of social security measures to the manual workers engaged in loading and unloading of goods. Apart from regulation of conditions of work, the board offers social security measures like health care, housing and education to the children.

Other initiatives

Organizations like Co-operative Development Foundation (CDF), SAMAKHYA, Trivandrum District Fishermen Federation (TDFF), the Association of Sarwa Sewa Farms (ASSF), the Society for Promotion of Area Resources Centre (SPARC), Voluntary Health Services (VHS) in Tamil Nadu and the Working Women's Forum have experimented for providing social security to small groups of people. The VHS in Chennai, the SAMAKHYA in Andhra Pradesh and the Association for Health Welfare in Nilgiris (ASHWINI) in the tribal areas of Gudalur in Tamil Nadu have made efforts to provide medical care to very specific target groups. The approach of these agencies is based on collecting of contribution from the beneficiaries themselves for their future contingencies in line with the insurance principles. The amounts collected is utilized for running health centres and hospitals. ASSEFA, an NGO which specializes in credit, operates a number of health care centres at several villages in Kiriapathi block to provide preventive and curative health services for minor ailments.

Lokswasthya, a co-operative, runs two municipal hospitals as part of the SEWA movement. The co-operative provides primary health care services, health education and also provides medicines below the open market prices. Similarly, Apollo Hospital Association (AHA), a non-profit organization registered as a society, provides health care as an intermediary for Mediclaim policy with insurance companies. This organization also offers credit facility to the insured members in case of hospitalization and helps in settling claims with the insurance agencies. The CDF has started an innovative scheme of death relief fund covering about 26,000 members in 40 Thrift and Co-operative Regional Associations (TCA) in the States of Andhra Pradesh, Karnataka, Kerala and Tamil Nadu. In the event of death between the age of 18 and 60 years, the members' nominee receives a maximum of Rs.20,000/- depending on the age and the amount contributed.