

For VIth Semester, B.Com, Bangalore University

Labour Welfare and Social Security




P. Subba Rao
A. M. Sarma

Himalaya Publishing House

ISO 9001:2008 CERTIFIED

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(As per New Syllabus of 6th Semester B.Com.,
Bangalore University w.e.f. 2012-2013)



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First Edition : 2015

Published by	: Mrs. Meena Pandey for Himalaya Publishing House Pvt. Ltd. , "Ramdoot", Dr. Bhalerao Marg, Girgaon, Mumbai - 400 004. Phone: 022-23860170/23863863, Fax: 022-23877178 E-mail: himpub@vsnl.com; Website: www.himpub.com
Branch Offices	:
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Guwahati	: House No. 15, Behind Pragjyotish College, Near Sharma Printing Press, P.O. Bharalumukh, Guwahati - 781009, (Assam). Mobile: 09883055590, 08486355289, 7439040301
DTP by	: Nalini Bagwe
Printed at	: M/s. Aditya Offset Process (I) Pvt. Ltd., Hyderabad. On behalf of HPH.

Preface

Globalisation along with information technology brought wonderful shifts in the business processes as well as living of people across the world. Globalisation brought paradigm shifts in human resource management, including labour welfare and social security measures adapted by various countries. Thus, a number of changes took place in labour welfare and social security measures.

Consequently, the significance and utility of labour welfare and social security measures and benefits are manifested that necessitated various universities in the past to introduce a subject on “Labour Welfare and Social Security”. The current scenario intensified the utility of the subject even at the under-graduate level and as such the students at B.Com. and BBM level are also expected to know the concepts and practices of labour welfare and social security. Consequently, universities initiated the introduction of the subject on ‘Labour Welfare and Social Security’ for B.Com. students.

Against this background, an attempt is made to provide the basic concepts of Labour Welfare and Social Security. This text covers all the concepts of ‘Labour Welfare and Social Security’ subject of B.Com. degree of Bangalore University.

Many individuals have rendered their helping hand to me. I take this opportunity to thank all of them. I specially thank Mr. Niraj Pandey and Mr. Vijay Pandey of Himalaya Publishing House Pvt. Ltd. for his initiation, on-line help and coordination of this project.

I thank my wife Mrs. P. Ramadevi and son PVR Tej Kumar for having put with the inconveniences caused during writing this book. I also thank Mr. P. Manohar, Strand Leader, Business Management, School of Business Administration and University of Papua New Guinea for his final help.

Prof. P. Subba Rao

A.M. Sarma

Syllabus

LABOUR WELFARE AND SOCIAL SECURITY

Objective:

The objective is to enable students to acquire skills in Labour Welfare & Social Security.

Unit 1: Social and Labour Welfare 12 hrs

Social Welfare; Labour Welfare: Concept, Scope; Philosophy and Principles of Labour Welfare; Indian Constitution and Labour Welfare; Labour Welfare Policy and Five-Year Plans, Historical Development of Labour Welfare in India;

Unit 2: Indian Labour Organization 12 hrs

Impact of ILO on Labour Welfare in India; Agencies of Labour Welfare and their Roles, Labour Welfare Programmes: Statutory and Non-statutory, Extra Mural and Intra Mural. Welfare Centers; Welfare Officer: Role, Status and Functions.

Unit 3: Social Security 12 hrs

Concept and Scope; Social Assistance and Social Insurance, Development of Social Security in India; Social Security Measures for Industrial Employees.

Unit 4: Labour Administration – 1 12 hrs

Evolution of Machinery for Labour Administration; Central Labour Administrative Machinery in India, Labour Administration in India.

Unit 5: Labour Administration – 2 12 hrs

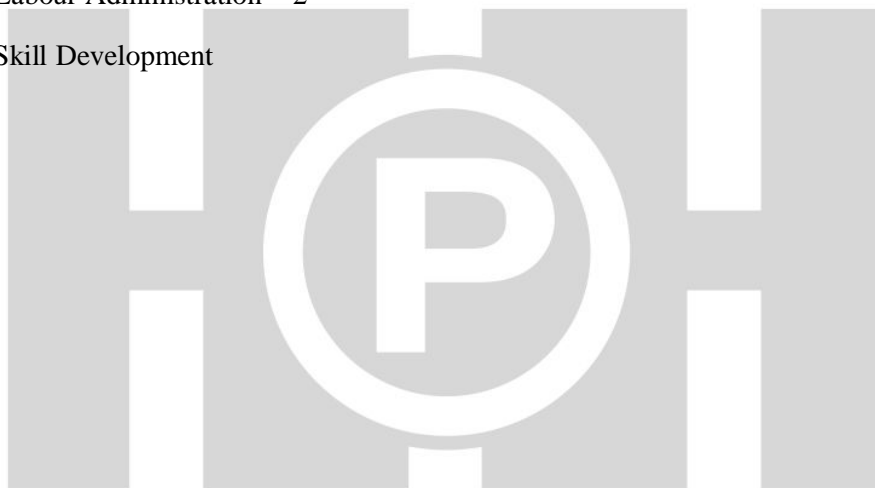
Director General of Employment and Training; Director General of Factory Advice Service; Provident Fund Organization; ESI Schemes; Central Board for Workers' Education.

Skill Development

- Preparation of a list of statutory welfare measures by visiting industry
- Preparation of a list of voluntary welfare measures by visiting industry
- Preparation of a list of social securities measures by visiting industry

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Skill Development	117 – 119



UNIT

1



Introduction

1.1 THE LABOUR MOVEMENT

Trade union movement organised activities of workers to improve their working conditions. Bombay Mill Hands Association was the first trade union formed in India on 24th April 1890. However, the first organised Trade Union in India named as the Madras Labour Union was formed in the year 1918. The establishment of ILO in 1919 provided a source of inspiration for the workers to organise themselves and shape their destiny and to form the first all India Trade Union viz., 'All India Trade Union Congress' (AITUC) in 1920. The period from 1924 to 1935 may be considered as the era of revolutionary trade union movement. Therefore, British government adopted ruthless measures against the militant workers and trade union leaders. Later, the trade union movement was closely linked with nationalist movements.

The trade union movement after independence was marked by direct interference by the government and the ruling party in its internal affairs. The barring of outsiders from trade union leadership at the basic union level made the process of union hijacking very easy and turned the workers into a very weak and defenseless community.

During 2001 the labour movement celebrated 100 years of its existence in India. During the centenary celebrations, various labour leaders narrated in great length contributions made by them and the India Trade Union Movement [ITUM] in the freedom struggle of India. However, the ground realities show that in the years following India's independence, the ITUM membership has remained stagnant, if not declining. Its activities have been more or less confined to the organised sector, more so to the public sector enterprises – from where over 70% of its membership is drawn. Globalisation has affected trade union movement adversely resulting in non-union firms. Further, globalisation resulted in individual bargaining in place of collective bargaining, which reduced the importance of trade unions.

1.2 WORK FORCE IN INDIA

The dimensions and complexities of the problem in India can be better appreciated by taking into consideration the extent of the labour force in the organised and unorganised sectors. The latest NSSO survey of 1999-2000 has brought out the vast dichotomy between these two sectors into sharp focus. While as per the 1991 census, the total workforce was about 314 million and the organised sector accounted for only 27 million out of this workforce, the NSSO's survey of 1999-2000 has estimated that the workforce may have increased to about 397 million out of which only 28 million were in the organised sector. Thus, it can be concluded from these findings that there has been a growth of only about one million in the organised sector in comparison the growth of about 55 million in the unorganised sector.

organised and Unorganised Sectors

The organised sector includes primarily those establishments which are covered by the Factories Act, 1948, the Shops and Commercial Establishments Acts of State Governments, the Industrial Employment Standing Orders Act, 1946 etc. This sector already has a structure through which social security benefits are extended to workers covered under these legislations.

The unorganised sector on the other hand, is characterised by the lack of labour law coverage, seasonal and temporary nature of occupations, high labour mobility, dispersed functioning of operations, casualisation of labour, lack of organisational support, low bargaining power, etc., all of which make it vulnerable to socio-economic hardships. The nature of work in the unorganised sector varies between regions and also between the rural areas and the urban areas, which may include the remote rural areas as well as sometimes the most inhospitable urban concentrations. In the rural areas it comprises of landless agricultural labourers, small and marginal farmers, share croppers, persons engaged in animal husbandry, fishing, horticulture, bee-keeping, toddy tapping, forest workers, rural artisans, etc., where as in the urban areas, it comprises mainly of manual labourers in construction, carpentry, trade, transport, communication etc., and also includes street vendors, hawkers, head load workers, cobblers, tin smiths, garment makers, etc.

1.3 CONCEPT OF LABOUR WELFARE AND SOCIAL SECURITY

Social Security protects not just the subscriber but also his/her entire family by giving benefit packages in financial security and health care. Social Security schemes are designed to guarantee at least long-term sustenance to families when the earning member retires, dies or suffers a disability. Thus the main strength of the Social Security system is that it acts as a facilitator - it helps people to plan their own future through insurance and assistance. The success of Social Security schemes however requires the active support and involvement of employees and employers.

Employees are a source of Social Security protection for themselves and their family members. Employers are responsible for providing adequate social security coverage to all their workers.

Background Information on Social Security

India has always had a Joint Family system that took care of the social security needs of all the members provided it had access/ownership of material assets like land. In keeping with its cultural traditions, family members and relatives have always discharged a sense of shared responsibility towards one another. To the extent that the family has resources to draw upon, this is often the best relief for the special needs and care required by the aged and those in poor health.

However with increasing migration, urbanisation and demographic changes there has been a decrease in large family units. This is where the formal system of social security gains importance. However, information and awareness are the vital factors in widening the coverage of Social Security schemes.

Social Security Benefits in India are Need-based i.e., the component of social assistance is more important in the publicly-managed schemes –

In the Indian context, Social Security is a comprehensive approach designed to prevent deprivation, assure the individual of a basic minimum income for himself and his dependents and to protect the individual from any uncertainties. The State bears the primary responsibility for developing appropriate system for providing protection and assistance to its workforce. Social Security is increasingly viewed as an integral part of the development process. It helps to create a more positive attitude to the challenge of globalisation and the consequent structural and technological changes.

1.4 SOCIAL SECURITY

The wages provided to the employees, particularly of the lower level may not be sufficient to meet their needs like medical, children education, maternity needs of women employees and employee's wives' etc. Therefore, Governments of various countries insist the employers to provide the security to their employees against the social evils. In addition, Governments also provide social security measures to the people.

Meaning: According to Lord Beveridge, social security, "is an attack on five giants viz., want, disease, ignorance, squalor and idleness." This concept is related to social justice and equality. ILO defines social security as, "the security that society furnishes, through appropriate organisation against certain risks to which its members are exposed.... Social security is designed to prevent and cure disease, to support when people are unable to earn and restore to gainful employment."

Evolution: There are two main aspects social security viz., social assistance and social insurance. ILO defines **social assistance** as, "a service or scheme which provides benefits to persons of small means as of right in amount sufficient to meet minimum standards of need and financed from taxation." Thus, social assistance is the obligation of the community or the Government.

Social Insurance: Beveridge defines Social Insurance as, “the giving in return for contribution, benefits up to subsistence level, as of right and without means-tests, so that an individual may build freely upon it. Thus social insurance implies that it is compulsory.”

International Standards of Social Security

Social security programmes vary from country to country. However, there are certain common standards. They are:

- ❖ **Compulsory Participation:** Most of the Governments including the so called capitalistic countries participate in and provide social security measures to the poor people and employees at lower levels.
- ❖ **Government Sponsorship:** Governments create, supervise and implement various social security schemes. For example, Government of Andhra Pradesh provides old age pension, maternity benefits to women agricultural workers, etc.
- ❖ **Contributory Finance:** The funds necessary to run the social security programmes are the contributions made by the Government, employers, etc.
- ❖ **Eligibility Derived from Contributions:** The employees with lower wages and people with small means are eligible. This eligibility is derived to the employees whose employer makes contributions.
- ❖ **Benefits Prescribed in Law:** Various Governments enacted the laws in order to enforce the implementation of the social security measures.
- ❖ **Benefits Not Directly Related to Contributions:** Social security benefits are related to the level of the poverty but not to the contributions. The employees with the lowest level of wage are entitled for larger amount of the benefit and *vice-versa*.

Germany: Acomprehensive social security was originally introduced in Germany, which includes: sickness insurance, accident insurance, old age pension insurance and unemployment insurance. These benefits are provided through Wage Earner’s Sickness Insurance Act, 1883, The Accident Insurance Act, 1884 and the Invalidity and Old Age Protection Act, 1889.

New Zealand: The social security benefits in New Zealand include: medical care, sickness benefits, unemployment benefit, injury benefit, family benefit, maternity benefit, invalidity benefit, survivor’s benefit etc.

UK: The social security benefits in UK include: accident benefits, insurance against unemployment, sickness benefits, health benefits, housing benefits etc.

USA: Social security benefits include: old age and survivor’s insurance, disablement benefits, hospital and health care benefits, lay-off compensation, etc.

Japan: Social security measures in Japan include: medical care, health insurance, pension, old-age, survivor and disablement insurance, unemployment insurance etc.

Social Security Legislations in India

Social security benefits are provided in India through legislations. **Workmen's Compensation Act, 1923** enforces the employer to provide compensation to a workman for any personal injury caused by an accident, for loss of earnings etc. **The Employees' State Insurance Act, 1948** enforces the employers to provide sickness benefits, maternity benefit to women employees, disablement benefit, dependent's benefit, funeral benefit and medical benefits.

The Employees' Provident Fund and Miscellaneous Provisions Act, 1952 enforces the employer to provide provident fund, deposit-linked insurance etc. **The Maternity Benefit Act, 1961** provides for medical benefits, maternity leave etc. **The Payment of Gratuity Act, 1952** provides for the payment of gratuity at the time of retirement.

Integrated Social Security: Social security legislations in India suffer from the defects like duplication. For example, Employees' State Insurance Act and Maternity Benefit Act provide for maternity benefits. In addition, different administrative authorities implement the law resulting from overlapping. Hence, the Study Group (1957-58) appointed by the Government of India suggested for an integrated social security scheme in India. This integrated social security scheme should provide for medical care, insurance against sickness, maternity benefits unemployment insurance, employment injury, and old age pension. This scheme should be enforced by a single agency in order to avoid overlapping and duplication.

During the World War II, certain non-monetary benefits were extended to employees as means of neutralising the effect of inflationary conditions. These benefits, which include housing, health, education, recreation, credit, canteen etc., have been increased from time to time as a result of the demands and pressures from trade unions. It has been recognised that these benefits help employees in meeting some of their life's contingencies and to meet the social obligation of employers.

1.5 MERITS AND DEMERITS WELFARE MEASURES

Merits: Most of the organisations have been extending the welfare measures to their employees, year after year, for the following merits:

1. **Meets Employee Demands:** Employees demand more and varied types of fringe benefits rather than pay hike because of reduction in tax burden on the part of employees and in view of the galloping price index and cost of living.
2. **Buys Employee Loyalty:** Providing employee welfare measures leads to employee satisfaction and satisfied employees become loyal to the organisation.
3. **Buys Employee Commitment:** Employees increase their commitment to the job having availed of welfare measures.
4. **Loyalty of Employee Family Members:** Welfare measures are provided not only to employees, but also their family members. Employees' family members also be loyal to the organisation having availed of welfare measures.

5. **Meet Trade Union Demands:** Trade Unions compete with each other for getting more and a new variety of fringe benefits to their members such as life insurance, beauty clinics etc. If one Union succeeds in getting one benefit, the other Union persuades the management to provide a new model fringe. Thus, the competition among trade unions within an organisation results in more and varied benefits.
6. **Satisfies Employer's Preference:** Employers prefer fringe benefits to pay-hike, as fringe benefits motivate the employees for better contribution to the organisation. It improves morale and works as an effective advertisement.
7. **Meets the Criteria as a Social Security:** Social security is a security that the society furnishes through appropriate organisation against certain risks to which its members are exposed. These risks are contingencies of life like accidents and occupational diseases. The employer has to provide various benefits like safety measures and compensation in case of involvement of workers in accidents, medical facilities etc., with a view to provide security to his employees against various contingencies.
8. **Improves Human Relations:** Human relations are maintained when the employees are satisfied economically, socially and psychologically. Fringe benefits satisfy the worker's economic, social and psychological needs. Consumer stores, Credit facilities, Canteen, Recreational facilities etc., satisfy the worker's social needs, whereas retirement benefits satisfy some of the psychological problems about the post-retirement life. However, most of the benefits minimize economic problems of the employee. Thus, fringe benefits improve human relations.
9. **Create and Improve Sound Industrial Relations:** Welfare measures satisfy employees and trade union and thus prevent grievances and industrial disputes. Absence of grievances and disputes lead to sound industrial relations.
10. **Boost up Employee Morale:** Providing employee welfare measures enhance employee state of mind, turns employee state of mind positive towards the job and organisation. Thus employee welfare measures boosts up employee loyalty.
11. **Motivate the Employees by Identifying and Satisfying their Unsatisfied Needs:** Employee welfare measures satisfy physiological, security and affiliation needs by identifying unsatisfied needs of employees.
12. **Provide Qualitative Work Environment and Work Life:** Employee welfare measures improve the quality of work life as well as general life.
13. **Provide Security to the Employees against Social Risks Like Old Age Benefits and Maternity Benefits:** Welfare measures provide insurance and security against social risks.
14. **Protect the Health of the Employees and to Provide Safety to the Employees against Accidents:** Welfare measures protect the general health, health against accidents and safety of employees and their family members.
15. **Promote Employee's Welfare by Providing Welfare Measures Like Recreation Facilities:** Recreation facilities and other welfare measures promote employee welfare.

- 16. Create a Sense of Belongingness among Employees and to Retain them.** Welfare measures creates and improves a sense of belonging ness of employee to the organisation and hence, employees prefer to stay with the organisation for longer period. Therefore, fringe benefits are called golden hand-cuffs.
- 17. Meet Requirements of Various Legislations Relating to Fringe Benefits:** Providing welfare measures makes the employers to meet the obligations of the statutory requirements of various welfare and social security legislations.

Demerits of Welfare Measures: Demerits of employee welfare measures are limited compared to merits. Demerits include:

- 1. Cost to the Employer:** Providing welfare measures to the employees and their family members in variably increases cost of labour to the employers.
- 2. As a Matter of Right:** Employees and their family members feel that they have a legal right to get welfare measures. Therefore, employees some times may not be satisfied and loyal to the organisations. In fact, satisfied needs are no longer motivators.
- 3. Discrepancies and De-motivation:** Employers may commit some mistakes while providing welfare measures, which may lead to discrepancies. These situations lead to employee de-motivation.

1.6 TYPES OF SOCIAL SECURITY AND WELFARE PROGRAMMES

Organisations provide a variety of fringe benefits. Dale Yoder and Paul D. Standohar classified the fringe benefits under four heads as given hereunder:

- 1. For Employment Security:** Benefits under this head include unemployment insurance, technological adjustment pay, leave travel pay, overtime pay, leave for negotiation, leave for maternity, leave for grievances, holidays, cost of living bonus, call-back pay, lay-off pay, retiring rooms, jobs to the sons/daughters of the employees and the like.
- 2. For Health Protection:** Benefits under this head include accident insurance, disability insurance, health insurance, hospitalisation life insurance medical care, sick benefits, sick leave, etc. (See Box 1.1)

BOX 1.1: INCENTIVE PROGRAMMES: EXAMPLES

Saturn	Employ non-financial recognition systems to support employee retention.
Baxter	Allocate rewards and recognition to drive individual and team behaviour.
Lucent	Reward and recognise the technical leaders for their own Technologies brand of excellence.
AT&T UCS,	
Hewlett-Packard	Recognise and reward employees for innovative behaviour.
AT&T CCS	Incentive Compensation Formulas.
Fed Ex	Employ informal recognition programs that encourage performance excellence.

AT&T UCS	Develop short term goals and increase the frequency of payouts.
Fellowes	Implement an employee of the month and employee of the year program.

(Source: Human Capital, July 1999, p.16.)

3. **For Old Age and Retirement:** Benefits under this category include: deferred income plans, pension, gratuity, provident fund, old age assistance, old age counselling, medical benefits for retired employees, travelling concession to retired employees, jobs to sons/daughters of the deceased employee and the like.
4. **For Personnel Identification, Participation and Stimulation:** This category covers the following benefits: anniversary awards, attendance bonus, canteen, cooperative credit societies, educational facilities beauty parlour services, housing, income tax aid, counselling, quality bonus, recreational programmes, stress counselling, safety measures etc.

Robert H. Hoge classified the fringe benefits as follows:

1. **Payment for Time Not Worked:** Benefits under this category include: sick leave with pay, vacation pay, paid rest and relief time, paid lunch periods, grievance time, bargaining time, travel time etc.
2. **Extra Pay for Time Worked:** This category covers the benefits such as: premium pay, incentive bonus, shift premium, old age insurance, profit sharing and unemployment compensation, Christmas bonus, Diwali or Pooja bonus, food cost subsidy, housing subsidy, recreation etc.

1. Payment for Time Not Worked

This category includes: (a) Hours of work; (b) Paid holidays; (c) Shift premium; (d) Holiday pay and (e) Paid vacation.

- (a) **Hours of Work:** Section 51 of the Factories Act, 1948, specifies that no adult worker shall be required to work in a factory for more than 48 hours in any week. Section 54 of the Act restricts the working hours to 9 in any day. In some organisations, the number of working hours is less than the legal requirements.
- (b) **Paid Holidays:** According to the Factories Act, 1948, an adult worker shall have a weekly paid holiday, preferably Sunday. When a worker is deprived of weekly holidays, he is eligible for compensatory holidays of the same number in the same month. Some organisations allow the workers to have two days as paid holidays in a week. (See Box 1.2)

BOX 1.2: MAHINDRA PRESENTED INDIA'S FIRST HOLIDAY PLAN

Mahindra introduced India's first corporate holiday plan i.e., Club Mahindra Vacation Option in order to motivate its executives.

- (c) **Shift Premium:** Companies operating second and third shifts, pay a premium to the workers who are required to work during the odd hours shift.

- (d) **Holiday Pay:** Generally, organisations offer double the normal rate of the salary to those workers, who work on paid holidays.
- (e) **Paid Vacation:** Workers in manufacturing, mining and plantations who worked for 240 days during a calendar year are eligible for paid vacation at the rate of one day for every 20 days worked in case of adult workers and at the rate of one day for every 15 days worked in case of child workers.

2. Employee Security

Physical and job security to the employee should also be provided with a view to promoting security to the employee and his family members. The benefits of confirmation of the employee on the job create a sense of job security. Further, a minimum and continuous wage or salary gives a sense of security to the life. The Payment of Wages Act, 1936, The Minimum Wages Act, 1948. The Payment of Bonus Act, 1965, provides income security to the employees.

(a) **Retrenchment Compensation:** The Industrial Disputes Act, 1947 provides for the payment of compensation in case of lay-off and retrenchment. The non-seasonal industrial establishments employing 50 or more workers have to give one month's notice or one month's wages to all the workers who are retrenched after one year's continuous service. The compensation is paid at the rate of 15 days wage for every completed year of service with a maximum of 45 days wage in a year. Workers are eligible for compensation as stated above even in case of closing down of undertakings. (See Box 1.3)

BOX 1.3: YOUTH INVESTING FOR RETIREMENT LIFE

A US survey reveals that 64% of Americans aged 18 to 34 have already begun to save for their retirement years.

(b) **Lay-off Compensation:** In case of lay-off, employees are entitled to lay-off compensation at the rate to 50% of the total of the basic wage and dearness allowance for the period of their lay-off except for weekly holidays. Lay-off compensation can normally be paid up to 45 days in a year.

3. Safety and Health

Employee's safety and health should be taken care of in order to protect the employee against accidents, unhealthy working conditions and to protect worker's capacity. In India, the Factories Act, 1948, stipulated certain requirements regarding working conditions with a view to provide a safe working environment. These provisions relate to cleanliness, disposal of waste and effluents, ventilation and temperature, dust and fume, artificial humidification, over-crowding, lighting, drinking water, public utility and spittoons. Provisions relating to safety measures include fencing of machinery, work on or near machinery in motion employment of young persons on dangerous machines, striking gear and devices for cutting off power, self-acting machines, easing of new machinery, probation of employment of women and children near cotton openers, hoists and lifts, lifting machines, chains, ropes and lifting tackles, revolving machinery,

pressure plant, floors, excessive weights, protection of eyes, precautions against dangerous fumes, explosive or inflammable dust, gas etc. Precautions in case of fire, power to require specifications of defective parts of test of stability, safety of buildings and machinery etc.

Workmen's Compensation: In addition to safety and health measures, provision for the payment of compensation has also been made under Workmen's Compensation Act, 1923. The Act is intended to meet the contingency of invalidity and death of a worker due to an employment injury or an occupational disease specified under the Act at the sole responsibility of the employer. The Act covers the employees whose wages are less than ₹ 500 per month. Amount of compensation depends on the nature of injury and monthly wages of the employee. Dependents of the employee are eligible for compensation in cases of death of the employees.

Health Benefits: Today, various medical services like hospital, clinical and dispensary facilities are provided by organisations not only to employees but also to their family members.

In order to protect the employees' health, the companies provide the facilities for physical exercises, sports and games (See Box.1.4).

BOX 1.4: CORPORATE GYM : A REAL REFRESHER
<p>The basement of Gurgaon-based Indian Headquarters of Coca-Cola India plays host to fitness freaks. No, the Cola giant has not ventured into the health business-it boasts of a hi-tech in-house corporate gymnasium for employees!</p> <p>What does it take? The Coca-Cola Gurgaon gym easily matches the best of facilities found at exclusive health clubs. And employees can have it all, without a price.</p> <p>Work and play: Enrolling in the gym means fun all the way.</p> <p>"Most of our members attend to relax or to build a disciplined attitude, and very few people come here to lose weight" explains Mathews. "Members have the choice to decide their own schedule and monitor their own progress, and this is what adds to the popularity of the concept. If attendance is made regimentary, it would simply remain a boring exercise routine."</p>

(Source: Human Capital, February 1999, p.15).

Employees' State Insurance Act, 1948, deals comprehensively about the health benefits to be provided. This Act is applicable to all factories, establishments running with power and employing 20 or more workers. Employees in these concerns and whose wages do not exceed ₹ 1,000 per month are eligible for benefits under the Act. Benefits under this Act include:

- (a) **Sickness Benefit:** Insured employees are entitled to get cash benefit for a maximum of 56 days in a year under this benefit.
- (b) **Maternity Benefit:** Insured women employees are entitled to maternity leave for 12 weeks (six weeks before the delivery and six weeks after the delivery) in addition to cash benefit of 75 paise per day or twice sickness benefit, whichever is higher.
- (c) **Disablement Benefit:** Insured employees, who are disabled temporarily or permanently (partial or total) due to employment injury and/or occupational diseases are entitled to get the cash benefit under this head.

- (d) **Dependent's Benefit:** If an insured person dies as a result of an employment injury sustained as an employee, his dependents who are entitled to compensation under the Act shall be entitled to periodical payments referred to as dependent benefit.
- (e) **Medical Benefit:** This benefit shall be provided to an insured employee or to a member of his family where the benefit is extended to his family. This benefit is provided in the following forms:
 - Out-patient treatment or attendance in a hospital, dispensary, clinic or other institutions; or
 - By visits to the home of the insured person; or
 - Treatment as in-patient in a hospital or other institution.

An insured person shall be entitled to medical benefits during any week for which contributions are payable, or in which he/she is eligible to claim sickness or maternity benefits or eligible for disablement benefit.

Voluntary Arrangements: However, most of the large organisations provide health services over and above the legal requirements to their employees free of cost by setting up hospitals, clinics, dispensaries and homeopathic dispensaries. Company's elaborating health service programmes include:

- (a) Providing health maintenance service, emergency care, on-the-job treatment care for minor complaints, health counselling, medical supervision in rehabilitation, accident and sickness prevention, health education programme, treatment in employee colonies etc. (See Box 1.1)
- (b) Medical benefits are extended to employee's family members and to the retired employees and their family members.
- (c) Small organisations, which cannot set up hospitals, or large organisations (in those where hospitals cannot be set up because of various reasons) provide the medical services through local hospitals and doctors. Sometimes, they provide the facility of reimbursement of medical expenses borne by the employees.

4. Welfare and Recreational Facilities

Welfare and recreational benefits include: (a) Canteens; (b) Consumer societies; (c) Credit societies; (d) Housing; (e) Legal aid; (f) Employee counselling; (g) Welfare organisations; (h) Holiday homes; (i) Educational facilities; (j) Transportation; (k) Parties and picnics and (l) Miscellaneous.

- (a) **Canteens:** Perhaps no employee benefits have received as much attention in recent years as that of canteens. Some organisations have statutory obligation to provide such facilities as Section 46 of the Factories Act, 1948, imposes a statutory obligation to employees to provide canteens in factories employing more than 250 workers. Others have provided such facilities voluntarily. Foodstuffs are supplied at subsidised prices in these canteens. Some companies provide lunchrooms when canteen facilities are not available.

- (b) **Consumer Societies:** Most of the large organisations located far from the towns and which provide housing facilities near the organisation set up the consumer stores in the employees' colonies and supply all the necessary goods at fair prices.
- (c) **Credit Societies:** The objective of setting-up of these societies is to encourage thrift and provide loan facilities at reasonable terms and conditions, primarily to employees. Some organisations encourage employees to form cooperative credit societies with a view to fostering self-help rather than depending upon moneylenders, whereas some organisations provide loans to employee directly.
- (d) **Housing:** Of all the requirements of the workers, decent and cheap housing accommodation is of great significance. The problem of housing is one of the main causes for fatigue and worry among employees and this comes in the way of discharging their duties effectively. Most of the organisations are located very far from towns where housing facilities are not available. Hence, most of the organisations built quarters nearer to the factory and provided cheap and decent housing facilities to their employees, whilst a few organisations provide and/or arrange for housing loans to employee and encourage them to construct houses.
- (e) **Legal Aid:** Organisations also provide assistance or aid regarding legal matters to employees as and when necessary through company lawyers or other lawyers.
- (f) **Employee Counselling:** Organisations provide counselling service to the employee regarding their personal problems through professional counsellors. Employee counselling reduces absenteeism, turnover, tardiness etc.
- (g) **Welfare Organisations and Welfare Officers:** Some large organisations set-up welfare organisations with a view to provide all types of welfare facilities at one centre and appointed welfare officers to provide the welfare benefits continuously and effectively to all the employees fairly.
- (h) **Holiday Homes:** As a measure of staff welfare and in pursuance of government's policy, a few large organisations established holiday homes at a number of hill stations, health resorts and other centres with low charges of accommodation, so as to encourage employees use this facility for rest and recuperation in a pleasant environment.
- (i) **Educational Facilities:** Organisations provide educational facilities not only to the employees but also to their family members. Educational facilities include reimbursement of fees, setting up of schools, colleges, and hostels, providing grants-in-aid to the other schools where a considerable number of students are from the children of employees. Further, the organisations provide reading rooms and libraries for the benefit of employees.
- (j) **Transportation:** Companies provide conveyance facilities to their employees from the place of their residence to the place of work as most of the industries are located outside the town and all employees may not get quarter facility.

- (k) **Parties and Picnics:** Companies provide these facilities with a view to inculcating a sense of association, belongingness, openness, and freedom among employees. These activities help employees to understand others better.
- (l) **Miscellaneous:** Organisations provide other benefits like organising games, sports with awards, setting up of clubs, community services activities, Christmas gifts, gifts for Diwali and other festivals, birthday gifts, leave travel concessions and awards, productivity/performance awards etc.

5. Old Age and Retirement Benefits

Industrial life generally breaks the family system. The saving capacity of the employee is very low due to lower wages, high living cost and increasing aspirations of the employees and his family members. As such, employers provide some benefits to the employees, after retirement and during old age, with a view to create a feeling of security about the old age. These benefits are called old age and retirement benefits. These benefits include: (a) Provident Fund; (b) Pension; (c) Deposit linked insurance; (d) Gratuity and (e) Medical benefit.

(a) Provident Fund: This benefit is meant for economic welfare of the employees. The Employee's Provident Fund, Family Pension Fund and Deposit Linked Insurance Act, 1952, provides for the Institution of Provident Fund for employees in factories and establishments. Provident Fund Scheme of the Act provides for monetary assistance to the employees and/or their dependents during post-retirement life. Thus, this facility provides security against social risks and this benefit enables the industrial workers to have better retired life. Employees in all factories under Factories Act, 1948, are covered by the Act. Both the employee and the employer contribute to the fund. The employees on attaining 15 years of membership are eligible for 100% of the contributions with interest. Generally, the organisations pay the Provident Fund amount with interest to the employee on retirement or to the dependents of the employee, in case of death.

(b) Pension: The Government of India introduced a scheme of Employees Pension Scheme for the purpose of providing Family Pension and Life Insurance benefits to the employees of various establishments to which the Act is applicable. The Act was amended in 1971 when Family Pension Fund was introduced in the Act. Both the employer and the employee contribute to this fund. Contributions to this fund are from the employee contributions to the Provident Fund to the tune of 1.5% of employee wage.

Employee's Family Pension Scheme 1971 provides for a Family Pension to the family of a deceased employee as per the following rates:

This scheme is also for the payment of a lump sum amount of ₹ 4,000 to an employee on his retirement as retirement benefit and a lump sum amount of ₹ 2,000 in the event of death of an employee as life insurance benefit.

Table 1.1

Pay for Month	Rate
₹ 800 or more	12% of the basic subject to a maximum of ₹ 150 as monthly pension.
More than ₹ 200	but 15% of the basic subject to a maximum of ₹ 96
less than ₹ 800	and a minimum of ₹ 60 as monthly pension.
₹ 200 or less	30% of the basic subject to a maximum of ₹ 60 as monthly pension.

- (c) **Deposit Linked Insurance:** Employees Deposit Linked Insurance Scheme was introduced in 1976 under the Provident Fund Act, 1952. Under this scheme, if a member of the Employees Provident Fund dies while in service, his dependents will be paid an additional amount equal to the average balancing during the last three years in his account. (The amount should not be less than ₹ 1,000 at any point of time). Under the Employees' Deposit Linked Insurance Scheme, 1976, the maximum amount of benefit payable under the deposit-linked insurance is ₹ 10,000.

- (d) **Gratuity:** This is another type of retirement benefit to be provided to an employee either on retirement or at the time of physical disability and to the dependents of the deceased employee. Gratuity is a reward to an employee for his long service with his present employer.

The Payment of Gratuity Act, 1972, is applicable to the establishment in the entire country. The Act provides for a scheme of compulsory payment of gratuity by the managements of factories, plantations, mines, oil fields, railways, shops and other establishments employing 10 or more persons to their employees, drawing the monthly wages of ₹ 1,600 per month.

Gratuity is payable to all the employees who render a minimum continuous service of five years with the present employer. It is payable to an employee on his superannuation or on his retirement or on his death or disablement due to accident or disease. The gratuity payable to an employee shall be at the rate of 15 days wage for every completed year of service on part thereof in excess of six months. Here the wage means the average of the basic pay last drawn by the employee. The maximum amount of gratuity payable to an employee shall not exceed 20 months wage.

- (e) **Medical Benefit:** Some of the large organisations provide medical benefits to their retired employees and their family members. This benefit creates a feeling of permanent attachment with the organisation to the employees even while they are in service.

1.7 STATUTORY AND NON-STATUTORY

Social Security Laws

The principal social security laws enacted in India are the following:

The Employees' State Insurance Act, 1948 (ESI Act): This Act covers factories and establishments with 10 or more employees. It deals with providing for comprehensive medical care to the employees and their families. In addition it also provides for cash benefits during sickness and maternity, and monthly payments in case of death or disablement.

Enactment of Employees' State Insurance Act, 1948 provides an integrated need based social insurance scheme. This scheme would protect the interest of workers in contingencies such as sickness, maternity, temporary or permanent physical disablement, death due to employment injury resulting in loss of wages or earning capacity. This Act also guarantees reasonably good medical care to workers and their immediate dependants.

Government of India set up the ESI Corporation to administer the Scheme after the enactment of ESI Act. The Scheme thereafter was first implemented at Kanpur and Delhi on 24th February 1952. The Act further absolved the employers of their obligations under the Maternity Benefit Act, 1961 and Workmen's Compensation Act 1923. The benefit provided to the employees under the Act is also in conformity with ILO conventions.

Benefits of ESI Scheme

The benefits provided to the employees and their family members under the ESI scheme include:

- (a) Medical Benefit
- (b) Sickness Benefit (SB): Sickness benefits are classified in to
 - Extended Sickness Benefit (ESB)
 - Enhanced Sickness Benefit
- (c) Maternity Benefit (MB)
- (d) Disablement Benefit: Disablement benefits are classified in to:
 - (i) Temporary Disablement Benefit (TDB)
 - (ii) Permanent Disablement Benefit (PDB)
- (e) Dependants' Benefit (DB)
- (f) Funeral Expenses

Distinctions of the Scheme: The distinctions of the ESI Scheme are:

- ❖ Contributions are related to the paying capacity as a fixed percentage of the workers wages.
- ❖ Benefits are provided as social security benefits according to individual needs without distinction.

- ❖ Cash Benefits are disbursed by the Corporation through its Local Offices/Mini Local Offices/Sub Local Offices/Pay offices, subject to certain contributory conditions.

In addition, the scheme also provides some other need based benefits to insured workers.

These includes: Rehabilitation allowance and Vocational Rehabilitation

ESI Scheme

Benefits: Employees' State Insurance Scheme of India is an integrated social security scheme tailored to provide social protection to workers and their dependants, in the organised sector. The benefits under this scheme include: sickness, maternity and death or disablement due to an employment injury or occupational hazard.

Applicability: The ESI Act, (1948) applies to following categories of factories and establishments in the implemented areas:-

- ❖ Non-seasonal factories using power and employing ten(10) or more persons
- ❖ Non-seasonal and non power using factories and establishments employing twenty (20) or more persons.

Enforcement: The “appropriate Government” State or Central is empowered to enforce the provisions of the ESI Act to various classes of establishments, industrial, commercial or agricultural or otherwise. Under these enabling provisions most of the State Governments have extended the ESI Act to certain specific class of establishments, such as, shops, hotels, restaurants, cinemas, preview theatres, motors transport undertakings and newspaper establishments etc., employing 20 or more persons.

Employees are also entitled to cash benefits in the event of specified contingencies resulting in loss of wages or earning capacity. The insured women are entitled to maternity benefit for confinement. Where death of an insured employee occurs due to employment injury, the dependants are entitled to family pension.

Financing of the Scheme: The ESI Scheme is financed from two sources:

- ❖ **Contributions:** The scheme is financed by contributions raised from employees covered under the scheme and their employers, as a fixed percentage of wages. Employees of covered units and establishments drawing wages up to ` 6500/- per month come under the purview of the scheme for social security benefits. However, employees' earning up to ` 40/- a day as wages are exempted from payment of their part of contribution.
- ❖ **State Governments' Finances:** The State Governments meet one-eighth share of expenditure on Medical Benefit within the per capita ceiling of ` 600/- per annum and all additional expenditure beyond the ceiling.

Coverage Under ESI Act

The Act is applicable to:

- ❖ Non-seasonal factories using power and employing 20 or more persons.
- ❖ Non-seasonal power using factories employing 10 or more persons.
- ❖ Non-power using factories employing 20 or more persons.
- ❖ shops, hotels, restaurants, cinemas including preview theatre, road motor transport undertakings and newspaper establishment employing 20 or more persons.
- ❖ A factory once covered remains covered even if the number of employees at any later stage falls short of the stipulated number of 10 or 20 or the manufacturing process therein ceases to be carried on with the aid of power.
- ❖ The Act does not apply to workers engaged in mining operations, railway running sheds, certain seasonal factories operating for less than 7 months in a year.
- ❖ Factories or establishments run by the State Governments/Central Government whose employees are in receipt of social security benefits substantially similar or superior to those provided under the Act can be exempted from coverage.
- ❖ Employees drawing monthly wages up to ₹ 7500/- are covered by this scheme.

Areas Covered

The ESI Scheme is being implemented area-wise by stages. The Scheme has already been implemented in different areas in the following States/Union Territories except Nagaland, Manipur, Tripura, Sikkim, Arunachal Pradesh and Mizoram.

Coverage of Employees

A monthly wage limit is prescribed by the Central Govt. for the purpose of coverage of employees/workers of the aforesaid factories or establishments. An employee has been defined under Section 2(9) of the Act and means any person employed for wages in or in connection with the work of a factory or establishment to which this Act applies.

Table 1.2: shows the details of coverage of employees.

Table 1.2: Details of Coverage of Employees under the ESI Scheme

COVERAGE :	
No. of Insured Person family units	79,12,700
No. of Employees	70,82,300
Total No. of Beneficiaries	3,07,01,300
No. of Insured women	13,47,550
No. of Employers, etc	2,63,650

Achievements of the ESI Scheme

- ❖ Ceiling for commutation of partial disablement benefit has been raised from the existing ` 10,000 to ` 30,000 with effect from 19th April 2003 in case the daily rate of benefit is up to ` 5.
- ❖ Enhancement of ceiling on expenditure on medical per insured person per annum from the existing ` 650 to ` 750 per insured person with effect from 1st April 2004.
- ❖ Employees earning up to ` 50 a day are exempted from payment of ESI Contribution with effect from 1st April 2004. The employers' share of contribution is however payable.
- ❖ Confinement expenses for child delivery without utilising ESI Medical service have also been increased from ` 250 to ` 1000 with effect from 24th January 2004.
- ❖ The wage ceiling for coverage of employees under the ESI Act has been enhanced from ` 6500 to ` 7500 with effect from 1st April 2004.
- ❖ Four more slabs have been added to the Daily Standard Benefit rates for sickness benefit to the existing 28 slabs ranging from ` 125 to ` 145 with effect from 1st April 2004.
- ❖ The Corporation has now introduced '**Rajiv Gandhi Shramik Kalyan Yojna**' for insured persons who face involuntary unemployment with effect from 1st April 2005. The insured persons under the scheme are entitled to an unemployment allowance for a period of up to six months equal to almost half the wages.

Administration

A corporate body called the Employees' State Insurance Corporation (ESIC), which has members representing employers, employees, the Central Government, State Governments, medical profession and the Parliament, administers the Employees' State Insurance Scheme. A Standing Committee constituted from among the members of the Corporation acts as the Executive Body for the administration of the Scheme.

There is also a Medical Benefit Council to advise the Corporation on matters connected with the provision of Medical Benefit. The Director General who is the Chief Executive of the Corporation is also ex-officio member of the Corporation and of its Standing Committee.

The Corporation has 17 Regional Offices and 5 sub-Regional Offices at Pune, Nagpur, Coimbatore, Madurai and Hubli and 844 Local Offices and Cash offices all over the country besides the Head quarters Office in New Delhi, for the administration of the Scheme.

The Medical care under the Scheme is administered by State Governments, who have the statutory responsibility in this regard, except in Delhi State and Noida area of U.P.

The Employees' Provident Funds & Miscellaneous Provisions Act, 1952: This applies to specific scheduled factories and establishments employing 20 or more employees and ensures terminal benefits to provident fund, superannuation pension, and family pension in case of death

during service. Separate laws are enacted for similar benefits for the workers in the coalmines and tea plantations.

The Workmen's Compensation Act, 1923: This act requires payment of compensation to the workman or his family in cases of employment related injuries resulting in death or disability.

The Maternity Benefit Act, 1961: This act provides for 12 weeks wages during maternity as well as paid leave in certain other related contingencies.

The Payment of Gratuity Act, 1972: This act provides 15 days wages for each year of service to employees who have worked for five years or more in establishments having a minimum of 10 workers.

Directive Principles of State Policy

Article 41 provides for right to work, to education and to public assistance in certain cases. 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. Article 42 provides for provision for just and humane conditions of work and maternity relief. The State shall make provision for securing just and humane conditions of work and for maternity relief.

Non-Statutory Measures

Managements motivate the employees to work efficiently and contribute their human resources to a maximum extent. Individuals enhance their contributions in order to achieve organisational goals. Achievement of organisational objectives enables the managements to provide more benefits and rewards to the employees. This in turn helps in the achievement of individual objectives.

In addition to fringe benefits, managements provide different types of non-monetary rewards. The innovative non-monetary rewards include: (See Box 1.5).

BOX 1.5 : INCENTIVE PROGRAMMES: EXAMPLES

Make Headlines with Innovative Ideas

- Offering jazzy free cars as perks to your star performers
- Rent out an entire theatre and screen movies for your employees
- Sponsor an employee to train for a mega sports event
- Allow employees to bring pets to office once a week
- Offer job sharing, part-time work and tele-working for women employees
- Buy employee's tickets for a concert or a cricket match
- Give sabbaticals as rewards for your long-term employees
- Offer free limousine rides to employees on their anniversaries

- Offer your own company products at half-price to employees
- Sell Diwali gifts at the city malls and donate the proceeds to charity
- Gift the star performer's team a group vacation in Hawaii.

(Source: Human Capital, August 2001, p. 19)

- (i) Treats cover free lunches, festival bashes, coffee breaks, picnics, dinner with the boss, dinner for the family, birthday treats.
- (ii) Knick-Knacks cover desk accessories, company watches, tiepins, brooches, diaries/planners, calendars, wallets and T-shirts.
- (iii) Awards include trophies, plaques, citations, certificates, scrolls, and letters of appreciation.
- (iv) Social Acknowledgment includes informal recognition, recognition at office get-together, socialisation of advice, suggestions etc.
- (v) Office Environment covers redecoration, flexible hours etc.
- (vi) Tokens cover movie tickets, vacation trips, early time-offs etc.
- (vii) On-the-job rewards include increased responsibility, job rotation, training etc.

Advantages: Advantages of non-monetary rewards include:

- (i) Non-monetary rewards motivate employees to perform better.
- (ii) Non-monetary rewards build employee self-esteem.
- (iii) Employees become more loyal to the company.
- (iv) These benefits create an atmosphere where change is not resented.
- (v) These benefits can be provided without any extra cost.
- (vi) Create close bondage between the company and employee's family.

Disadvantages: The non-monetary rewards, despite the advantages discussed above, suffer from the following disadvantages:

- (i) These benefits demotivate the employees, if the processes are not transparent.
- (ii) These rewards may result in shortsighted and hasty decision-making.
- (iii) These rewards may result in unhealthy competition among employees.
- (iv) Work intrudes on the home life of employees.
- (v) Employees feel that managements concentrate on the non-cost programmes and
- (vi) These rewards will not work, if monetary rewards are not adequate.

Stock-Option Scheme: Stock options are common in many countries. This scheme allows the employees to purchase the shares of the company at a fixed and reduced price. Employees are motivated when the company allows them to buy the shares at the concessional price. The stock options are viewed as performance-based incentives. (See Box 1.6).

BOX 1.6: ESOP BY A DIVERSIFIED CORPORATION

A large, privately held diversified corporation originally implemented ESOP to address liquidity and other financial needs as well as to provide retirement income to employees. Realising the untapped potential of the program i.e., to use it to drive desired employee behaviours and thereby business results. They decided to expand their conception of employee ownership and use the ESOP to support a change in employee attitudes and behaviours. This company and Hewitt are working together to refocus and leverage the employee ownership opportunity to enhance business performance.

Merits: The merits of stock-option scheme are:

- (i) This scheme links compensation package closely to performance.
- (ii) This scheme enables the companies to retain efficient employees with the company.
- (iii) It encourages the employees to work even better. (See Box 1.7).

BOX 1.7: ESOP BY A GLOBAL MEDICAL DEVICE COMPANY

A billion dollar, global medical device company made employee ownership a corner stone of its business strategy. Building on a stock-based retirement in and an all-employee stock option program, Hewitt is partnering with them to deliver an innovative business education course called, "Creating value: working to win." "The course teaches all employees to understand the company's financial and business measures and to identify specific ways to create more value on the job, all the time. This goes beyond the financial stake created by the ownership programs and develops the other necessary ownership dynamic factors- information and influence.

(Source: Human Capital, July 1999, p.37).

- (iv) It inculcates a sense of ownership and responsibility.
- (v) This scheme establishes significance of team effort among employees.

Limitations: The limitations of the scheme are:

- (i) This scheme can be used by only the profit-making companies.
- (ii) Share prices do not always reflect fundamentals.
- (iii) Falling share prices result in loss to employees.
- (iv) Unsound stock market conditions cause inconveniences to employees in encashing their investment.
- (v) Lack of transparency can earn accusations of favouritism.

1.8 FUNCTIONS OF SOCIAL SECURITY DIVISION

Social security division of the Government of India performs the following functions.

- ❖ Matters concerning framing of social security policy especially for the organised sector of workers.
- ❖ Administration of Employees' State Insurance Act, 1948.

- ❖ Administration of the Employees' Provident Funds & Miscellaneous Provisions Act, 1952 and three schemes framed there under, viz.,
 - (i) The Employees' Provident Fund Scheme, 1952
 - (ii) The Employees' Pension scheme, 1995
 - (iii) The Employees' Deposit linked Insurance Scheme, 1976.
- ❖ Workmen's Compensation Act, 1923.
- ❖ Maternity Benefits Act, 1961.
- ❖ Payment of Gratuity, Act, 1972.
- ❖ Establishment matters relating to the Employees' State Insurance Corporation – Constitution of ESI Corporation, Standing Committee and Medical Benefit Council of ESIC as also Regional Board.
- ❖ Administrative matters of ESI Corporation including implementation of ESI Scheme in New Geographical Areas, opening of Sub-Regional Offices of ESIC and up-gradation of Medical facilities.
- ❖ Annual report, Budget and accounts, and matters connected with auditing of accounts of the ESIC and EPFO.
- ❖ Issues relating to International Social Security Association (ISSA); and other international Social Security organisations. Processing of ILO Conventions relating to Social Security.
- ❖ All Parliamentary matters and MP/VIP References in relation to the above as also legislative matters/amendment in respect of the aforesaid Acts.
- ❖ Vigilance matters/Disciplinary proceedings relating to officers of EPFO and ESIC.
- ❖ Representations from employees of ESIC and EPFO, and general public grievances on ESIC/EPFO/Social Security measures in India.
- ❖ All matters relating to setting up of EPF Appellate Tribunal – Establishment matters and appointment of Staff.
- ❖ Constitution of the Central Board of Trustees and Regional Committees, EPFO.
- ❖ All matters relating to:
 - (i) Pattern of investment of provident fund money;
 - (ii) Declaration of rate of interest on the provident fund;
 - (iii) Enhancement of the rate of provident fund contributions;
 - (iv) Budget of the EDLI Scheme and EPS;
 - (v) Payment of Central Government contribution and administrative charges for Family Pension Scheme, Deposit Linked Insurance under the EPF Act as well as the Assam Tea Plantation Provident Fund Act.
 - (vi) References relating to recovery of EPF/ESI dues/Exemptions and Exclusions from the EPF&MP Act and also the ESI Act.

1.9 GROWTH OF LABOUR WELFARE AND SOCIAL SECURITY IN INDIA

Labour welfare and social security measures have grown and extended to both organised sector employees and unorganised sector employees.

Organised Sector Employees

Employees State Insurance Act, Employees Provident Fund and Miscellaneous Provisions Act, the Workmen's Compensation Act, the Maternity Benefit Act, and the Payment of Gratuity Act deal with the social security to the workers in the organised Sector. In addition, there are a large number of welfare funds for certain specified segments of workers such as beedi workers, cine workers, construction workers etc.

Social Security Coverage in India

Most social security systems in developed countries are linked to wage employment. In India our situation is entirely different from that obtaining in developed countries. The key differences are:

- (i) India does not have an existing universal social security system
- (ii) India does not face the problem of exit rate from the workplace being higher than the replacement rate. Rather on the contrary lack of employment opportunities is the key concern,
- (iii) 92% of the workforce is in the informal sector which is largely unrecorded and the system of pay roll deduction is difficult to apply.

The majority of the old people depend on transfers from their children. Addressing social security concerns with particular reference to retirement income for workers within the coverage gap has been exercising policy makers across the world. In India the coverage gap i.e., workers who do not have access to any formal scheme for old-age income provisioning constitute about 92% of the estimated workforce of 400 million people. Hence the global debate and evaluation of options for closing the coverage gap is of special significance to India. The gradual breakdown of the family system has only underscored the urgency to evolve an appropriate policy that would help current participants in the labour force to build up a minimum retirement income for themselves.

- (iv) The coverage gap in India is broadly categorised under the following groups:

(a) Agricultural sector	=	180 million.
(b) Contract, services, construction	=	60 million.
(c) Trade, Commerce, transport, storage & Communications	=	100 million.
(d) Others	=	30 million.
Total	=	370 million

Extension of Coverage

Currently, social security policy makers and administrators are engaged in a wide-ranging debate to redress the problems in providing social security in the country. This debate has thrown up various arguments on the efficacy of publicly managed social security schemes as opposed to privately managed schemes. There is no standard model that can be adopted on this issue. In the Indian context the privately managed schemes can at best be considered as supplementary schemes after the mandatory schemes managed publicly. It is only the publicly managed scheme, which will extend to all the sectors of the workforce. The challenge of closing the coverage gap in social security provisions has to be developed at two levels. The first level involves the re-engineering of the institutional arrangements to increase efficiency. The second level is to create an appropriate legislative and administrative framework for significant increase in the social security coverage especially in the unorganised sector.

In India currently only about 35 million out of a workforce of 400 million have access to formal social security in the form of old-age income protection. This includes private sector workers, civil servants, military personnel and employees of State Public Sector Undertakings. Out of these 35 million, 26 million workers are members of the Employees' Provident Fund Organisation. As such the current publicly managed system in India is more or less entirely anchored by the Employees' Provident Fund Organisation. It may be noted that in the last 50 years, the Employees' Provident Fund Organisation has been in existence, there has been no instance of any scam or a situation where the Fund has been exposed to speculation and risk. Another important contribution of EPF is now proposed to extend to the critical life benefit of providing shelter. The Shramik Awas Yojana aims at providing a cost effective Housing Scheme specific for EPF numbers. This involves cooperation between organisations such as HUDCO, Housing Agencies, State Governments, Employers and EPF Members with the EPFO playing the role of facilitator. The investments are directed into the prescribed securities and portfolios as per the pattern laid down by the Finance Ministry.

Unorganised Sector Employees

Labour welfare and social security measures are extended to unorganised sector employees under the unorganised sector workers' social security scheme.

Social security measures to unorganised sector are governed by Unorganised Sector Workers' Social Security Scheme. The self-employed workers where there are no employers employing them have an option to become the members of the scheme subject to the provisions of this Scheme. This Scheme shall apply to all the workers and establishments in the activities listed in the schedule to the Act, subject to the provisions of Section 1(3) (a) and (b) of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952.

Salient Features of the Social Security Scheme

1. This is a fully funded scheme, which will be professionally managed by the Employees Provident Fund Organisation with its post BPR countrywide information and

communication technology. Initially, the scheme will be implemented for 25 lakh workers in 50 districts of the country for two years on a pilot basis and it will be jointly reviewed by the Ministries of Finance and Labour.

2. It will cover the workers in the unorganised sector drawing pay/wages/income not more than ` 6500/- per month. The scheme provides triple benefits to the workers, that is:
 - (i) **Pension Scheme:** It is proposed to provide a minimum pension @ ` 500/- per month at the age of 60 years or permanent/total disablement and family pension in case of the death of the worker with a provision for enhanced or reduced pension based on the contribution;
 - (ii) **Personal Accidental Insurance:** The accidental insurance cover of ` lakh; and
 - (iii) **Medical Insurance:** Coverage under the Universal Health Insurance Scheme (UHIS) for a family of five including member. The scheme provides for reimbursement of hospitalisation expenses upto ` 30,000/- in a year and in case of earning head of the family is hospitalised due to accident/ illness, a compensation of ` 50/- per day up to a maximum of 15 days and also coverage of death of the earning head of the family due to accident (` 25,000/-).
3. To avail benefits under all these schemes, there will be single contribution @ ` 50/- p.m. from the workers joining the scheme in the age group of 18-35 years and ` 100/- p.m. from the workers in the age group of 36-50 years. The contribution from the employers wherever identifiable in both the categories will be @100/- p.m. It is presumed that employers will be identifiable in 30% cases only.
4. Government's contribution will be @1.16% of the monthly wages of the workers based on the national minimum floor level wage as notified by the central Government from time to time.
5. The scheme will be implemented through the Employees Provident Fund Organisation (EPFO) having around 260 offices in the country and which will provide single window service to the workers for all the three components of the scheme with the active support and cooperation of Workers' Facilitation Centres, the Employees State Insurance Corporation (ESIC), other Insurance Companies and the Central and State labour machinery, and also the Panchayati Raj Institutions, Self-Help Groups and NGO, etc.

Definitions and other particulars of Unorganised Sector Workers' Social Security Scheme are provided in Annexure-1. The unorganised sector workers' social security bill, 2005 Statement of objects and reasons are presented in Annexure-2.

1.10 REVIEW QUESTIONS

1. Discuss the concept of labour welfare and social security.
2. Explain important stages of labour movement in India.

3. What is social security? Discuss the international standards of social security in various countries.
4. What are the merits and demerits of social security measures?
5. Explain various types of social security and welfare measures.
6. Discuss various safety and health measures.
7. What are the recreation facilities? Why should the employer provide such facilities to employees?
8. What are the old age and retirement benefits? What are the advantages of such benefits?
9. What are statutory social security benefits?
10. What are the non-statutory social security benefits? Why do the employers provide such benefits when they are not statutorily obligated to provide?
11. Discuss the benefits covered under Employees State Insurance Act, 1948?
12. Explain the functions of social security division of the Government of India?
13. Discuss the salient features of growth of social security and welfare measures in India.
14. What are the salient features of social security scheme of unorganised workforce in India?
15. Briefly describe the benefits that an organisation might give its employee to provide them with greater financial security.
16. "Social security measures serve as golden hand-cuffs". Discuss.
17. Explain the various legally required labour welfare and social security benefits in India.
18. "Labour welfare and social security benefits have psychological and social base". Discuss.

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ANNEXURE-1

Definitions under Unorganised Sector Workers' Social Security Scheme:

In this Scheme unless the context otherwise requires:

- (i) "authorised officer" means any officers authorised by the commissioner for the purpose of the scheme.
- (ii) "business number" means the number issued by the Employees Provident Fund Organisation to all the establishments/employers for the purpose of uniquely identifying them and for all the transactions under the Act and the Scheme.
- (iii) "commissioner" means Central Provident Fund Commissioner notified under the provisions of the Act.
- (iv) "contributory service" means the period of service rendered by a member for which the contributions to the fund have been received or are receivable;
- (v) "designated bank" means the any bank or post office that is designated by the board for the purpose of depositing contributions or drawing pensions for any financial transaction under the scheme.
- (vi) "designated hospital" means any hospital designated by the board for the purpose of hospitalisation under the Universal Health Insurance Scheme or any other appropriate scheme.
- (vii) "eligible member" means a worker who is eligible to join the Unorganised Workers' Social Security Scheme, 2003;
- (viii) "eps95" means Employees Pension Scheme 1995 established under the Employees Provident Funds and Miscellaneous Provisions Act 1952.
- (ix) "existing Member" means an existing worker who is a "Member of the Employees' Pension Scheme, 1995".
- (x) "facilitator" any persons authorised on behalf of this scheme to collect and deposit the contributions from the workers and employers, guide the employers and workers for the purpose of compliance with the provisions of the scheme and to help them draw the benefits under the scheme.
- (xi) "facilitation center" means the workers facilitation centers.
- (xii) "family" means the family of the member including the member as defined in the Universal Health Insurance Scheme.
- (xiii) "filer" means a filer authorised and appointed under the provisions of this scheme or under the Employees Provident Fund and miscellaneous provisions Act 1952.
- (xiv) "member" means an employee who becomes a member of the Unorganised Sector Workers' Social Security Scheme in accordance with the provisions of this Scheme.

- I. A worker shall cease to be the member of Social Security Scheme; from the date of attaining 60 years of age or from the date of vesting admissible benefits under the Scheme, whichever is earlier.”
 - II. A worker drawing pay/income exceeding Rupees six thousand five hundred per month at the time of enrollment is not eligible to become a member of the scheme.
 - III. All workers in the age group of 36-50 are eligible to become members only for a period of five years from the day of notification of the Scheme. There after only the workers who are below the age of 35 years on the date of joining the fund are eligible to become the members of the fund.
- (xv) “NSSN” means National Social Security Number to be given by the Employees provident Fund Organisation to Uniquely identify the members “orphan” means a person, none of whose parents is alive.
 - (xvi) “POP” means points of presence which include bank branches, post offices, depository participant offices and any other location from which electronic connectivity into a central computer system is possible for all financial transactions like collection of contributions, payment of benefits transfer of amount to other POPs or to the fund etc., under the scheme.
 - (xvii) “pay” means all remunerations paid or payable.
 - (xviii) “permanent total disablement” means such disablement of permanent nature as incapacitates a worker for all work which he was capable of performing at the time of disablement, regardless whether such disablement is sustained in the course of employment or otherwise;
 - (xix) “pension” means the pension payable under the Unorganised Sector Workers’ Social Security Scheme;
 - (xx) “pension fund” means the pension fund setup under this scheme from the contributions of employers, employees and government contribution towards the pension.
 - (xxi) “table” means Table appended to this Scheme.

I. Registration of Members

Registration and allotment of National Social Security Number

1. The commissioners with help of the workers facilitation centers, facilitators and filers, register the employers and the members. However registration is mandatory for every establishment by what ever name it is called employing any person for pay.
2. For the purposes of this Scheme, the Employees Provident Fund Organisation will allot an NSSN, which shall be a permanent number all through the worker’s life.
3. Declaration by persons taking up employment after the Pension Fund has been established.

The employer shall before taking any person into employment, ask the person to state in writing whether or not he is a member of the Scheme and, if so require the person to furnish NSSN.

4. Option for joining the Scheme.

1. All workers in the Age Group of 36-50 have an option to join the scheme within five years from the date of commencement of the scheme provided they have an identifiable employer and they too pay the contribution. Self-employed workers may also join this scheme provided they pay employers' contribution also.
2. Self-Employed and the workers of migratory character who are below 35 years of age for whom there is no identifiable employer shall have an option to join the fund by paying the contributions on their own.

5. Resolution of doubts.

If any doubt arises whether a worker is entitled to become a member of unorganised Sector Social Security Scheme the same shall be referred to the officer authorised in this regard from time to time who shall decide the same:

Provided that an opportunity of being heard shall be given to the employer and worker before passing final order in the matter.

II. Collection and Recording of Contributions

Unorganised Sector Workers' Social Security Scheme;

1. The Fund will be created out of the contributions at a rate of ` 50/- per-month by every worker; and ` 50/- for every worker by the employer where such employer is identifiable. Workers with no identifiable employer shall pay a minimum contribution of ` 100/- per month.
2. The Central Government shall contribute at the rate of 1.16 per cent of monthly wages of enrolled workers taking as base the average national floor wage as notified by the Central Government from time to time.
3. Notwithstanding any thing contained in the clause (1) above, the workers in the age group of 36-50 shall have to pay a contribution of ` 100/- P.M. and their employers ` 100/- for each worker.
4. The contribution payable under sub-paragraph (2) shall be calculated to the nearest rupee, fifty paise or more to be counted as the next higher rupee and fraction of a rupee less than fifty paise to be ignored.
5. Mode of payment of contribution
 1. The employers shall collect the worker contribution from the workers add their contribution and then deposit the contribution in the designated branch of the bank or post office/POP in such manner as may be prescribed.
 2. The workers for whom there is no identifiable employer shall pay the contributions at the designated branch of the bank or post office or POP by submitting his NSSN.

He may use the services of Workers facilitation centers, facilitators or filers for the purpose.

3. The contributions by the employer under Para 7(1) and 7(3) shall be deposited on the 10th day of every month. Default in such deposit shall attract an interest of 10% per annum on such defaulted amount, which shall be deposited by the employer alongwith the contributions.
4. The member who does not deposit the contributions for a continuous period of one year shall cease to be a member of the pension fund. However, such member can get his membership regularised by depositing the contributions for the gap period alongwith the interest thereon as may be prescribed from time to time.

6. Unorganised Workers Social Security Scheme Account

The account called the “Unorganised Workers Social Security Scheme Account “shall be opened by the Commissioner in any branch of designated bank, for depositing contributions by employers, workers or for delivering benefits under the Scheme and operating for the purpose of administration of the Scheme.

7. Registers, Records, etc.

The Commissioner shall, with the approval of the Board, prescribe the registers and records to be maintained in respect of the workers, the form or design of any identity card, token, disc or electronic transfer system for the purpose of identifying, servicing or complying for any employee or his nominee or a member of a family entitled to join the scheme and receive pension and such other forms/formalities as have to be completed in connection with the grant of pension and other benefits or for the continuance thereof subject to such periodical verification as may be considered necessary or for the purpose of depositing contribution by the workers and employers.

Explanation: The registers and records suggested to be maintained here in are for the purpose of implementation of this scheme only. No other register required for any other purpose of the Act will be maintained.

III. Compliance and Enforcement

8. Employer to furnish particulars of ownership.

Every employer in relation to a factory or other establishment to which the Act applies or is applied hereafter shall furnish to the Commissioner particulars of all the branches and departments, owners, occupiers, directors, partners, managers or any other person or persons who have the ultimate control over the affairs of such factory or establishment and also send intimation of any change in such particulars, within three months of such change, to the Commissioner by registered post.

9. Duties of Employers.

1. Every employer shall send to the Commissioner within three months of the commencement of this Scheme, or the business activity within such extended period as may be permitted a consolidated return of the workers entitled to become

members of the scheme in such form whether electronic or paper as may be prescribed.

2. Every employer shall maintain such accounts in relation to the amounts contributed by him to the Fund if possible or register himself with the workers facilitation center, or facilitator or filer in his area who will maintain the accounts of such employers for whom it is not possible to maintain any accounts or registers.
3. Notwithstanding anything contained in this paragraph, the commissioner may issue such directions to the employers generally, as it may consider necessary or expedient, for the purpose of implementing the Scheme, and it shall be the duty of every employer to carry out such directions.
4. A unique Business number will be issued to each employer by the commissioner or by any other officer authorised on this behalf, which shall be a permanent number and which shall be quoted for all the purposes under the scheme.

Explanation: Until such time the business number is allotted, the employer may use the Permanent Account Number (PAN) issued under the Income Tax Act, 1961.

5. Every employer shall make a self-declaration about all the relevant facts for the purpose of the scheme and sign a verification, which shall be binding on him. Any false statement, declaration, or verification shall attract the penal provisions of this scheme.
10. Punishment for failure to submit returns, etc.

If any person,

- (a) deducts or attempts to deduct from the wages or other remuneration of the member, the whole or any part of the employer's contribution, or
- (b) fails or refuses to submit any return, statement or other documents required by this Scheme or submits a false returns, statement or other documents, or makes a false declaration, or
- (c) obstructs any Inspector or other official appointed under the Act or this Scheme in the discharge of his duties or fails to produce any record for inspection by such inspector or other officials, or
- (d) is guilty of contravention of or non-compliance with any other requirement of this Scheme, he shall be punishable with a penalty which may extend up to ` 2000 after giving a reasonable opportunity of being heard.

IV. Finance and Investment

11. Financing the Scheme: the scheme shall be financed with the contributions received from the members, employers and the Government as detailed in the Para 7 of this scheme.
12. The scheme to be a fully funded pension plan

The pension provisioning under the scheme will be set up as a fully funded pension plan under sound prudential norms, governance structure and actuarial fairness.

13. Investment of the Pension Fund Account

1. All moneys accruing to Unorganised Workers Social Security Scheme Account including the contributions of the Central Government shall be transferred to the central depository under the Pension Fund Development and Regulatory Authority for investment of moneys in accordance with the provisions and guidelines issued by the Board from time to time so as to generate enough return to pay the benefits as declared under the scheme.
2. An Advisory Committee of experts & professionals of proven track record in the area investment, social security and banking will be constituted by the Board which will suggest investment guidelines, broad pattern and options of investment of pension moneys to ensure safe and better returns and growth of the pension fund.

14. Utilisation of the Unorganised Sector Workers' Welfare Fund

1. An insurance policy to cover accident/death will be purchased from an insurance company as may be decided by the Board.
2. An appropriate health cover policy shall be purchased to make available the benefits of health cover to the extent available under universal health scheme being operated by insurance company or any other such scheme that is purchased for this purpose.
3. Subject to the provisions of this Scheme, the Fund shall not, except with the prior sanction of the Central Government be expended for any purpose other than the payments envisaged in this Scheme, for continued payment of Pension, Widow Pension, Disabled pension, Orphan Pension and premium for insurance and for universal health insurance scheme or any such scheme that covers health insurance.

15. Administration Account

1. Not exceeding 1% of the pension fund shall be spent as administrative expenses for the purpose of collection of contributions, record keeping, maintenance of accounts, investment of the pension fund, compliance and enforcement and for benefit delivery.
2. A separate account shall be kept, called the "Unorganised Workers Pension Fund Administration Account" for recording of all the administrative expenses of the Pension Fund.

16. Forms of Accounts

The accounts of Unorganised Workers Pension Fund shall be maintained by the Commissioner in such form and in such manner as may be specified by the Board with the approval of the Central Government.

17. Audit

The accounts of the Unorganised Workers Pension Fund and the administrative expenses incurred in running this Scheme shall be audited in accordance with the instructions issued by the Central Government in consultation with Comptroller and Auditor-General of India.

18. Valuation of the Pension Scheme and review of the rates of contributions and quantum of the pension and other benefits.

1. The Board shall carry out an annual valuation of Pension Scheme made by an actuary appointed by it.
2. The annual valuation will be submitted for validation to an independent panel of three actuaries every third year in order to certify that the pension scheme is fully funded, is sustainable in the long-term i.e., the income in the present and in future exceed the present and future liabilities.
3. The Central Government may at any time alter the rate of contributions payable under this Scheme or the scale of any benefit admissible under this Scheme or the period for which such benefit may be given.

V. Award and Payment of Benefits**19. Monthly Member's Pension and other Pension benefits shall be as under:****19.1 Monthly Members Pension:**

For all ages Pension Point of 480 will be required to secure a pension of ₹ 500/- p.m payable from age 60 for life of Pensioner. For other Pension Points proportionate pension will be payable subject to a minimum and a Maximum Pension.

19.2 Contingency of Payment**19.3 Superannuation:**

The Pension depending upon the Pension Point shall be payable on reaching age 60, notwithstanding one is still employed, for rest of life time of the employee.

19.4 Retirement:

This covers all exits before attaining age 60. In this case Pension based on Pension Point, at the date of exit, shall be payable from age of 60.

19.5 Permanent Disablement:

Payment on ₹ 1,00,000/- will be paid from the Personal Accident Policy purchased from an insurance provider and the employee shall receive Pension based on Pension Point from his 60th Birthday.

19.6 Death in Service:

If death is due to accident and the money from the Personal Accident Policy is received in this regard the Widow Pension shall commence from 60th birthday of

widow. Such widow pension will be based on Pension Point at date of death. If the death is not due to accident Pension depending upon Pension Point of deceased employee shall be paid to the widow for life with immediate effect.

19.7 Death during Deferred

If death occurs after exit of employee but before attaining age 60, the Pension depending upon Pension Point of deceased employee, shall be paid to widow for life with immediate effect.

19.8 Death after Retirement:

50% of the mans last drawn pension but not less than ` 300/- p.m shall be payable to the widow for rest of her lifetime.

19.9 Orphan Pension:

On death of the employee Orphan Pension shall be payable on the same rate as widow pension till the youngest one reaches age 25. If there is more than one orphan the Pension amount will be divided equally between two oldest running down to youngest.

Note: Minimum Pension and or Maximum Pension shall be applicable only in those case, where employee contributes upto age 60.

20. The calculation of scale of benefits will be as per the table-I attached to this Scheme. This table shall be revised from by the Central Government as may be required under the Scheme from time to time.
21. The member on permanent disablement due to accident while he is in service is entitled to the insurance amount or his nominee, in event of death of the member due to accident while in service, is eligible to the sum insured under the insurance policy purchased on his behalf.
22. Subject to the provisions and alternatives offered under the Unorganised Workers Social Security Scheme to a particular category of member in the Universal health Insurance scheme, three to five members of the family of the member including the member will be eligible to health cover benefits in the designated hospitals. (Explanation: the benefits under the policies purchased from different service providers including the insurance companies will be made directly by the insurance company or the service provider.)
23. Payment of Pension
The pension as admissible under the scheme shall be paid by the commissioner or by any authorised officer on his behalf immediately a member becoming eligible through a designated bank, post office or POP.
24. Payment of insurance amount
Member on his permanent disablement or the nominee in the case of death of the member as the case may be, shall submit his claim along with the policy and other documents to the Insurance Company, which shall be settled by the insurance company as per the provisions applicable for such settlement.

25. Disbursement of Pension and other benefits.

The Commissioner shall with the approval of the Central Board enter into arrangement for the disbursement of pension and other benefits under this Scheme with disbursing agencies like Post Offices or designated Banks. The commission payable to the disbursing agencies and other charges incidental thereto shall be met from the fund.

26. Payment of pension in the case of a person charged with the offence of murder

1. If a person, who in the event of the death of a member of the Pension Fund is eligible to receive pension of the deceased under paragraph 8, is charged with the offence of murdering the member or for abetting the commission of such an offence, his claims to receive pension shall remain suspended till the conclusion of the criminal proceedings instituted against him for such offence.

2. If on the conclusion of the criminal proceedings referred to in sub-paragraph (1), the person concerned is:

- (a) convicted for the murder or abetting in the murder of the member, he shall be debarred from receiving pension which shall be payable to other eligible members if any, of the family of the member; or
- (b) acquitted of the charge of murder or abetting the murder of the member, pension benefit shall be payable to him.

27. the board shall give directions to the commissioner on the implementing, monitoring and evaluating and other day to day administrative requirements under the scheme for the purpose of coverage, registration, record keeping, collection of contributions, compliance, finance, investment and benefit delivery.

VII. Miscellaneous

28. Power to issue directions.

The Central Government may issue, such directions as may be deemed just and proper by it for resolving any difficulty in the disbursement of pension and other benefits or for resolving any difficulty in implementation of this Scheme.

29. Annual Report.

The Board shall prepare an Annual Report on the working of the Scheme during the previous financial year and submit to the Central Government before 30th of September or such extended time as the Central Government may allow.

30. Application of the provisions of the Employees' Provident Fund Scheme, 1952.

In regard to matters for which either there is no provision or there is inadequate provisions in this Scheme the corresponding provisions in the Employees' Provident Fund Scheme, 1952, shall apply.

31. Information to the Central Government.

The Board shall furnish such information to the Central Government from time to time in respect of the income and expenditure from the Pension fund account in such manner as may be directed by the Central Government.

32. Interpretation.

Where any doubt arises with regard to the interpretation of the provisions of this Scheme, it shall be referred to the Central Government who shall decide the same.

Pension Point

Benefit will have no link to the salary of employee/or service rendered by the employee. It is a fixed monthly Pension of ₹ 500 p.m. For 30 years of full and regular contribution and proportionate thereof for other cases.

Since it is unlikely that monthly contribution for each month will be paid regularly for 30 years together, we have therefore, based benefit on “Pension Point” system which is defined below.

If an employee aged “X” makes the Designated Contribution by end of the year, in that case he will be awarded a Pension Point = $60 - X$.

Example-1,

Consider a employer aged 30

His Pension Point = $60 - 30 = 30$

If the Designated Contribution is received by the 15th of each month during the entire year, then the Pension Point will be increased by 0.5.

Example-2

Pension Point for the employee in Example-1, if he is regularly contributing by 15th of each month then his Pension Point will be = 30.5 instead of 30 as above.

Example-3

Alternatively, consider a case for one aged 30. He has not paid contribution regularly. Total Contribution paid by him during the year is adding upto 1500 at the end of the year. Then the Pension Point will be

= 25

Symbolically, for each Individual

Pension Point = Contribution Paid \times (60 – Age)

Contribution Payable for the category

Every year Pension Point will be accumulated by adding current year Pension Point to existing Pension Point.

ANNEXURE - 2

The unorganised Sector Workers' Social Security Bill, 2005**Statement of Objects and Reasons.**

The National Common Minimum Programme of the Government of India 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".

Earlier, the Second National Commission on Labour submitted its report to the Government in June 2002, which inter-alia, contained elements of legislation to ensure a minimum level of protection to the Workers in the Unorganised Sector. This Bill draws upon these recommendations and has given Statutory shape to National Common Minimum Programme's commitments.

The Unorganised Sector Workers' Social Security Act, 2005

To provide for social security and welfare of unorganised sector workers and to provide for other matters connected therewith or incidental thereto. BE it enacted by Parliament in the fifty-fifth year of the Republic of India as follows:

CHAPTER I**Preliminary**

1. Short title, extent and commencement
 - (a) This Act may be called "The Unorganised Sector Workers' Social Security Act, 2005"
 - (b) It extends to the whole of India.
 - (c) It shall come into force on the date of publication by Union Government in the Official Gazette.
2. Definitions. In this Act, unless the context otherwise requires: -
 - (a) "National Social Security Authority for the Unorganised Sector" means an authority constituted by Union Government for the purpose of this Act under section 3(a).
 - (b) "Directors" means the persons appointed by Union Government under Section 8(a).
 - (c) "Employer" means a company or a person, for whom any unorganised worker is working or association of employers or traders who engage unorganised workers.
 - (d) "Existing Acts" means the Acts enacted by the Central and State Governments, which are for the time being in force.
 - (e) "Facilitating agencies" means the agency notified by the Authority to run the worker's facilitation centre under the section 9 of the Act.

- (f) “Family” in relation to that of a worker means and includes the spouse, minor legitimate and adopted children, unmarried daughters and dependent parents.
- (g) “Fund” means the Unorganised Sector Workers’ Welfare fund constituted under subsection (a) of section 19 of the Act.
- (h) “Identity Card” means the identification document containing the unique identification social security number given to a worker on registration as a member under subsection (a) of section 13 of the Act.
- (i) “Member” in relation to a welfare funds constituted under this Act means an unorganised worker registered as a member under sub section (a) of Section 13.
- (j) “Notification” means notification published in the official Gazette.
- (k) “Prescribed” means prescribed by rule or scheme made under the Act.
- (l) “Scheme” means a scheme made under the Act.
- (m) “Supervisory Board” means a board constituted under section 4.
- (n) “Unique identification Social Security Number” means the number given to a worker on registration as a member under sub-section (a) of Section 13 under the Act.
- (o) “Unorganised Sector Worker” means a person who works for wages or income; directly or through any agency or contractor; or who works on his own or her own account or is self employed; in any place of work including his or her home, field or any public place; and who is not availing of benefits under the ESIC Act and the P.F Act, individual insurance and pension schemes of LIC, private insurance companies, or other benefits as decided by the Authority from time to time.
- (p) “Workers’ Facilitation Centre” means Centre constituted under section 10 for registration of workers of unorganised sector implementing social security benefits.

CHAPTER II

National Social Security Authority for the Unorganised Sector, Workers’ Facilitation Centres and Facilitating Agencies

3. Constitution of National Social Security Authority for the Unorganised Sector.
 - (a) With effect from such date as the Union Government may notify, an Authority, to be called as National Social Security Authority for the Unorganised Sector (The Authority), shall be constituted for the purposes of this Act.
 - (b) The Authority shall be a body corporate by the name aforesaid, having perpetual succession and a common seal with power, subject to the provisions of this Act, to acquire, hold and dispose property, both movable and immovable, and to contract and shall by the said name sue or be sued.
 - (c) The Authority shall consist of a Supervisory Board and an Executive Office.

- (d) The Authority shall formulate policy and undertake any and all activities to deliver the intent of this Act all over the nation in coordination with various State Governments, Welfare Boards and other agencies responsible for serving workers in the unorganised sector as required in order to ensure effective implementation of the Act.

4. Appointment of Supervisory Board

The Authority shall have a Supervisory Board to be appointed by the Union Government.

- (a) The Union Government shall appoint a Chairperson of the Supervisory Board, who shall be the non-executive Chairperson of the Authority whose normal term shall be of three years.
- (b) The Supervisory Board shall consist of at least fifty percent of members who are representatives of workers in the unorganised sector and at least one third women members in addition to professionals with background in areas of expertise such as finance, insurance, and systems-operations and representatives of Central and State Government.

- (c) The normal term of the Supervisory Board shall be three years.

5. Disqualification, removal and resignation of non-official members of Supervisory Board

- (a) No person shall be chosen as or continue to be, a non-official member of the Supervisory Board, who-
 - (i) is or at any time has been adjudged insolvent; or
 - (ii) is found to be a lunatic or of unsound mind, or
 - (iii) is or has been convicted of any offence involving moral turpitude
- (b) Any non-official member of the Supervisory Board may at any time resign, by writing under his hand, addressed to the Chairperson of the Supervisory Board and on acceptance of the resignation by the Chairperson. Such member shall cease to be member of the Supervisory Board.

6. Filling up of vacancies of Supervisory Board

In the event of a vacancy in the office of a non-official member on account of death, resignation, disqualification, removal or otherwise, the Supervisory Board shall forthwith communicate it to the Union Government and a person shall be nominated by the Union Government to fill the vacancy, who shall hold the office for the residuary term of the member on account of whom the vacancy has occurred.

7. Executive Office of the Authority

- (a) The Executive office of the Authority shall have a Managing Director, and two Executive Directors who will be appointed directly by the Union Government.
- (b) The Union Government shall provide for the recurring and non-recurring expenditures to be incurred for the functioning of the Authority on

recommendation of the Managing Director in consultation with the Supervisory Board.

8. Functions of the Directors and the Supervisory Board:

- (a) The Directors appointed by the Union Government shall be responsible for framing policies, schemes, and procedures for the functioning of the Authority in consultation with the Supervisory Board.
- (b) The Supervisory Board shall advise the Directors on matters of policy and receive quarterly reports from the Managing Director. The Chairman of the Supervisory Board shall send comments and reports regarding the functioning of the Authority and the Directors to the Union Government.
- (c) In the event of a discord between the Directors and the Supervisory Board, the Union Government shall appoint a Special Committee to recommend resolution of the discord and take appropriate action upon considering the opinions of the Committee. The decision of the Union Government will be final in this regard.

9. The Functioning and the Structure of the Authority:

- (a) The Directors will appoint “Facilitating Agencies” to conduct the activities of the Authority in the specifically designated geographical areas or a particular industry in a particular region. The Facilitating Agency will in turn set up, administer, and supervise Worker’s Facilitation Centres, which will provide direct service to the worker members of the Facilitation Centre.
- (b) The Facilitating Agency, for all practical purposes shall represent the Authority in the designated area, region, or industry and carry out all executive functions on behalf of the Authority under a specific contract with the Authority.
- (c) The Facilitating Agency shall work wherever necessary with other Welfare Boards, and Departments of the Governments, State or Union or Panchayati Raj institutions in a manner that is prescribed by the Directors.
- (d) The following may be appointed as the Facilitating Agencies by the Directors, or officers appointed by them for the purpose, after inviting proposals from organisations and institutions provided they agree to abide by terms of the contract determined by the Authority.
 - (i) Self Help Groups or their Associations
 - (ii) Post offices
 - (iii) All types of Co-operative societies
 - (iv) Micro-Finance Institutions
 - (v) Trade Unions
 - (vi) District Panchayat
 - (vii) Village Panchayat
 - (viii) Existing Welfare Boards

- (ix) Urban local body
- (x) Any other organisation or agency dealing directly with unorganised workers as may be prescribed by the Authority.

10. Workers' Facilitation Centres

The Worker Facilitation Centres shall be set up by the Facilitating Agency and shall be operated under its control and supervision.

The core functions of the Centres shall be: -

- (a) Registration of workers and giving them unique identification social security numbers and identity cards.
- (b) Mobilisation of workers to become members of the Scheme.
- (c) Securing the contribution of members to the funds.
- (d) Assuring delivery of benefits to the members.

In addition, the centres may undertake the following activities.

- (e) Maintaining a database of members in such form as may be prescribed showing the details of employment of members registered with it.
- (f) Skill upgradation training to increase the skill of workers.
- (g) To maintain and provide information related to employment and marketing opportunities workers. Training and assisting workers to form themselves into cooperatives, unions, federations and into any other appropriate form of organisation.
- (h) To constitute employment exchanges for unorganised sector.
- (i) To create public awareness about schemes available for workers.
- (j) To collect statistics and information of workers engaged in the employments of the unorganised sector.
- (k) Other activities as may be prescribed by the Authority.

The financing of the Workers Facilitation Centres shall be through implementation of appropriate schemes. The Workers Facilitation Centres may, with the approval of Facilitating Agencies charge user-fees for specific services that the Workers Facilitation Centres may offer to individual workers or groups or organisations of workers, or it may accept donations or grants for purposes of its objects.

11. Criteria for Appointing Facilitating agencies:

The following criteria shall be observed by the Authority during appointment of Facilitating agencies:

- (a) Registration under an Act of the Union of India or any State Government
- (b) Be in existence for more than three years
- (c) Be directly working with unorganised sector workers or their families

- (d) Produce audited accounts
 - (e) Have a track record of effective implementation of welfare schemes
 - (f) And any other criteria decided by the Authority.
12. Delegation of powers
- The Authority may, by general or special order, delegate to any member of the board or any director or any other officer or employee of the Authority, such of its power and duties under this Act as it may deem necessary for the proper administration of this Act, or any scheme made there under.

CHAPTER III

Registration of Workers As Members

13. Registration of workers as members and for Unique Identification Social Security Number
- (a) Every unorganised sector worker as defined in 2 (o) who has completed eighteen years of age shall on the payment of prescribed fee become eligible for registration as a member and for the purpose, get a Unique Identification Social Security Number and identity card under this Act. No worker shall be eligible for getting more than one social security number. Worker shall be registered as a member once and this registration shall be periodically renewed and updated as decided by the Authority.
 - (b) Registration of workers as members shall be done by Workers' Facilitation Centre following such procedures as may be prescribed.
14. Cessation as a member
- (a) An unorganised sector worker who has been registered as a member for more than ten years under this Act shall not be required to pay any membership dues when he attains the age of sixty years excepting for old age benefit including pension. The social security number of a retired or deceased worker shall not be given to any new or other member.
 - (b) Notwithstanding anything contained in sub-section (a), if a person had been a member for at least three years continuously immediately before attaining the age of sixty years, he shall be eligible to get such benefits as may be specified under the concerned fund.

CHAPTER IV

Social Security Schemes

15. Framing of Schemes
- The Directors will formulate one or more schemes as may be considered necessary for the welfare, health, safety and social security of the unorganised worker or any class of

workers in any employment of unorganised sector and seek advice of the Supervisory Board in formulating the same.

Provided that the Authority, while framing schemes under this sub-section, ensure that they are not in contravention of any of the provision of the existing Acts or schemes.

16. Disputes regarding application of schemes

If any question arises regarding the applicability of any scheme to any class or classes or workers in any employment of unorganised sector, the matter shall be referred by the Authority to the Union Government whose decision shall be final.

17. Social Security benefits and welfare measures

The Authority may notify the schemes as under, subject to sustainability of the Fund :

- (a) Medical Care or sickness benefit scheme
- (b) Employment injury benefit scheme
- (c) Maternity benefit scheme
- (d) Old age benefit including pension
- (e) Survivor's benefit scheme
- (f) Integrated Insurance Scheme
- (g) Schemes for Conservation of natural resources, on which workers depend for livelihood,
- (h) Housing schemes
- (i) Educational schemes
- (j) Any other schemes to enhance the quality of life of the unorganised worker or her family.

18. (a) There shall be a floor level scheme to be funded by the Union Government directly or through cess or through contribution or through any other means.
- (b) This floor level scheme shall include (i) health, life and permanent disability insurance; and maternity benefits without contribution from the member, and (ii) a contributory old age benefit scheme including pension.
- (c) In case of industries where separate Welfare Boards have been created and/or a cess is being collected for welfare schemes of the workers, the Authority shall function in collaboration with the existing Welfare Boards in order to ensure that the workers registered at the Worker Facilitation Centre receive benefits of the schemes created by the Authority or those of the concerned Welfare Boards, whichever may be more beneficial to the worker.

CHAPTER V**Welfare Funds****19. Constitution of Welfare Funds**

- (a) National Social Security Authority shall constitute one or more Welfare Funds consisting of following sources:
 - (i) Levy and collection of cess, tax or fees as it may be specified from time to time by notification in the official gazette.
 - (ii) Grants and loans made to the Authority by the Union or State government.
 - (iii) All contribution made by the members and employers;
 - (iv) All sums received by the Authority from such other sources as may be decided by Union Government, including donations.
 - (v) Income generated by registration of member.
 - (vi) All other income as may specified time to time
- (b) The resources referred to in sub-section 19(a) shall be applied for meeting the;
 - (i) Expenses on objects and for purposes authorised by this Act.
 - (ii) Expenses of the concerned Authority and/or its agents in the discharge of its function;
- (c) The Authority shall not, in any financial year, incur expenses towards salaries, allowances/and other remuneration to its members, officers and other employees and for meeting other administrative expenses exceeding a limited per cent of its total expenses during that financial year, the limit to be fixed by the Supervisory Board in consultation with the Directors.
- (d) All the contributions to the funds shall be exempted from the Income tax.

20. Grants and Loans by the Government

The union or state government may, after due appropriation made by parliament or state legislature, as the case may be, by law in this behalf, make to the Authority or its agents grants and loans of such sum of money, as the appropriate Government may consider fit for being utilised for the purposes of this Act.

21. Contribution to the fund/ schemes

- (a) Contribution of workers:

The contributions to the funds shall consist of;

 - (i) Registration and renewal fees as decided by the Authority.
 - (ii) Contribution towards schemes as decided by the Authority.
 - (iii) Any other contribution as decided by the Authority.
- (b) Contribution of employers:
 - (i) The Union Government may levy a cess or an appropriate tax, or create an appropriate mechanism for collection of contribution from individual

employers (or their contractors wherever applicable) or a class of employers or an industry as a whole in order to partly finance the schemes, programs and projects undertaken by the Authority.

- (ii) The Union or State government may, on the recommendation of the Authority, levy and collect cess, tax or fees, on any goods produced or processed or manufactured or sold or on service rendered, for the purposes of this Act as it may specify from time to time by notification in the official gazette.
- (iii) he Authority, may in specific circumstances levy a contribution on individual employers at a rate decided by it.

22. Effect of non-payment of contribution

(a) Workers' contribution:

When a worker has not paid his/her contribution for a continuous period of not less than one year, he/she shall cease to be eligible for future benefits. Provided that if the Workers' Facilitation Centres or an authority specified by it is satisfied that the non-payment of contribution was for a reasonable ground and that the worker may be allowed to deposit the contribution in arrears and, on such deposit being made, eligibility for future shall be restored.

(b) Employers' contribution:

An employer or an industry found not to be paying its contribution to the cess or an appropriate tax will be liable for action under the appropriate Act. In case an employer is found defaulting in individual contributions levied by the Authority, the appropriate action will be decided by the Authority in consultation with the Union Government.

23. Budget

The Authority shall prepare, in such form and at such time each financial year as may be prescribed, their budgets for the next financial year showing their estimated receipts and expenditure. The authority shall forward to the Union Government the consolidated budget of itself and the funds constituted by it.

24. Annual Reports and Periodic Reports

- (a) The Directors, Facilitating Agencies, and Workers' Facilitation Centres shall prepare, in such form and at such time each financial year as may be prescribed, their reports, giving an account of their activities during the applicable period.
- (b) The Authority shall submit its periodic reports, within one month of the end of the 1 period to which they pertain, to the Union and the State governments and it shall be mandatory to make all such reports public.
- (c) Each facilitating agency will generate its periodic reports as prescribed by the Authority and it shall be mandatory to make these reports public.

25. Accounts and audit

- (a) The Authority, Facilitating Agency and Workers' Facilitation Centre shall maintain proper accounts and other relevant records and prepare annual statements of accounts in such form as may be prescribed.
- (b) The accounts of each facilitation centre shall be audited separately and the audit of the facilitating agency shall include audit reports of all the facilitating centres it is responsible for in addition to its own accounts pertaining to the activities associated with the Authority.
- (c) The Authority shall furnish to the Union Governments, before such date as may be prescribed, the audited copy of the consolidated account of itself and the Funds together with the auditor's report.

26. Investment of the funds

All moneys belonging to the Funds shall be deposited in a Scheduled Bank or any Government securities, or as may be approved by the Supervisory Board.

27. Existing Welfare Board and Fund

- (a) The Authority shall recognise the fact that various Welfare Boards and such other agencies are in existence for a number of industries, and that there are cess and such other provisions for funding the activities for social security and other services for workers in certain industries and certain states. The Authority may, in consultation with appropriate governments responsible for these Welfare Boards, consider appointing such Welfare Boards as Facilitating Agencies for those particular industries within the limits of the rules and regulations created by the Authority.
- (b) The appropriate governments responsible for the concerned welfare boards, may, with the approval of the Authority, choose to merge or bring under the supervision, direction, and control of the Authority any existing schemes and Welfare Boards and funds that are consistent with the aims and objects of the Authority.

Talking Points for the Meeting of LM with State Labour Ministers and Secretaries on Unorganised Workers Social Security Scheme

- ❖ The Government has approved the 'Unorganised Sector Workers Social Security Scheme on pilot basis in 50 districts.
- ❖ This is a fully funded scheme, which will be implemented through the Employees Provident Fund Organisation.
- ❖ All workers in the age group of 18-35 years in the unorganised sector drawing pay/wages/income not more than ` 6500/- per month are eligible under the scheme.
- ❖ The scheme will be financed by the contributions from workers, employers and the Government.
- ❖ The worker in the age group of 18-35 years will contribute @ ` 50/- per month and the workers in the age group of 36-50 years will contribute at the rate of ` 100/- per month.

- ❖ The employer in both cases will contribute @ ` 100/- per month.
- ❖ The government contribution will be @ 1.16% of the minimum wages of the workers notified by the government from time to time.
- ❖ The scheme provides triple benefits to the workers, that is:
 - (i) A flat rate registered pension of ` 500/- per month on retirement at the age of 60 years and total disablement and family pension in case of death of the worker.
 - (ii) A personal accident insurance cover for rupees one lakh; and
 - (iii) Convergence of the Universal Health Insurance Scheme for a worker and his family at the cost of ` 548/- per annum for a family of five members or ` 365/- per annum for a family of three members.
 - EPFO will issue Unique National Social Security Number and Identity Card to the workers.
 - The field offices of the Ministry of Labour, State Labour Department, Panchayati Raj Institutions, NGOs, and Self Help Groups will organise the workers and facilitate them to deposit their contribution in the designated bank branches and post offices.
 - The schemes also provides an option for the workers in the age group of 36-50 years for whom there is an identifiable employer to join the scheme. The contribution for this category will be @ ` 200/- per month per worker to be paid by both the employer and employee in equal share. Self-employed workers may also join the scheme by contributing @ ` 200/- per month.