SOCIAL SECURITY DIVISION
MATERIAL FOR THE WEB SITE OF THE MINISTRY OF LABOUR

GENERAL OVERVIEW
SOCIAL SECURITY – A PROFILE

Social security makes a caring society

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SOCIAL SECURITY IS YOUR INVESTMENT IN THE FUTURE

DIVISION TITLE - SOCIAL SECURITY

MINISTRY - MINISTRY OF LABOUR,
GOVERNMENT OF INDIA

INTRODUCTION

Matters relating to Social Security are listed in the Directive Principles of State Policy and the subjects in the Concurrent List. The following social security issues are mentioned in the Concurrent List (List III in the Seventh Schedule of the Constitution of India) –

Item No. 23: Social Security and insurance, employment and unemployment.

Item No. 24: Welfare of Labour including conditions of work, provident funds, employers' liability, workmen's compensation, invalidity and old age pension and maternity benefits.

Part IV Directive Principles of State Policy

Article 41 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 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.

OVERVIEW

WHY DO WE NEED 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.

As a worker/employee, you are a source of Social Security protection for yourself and your family. As an employer you are responsible for providing adequate social security coverage to all your 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, urbanization 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 globalization and the consequent structural and technological changes.

WORKFORCE 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 organized and unorganized 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 organized 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 organized sector. Thus, it can be concluded from these findings that there has been a growth of only about one million in the organized sector in comparison the growth of about 55 million in the unorganized sector.

Organized and Unorganized Sectors

The organized 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 unorganized sector on the other hand, is characterized by the lack of labour law coverage, seasonal and temporary nature of occupations, high labour mobility, dispersed functioning of operations, casualization of labour, lack of organizational support, low bargaining power, etc. all of which make it vulnerable to socio-economic hardships. The nature of work in the unorganized 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.

SYNOPSIS OF SOCIAL SECURITY LAWS

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

(i) **The Employees' State Insurance Act, 1948 (ESI Act)** which covers factories and establishments with 10 or more employees and provides for comprehensive medical care to the employees and their families as well as cash benefits during sickness and maternity, and monthly payments in case of death or disablement.

(ii) **The Employees' Provident Funds & Miscellaneous Provisions Act, 1952 (EPF & MP Act)** which 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 exist for similar benefits for the workers in the coal mines and tea plantations.

(iii) **The Workmen's Compensation Act, 1923 (WC Act)**, which requires payment of compensation to the workman or his family in cases of employment related injuries resulting in death or disability.

(iv) **The Maternity Benefit Act, 1961 (M.B. Act),** which provides for 12 weeks wages during maternity as well as paid leave in certain other related contingencies.

(v) **The Payment of Gratuity Act, 1972 (P.G. Act**), which 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.

Separate Provident fund legislation exists for workers employed in Coal Mines and Tea Plantations in the State of Assam and for seamen.

Measures being undertaken at present –

- The various Central Acts on Social Security are being examined in the light of the recommendations of the 2nd National Commission on Labour. Relevant amendments are proposed in the EPF and MP Act as also the ESI Act. The consultation process is on with reference to the amendment suggestions received in case of the Maternity Benefit Act and the Workmen's Compensation Act.
- Innovative measures are proposed in the running of the Social Security Schemes of EPFO and ESIC. This includes flexible benefit schemes tailored to the specific requirements of different segments of the population.

SUMMARY OF PRESENT INITIATIVES IN WORKING OF EPFO & ESIC

The profiles of the Employees' Provident Fund Organization and the Employees' State Insurance Corporation are being changed towards greater accessibility and client satisfaction.

The EPFO extends to the entire country covering over 393824 establishments. At present, over 3.9 crore EPF Members and their families get benefits under the social security schemes administered by the EPFO. The total corpus of the EPF Scheme 1952, EDLI Scheme, 1976 and Employees Pension Scheme 1995 together amounts to about Rs.1,39,000 crores. Over the years, the volume of service rendered to subscribers as well as investments made, etc. by EPFO have grown manifold. With a view to provide better services to subscribers and employers, the organization has launched the Project RE-INVENTING EPF, INDIA since June, 2001. The prime objectives of this Project are to provide the subscribers better and efficient services, to help the employers by reducing the cost of compliance and to benefit the organization to register geometric growth in all fields. An important part of this Project is the allotment of the UNIQUE IDENTIFICATION NUMBER-the SOCIAL SECURITY NUMBER to the EPF subscribers, issuing of BUSINESS NUMBERS to the employers and Business Process Re-engineering.

The strategy for implementation has been evolved and the allotment of the Social Security Number has begun with the entire activity being carried out in smaller phases for effective data collection. The criteria considered for the allotment of SSN include the centralized control of Uniqueness, ensuring the least manual intervention during allotment and near 100% Uniqueness accuracy levels. The Social Security Number in a nutshell is a big effort towards solving the problem of providing social protection to migrant labour and to make the data base of EPFO adaptable to the present trend of high job mobility among workers.

The Employees State Insurance Scheme provides need based social security benefits to insured workers in the organized sector. As in the case of the EPFO, the ESIC has also taken up the daunting task of tailoring different benefit schemes for the needs of different worker groups. The scheme, which was first introduced at two centers in 1952 with an initial coverage of 1.20 lakh workers, today covers 71.59 lakh workers in about 678 centers in the country. It benefits about 310. 54 lakh beneficiaries including the family workers of the insured persons, across the country. The scheme is being gradually to cover new centers and steps are being taken for creation of requisite infrastructure for providing medical care to a larger number of insured persons and their families. While the cash benefits under the scheme are administered through a network of about 850 local offices and pay offices, medical care is provided through 141 ESI Hospitals, 43 ESI Annexes, 1451 ESI Dispensaries and 2789 Clinics of Insurance Medical Practitioners. The total number of medical officers under the Scheme is about 10,480.

There have been a number of new developments in the ESIS during the past five years. Each year, it is extended to new areas to cover additional employees. The new employees covered varied from 30,500 in 1998, 89030 in 2000 to 46430 till Jan., 2003. Low paid workers in receipt of daily wages up to Rs. 40/- have been exempted from payment of their share of contribution. Earlier this limit was Rs. 25/-. This measure has benefited about six lakh insured workers across the country. In order to provide relief to insured persons suffering from chronic and long term diseases, the list of diseases for which Sickness Benefit is available for an extended period up to two years at an enhanced rate of 70% of daily wages, was enlarged by adding four new diseases, keeping in view the international classification of disease profiles and the quantum of malignancies of some diseases which had come to light over the last few years. The contributory conditions for this benefit were also reduced from 183 days to 156 days in the two-year period preceding the diagnosis.

The ESIC has made plans to commission Model hospitals in each State. Thirteen States/ UTs have so far agreed, in principle, to hand over one hospital each to the ESIC for setting up of Model hospital. Two Hospitals have been earmarked for being developed for superspeciality medical care in cardiology, i.e., Rohini at Delhi and Chinchwad in Maharashtra.

In order to improve the standard of medical care in the States, the amount reimbursable to the State Governments for running the medical care scheme has been increased to 87.5 % of Rs. 700 per capita with effect from 1.4.2003. The ESIC has formulated action plans for improving medical services under the ESI scheme with focus on modernization of hospitals by upgrading their emergency and diagnostic facilities, development of departments as per disease profiles, waste management, provision of intensive care services, revamping of grievance handling services, continuing education programme, computerization and upgradation of laboratories etc. The action plans have been in operation since 1998. The ESIC has also taken certain new initiatives to promote and popularize Indian Systems of Medicines (ISM) along with Yoga and have drawn up programmes for establishing these facilities in ESI hospitals and dispensaries in a phased manner.

SOCIAL SECURITY TO THE WORKERS IN THE ORGANIZED SECTOR

Social Security to the workers in the Organized Sector is provided through five Central Acts, namely, the ESI Act, the EPF & MP Act, the Workmens' Compensation Act, the Maternity Benefit Act, and the Payment of Gratuity Act. 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 AND ILO/ISSA

Government of India has accepted the international commitment that arises from the ratification of the Covenant of Social, Economic and Cultural Rights of the united nations. This Covenant, inter alia recognises the right of everyone to social security including social insurance. India has also ratified some Conventions of the ILO including Workmen's Compensation, (Occupational Diseases) – (No. 18 and revised Convention No. 42 of 1934); Equality of Treatment (Accident Compensation) – No. 19 of 1925; and Equality of Treatment (Social Security) – No. 1 & 8 of 1962.

ILO CONVENTION 102 has however not been ratified by India.

The following nine benefits are laid down in the ILO Convention No.102 of 1952 namely, sickness benefit, medical benefit, maternity benefit, employment injury benefit, old-age benefit, invalidity benefit, survivors benefit, unemployment benefit and family benefit.

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) We do not have an existing universal social security system

ii) We do 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.

Even today $1/8^{th}$ of the world's older people live in India. The overwhelming majority of these 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.

4. The coverage gap in India is broadly categorized 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

HOWEVER ONE IMPORTANT FACTOR TO BE KEPT IN MIND ON THE COVERAGE ISSUE IS THAT THIS CLASSIFICATION DOES NOT INCLUDE THE VARIOUS SOCIAL SECURITY SCHEMES RUN BY OTHER MINISTRIES FOR DIFFERENT TARGET GROUPS. WE HAVE ALSO NOT INCLUDED INDIRECT FUNDING THROUGH SUBSIDIES, PDS, SOCIAL ASSISTANCE PROGRAMMES, FOOD-FOR-WORK PROGRAMMES, TAX CONCESSIONS ETC.

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 unorganized 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 Organization. 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 organizations 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.

EXISTING INVESTMENT PATTERN OF EPF FUNDS

(Material attached)

Office of Social Security Division

Functions

JOINT SECRETARY
D.S.Poonia

DIRECTOR
K.C.Jain

UNDER SECRETARY
Sanjukta Ray

Social Security Section-I

Social Security Section-II

FUNCTIONS OF SOCIAL SECURITY DIVISION

List of subjects-

1. Matters concerning framing of social security policy especially for the organized sector of workers.

2. Administration of Employees' State Insurance Act, 1948.

3. Administration of the Employees' Provident Funds & Miscellaneous Provisions Act, 1952 and three schemes framed there under, namely:-
   i. The Employees' Provident Fund Scheme, 1952
   ii. The Employees' Pension scheme, 1995
   iii. The Employees' Deposit linked Insurance Scheme, 1976.

4. Workmen's Compensation Act, 1923.

5. Maternity Benefits Act, 1961.

6. Payment of Gratuity, Act, 1972

7. 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.

8. 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.

9. Annual report, Budget and accounts, and matters connected with auditing of accounts of the ESIC and EPFO

10. Issues relating to International Social Security Association(ISSA) ; and other international Social Security organizations. Processing of ILO Conventions relating to Social Security.

11. All Parliamentary matters and MP/VIP References in relation to the above as also legislative matters/ amendment in respect of the aforesaid Acts.

12. Vigilance matters/ Disciplinary proceedings relating to officers of EPFO and ESIC.

13. Representations from employees of ESIC and EPFO, and general public grievances on ESIC/ EPFO/Social Security measures in India.

14. All matters relating to setting up of EPF Appellate Tribunal – Establishment matters and appointment of Staff.

15. Constitution of the Central Board of Trustees and Regional Committees, EPFO.

16. 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.

EPFO Programs At A Glance

Program name	Program Type	Financing	Coverage

Employees Provident Fund (EPF)	• Mandatory	• Employer: 1.67-3.67% • Employee:10-12% • Government: None	• Firms with + 20 employees
Employees Pension Scheme (EPS)	• Mandatory	• Employer: 8.33% • Employee: None • Government: 1.16%	• Firms with + 20 employees
Employees Deposit Linked Insurance Scheme (EDLI)	• Mandatory	• Employer: 0.5% • Employees: None • Government: None	• Firms with + 20 employees

ESI Contribution Rates

- Employees- 1.75% of wages
- Employers- 4.75% of wages
- State Govts.-1/8th share of expenditure

A few examples of other retirement programs giving social security

(Information on extent of coverage of the labour force under these programs is not available)

Program Name	Program Type	Financing	Coverage
Civil Service Pension Scheme	Mandatory	State or Central Government	Civil servants at state and central government level

Government Provident Fund	Mandatory	Employee contributions	Civil servants at state and central government level
Special Provident Funds	Mandatory	Employer and employee contributions	Applies to Workers in particular sectors: Coal, Mines, Tea Plantation, Jammu and Kashmir Seamen, etc.
Public Provident Fund	Voluntary	Contributions	All individuals are eligible to apply
VRS plans	Voluntary	Contributions	Employees as decided by respective establishments
Personal Pension	Voluntary	Purchase of annuity type products	All individuals
State level social assistance	Government sponsored social assistance	State Government	Varies by State and type of Scheme
National Old Age Pension Scheme	Government sponsored social assistance	Central Government	Poor persons above age 65

NEW INITIATIVE IN SOCIAL SECURITY

Varishtha Pension Bima Yojana (VPBY): This scheme proposed in the 2003-04 budget by the Ministry of Finance is to be administered by the Life Insurance Corporation of India (LIC). Its main featues are summarized below:

- Under VPBY, any citizen above 55 years of age, could pay a lump-sum, and get a monthly pensions are pegged at Rs. 250

and Rs. 2000 per month respectively. These amounts are not indexed to inflation.

- There is a guaranteed return of 9 percent per annum for this scheme.
- The difference between the actual yield earned by the LIC under this scheme and the 9 percent will be made up by the Central Government.
- THE EPF & MP ACT IS PROPOSED TO BE AMENDED SUITABLY TO ALLOW EPF SUBSCRIBERS TO INVEST IN THE VBPY.