

## Chapter-6

### SOCIAL SECURITY

#### INTRODUCTION

6.1 Social Security caters to the universal human need for reassurance and support in times of unemployment, illness, disability, death and old age. The State bears the primary responsibility for developing appropriate systems for providing protection and assistance to its workforce and their families. Public support systems for social security in India have gained prominence over traditional family support in tune with the trends of urbanization and work place migrations. The dependence on social security varies as per the need and income status.

#### SOCIAL SECURITY LAWS

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

- The Employees' State Insurance Act, 1948
- The Employees' Provident Funds & Miscellaneous Provisions Act, 1952 (Separate provident fund legislations exist for workers employed in Coal mines and tea plantations in the state of Assam and for seamen).
- The Workmen's Compensation Act, 1923
- The Maternity Benefit Act, 1961
- The Payment of Gratuity Act, 1972

#### ADMINISTRATION OF SOCIAL SECURITY ACTS

6.3 The EPF & MP Act is administered by the Government of India through the Employees' Provident Fund Organisation (EPFO). Cash benefits under the ESI Act are administered by the Central Government through the Employees State Insurance Corporation (ESIC), whereas the State Governments and Union Territory Administrations are

administering medical care under the ESI Act. The Payment of Gratuity Act is administered by the Central Government in establishments under its control, establishments having branches in more than one State, major ports, mines, oil fields and the railways and by the State Governments and Union Territory administrations in all other cases. This Act applies to factories and other establishments. In mines and circus industry, the provisions of the Maternity Benefit Act are being administered by the Central Government through the Chief Labour Commissioner (Central) and by the State Governments in factories, plantations and other establishments. The provisions of the Workmen's Compensation Act are being administered exclusively by State Governments.

#### EMPLOYEES' PROVIDENT FUNDS AND MISCELLANEOUS PROVISIONS ACT, 1952

6.4 The object of the Act is the institution of compulsory contributory Provident Funds, Pension and Insurance for employees. Presently the following three Schemes are in operation under the Act through the Employees' Provident Fund Organisation:

- Employees' Provident Funds Scheme, 1952
- Employees' Deposit Linked Insurance Scheme, 1976
- Employees' Pension Scheme, 1995

#### COVERAGE OF ESTABLISHMENTS AND MEMBERS

6.5 Presently, the Act is applicable to 180 specified industries / classes of establishments as is specified in Schedule-I of the Act or any activity notified by the Central Government in the Official Gazette

and employing 20 or more persons. As on 31<sup>st</sup> March 2004 there were 3,70,386 establishments and factories covered under the Act with a membership of 400.92 lakh under EPF Scheme both in the Exempted and Unexempted Sectors. With effect from 01.06.2001, an employee on joining the employment in a covered establishment and getting wages upto Rs.6500/- is required to become a member.

### **EMPLOYEES' PROVIDENT FUNDS ARREARS**

6.6 The Provident Fund arrears as on 31.03.2004 were of the order of Rs.1862.80 crore. The EPF Organisation launches prosecution against the defaulting employers under Section 14 of the Employees' Provident Fund Act and prosecutes employers under Section 406/409 of the Indian Penal Code in case they deduct employees' share of contribution but do not remit the same to the Fund. During 2003-04 arrears amounting to Rs.1832.70 crore were realized.

### **EMPLOYEES' DEPOSIT LINKED INSURANCE SCHEME, 1976**

6.7 Employees' Deposit Linked Insurance Scheme, 1976 is applicable to all factories / establishments with effect from August 1, 1976. All the employees, who are members of the Employees' Provident Fund are required to become members of this Scheme. Employers are required to pay contributions to the Insurance Fund at the rate of 0.5 per cent of pay i.e. basic wages, dearness allowance including cash value of food concession and retaining allowance, if any. During 2003-04, a sum of Rs.175.36 crore comprising of employers' contribution was deposited. During 2003-04 there were 19874 claims settled and an amount of Rs.50.78 crore was disbursed. At the end of 2003-04, the EPFO had cumulative investments of Rs.3904.23 crore under this Scheme.

## **EMPLOYEES' PENSION SCHEME**

### **Coverage**

6.8 Employees' Pension Scheme, 1995 has been introduced w.e.f. 16.11.1995. With the introduction of the Pension Scheme, the erstwhile Family Pension Scheme, 1971 has ceased to operate. However, the pensioners who were drawing benefits under the erstwhile Family Pension Scheme, 1971 will continue to draw Family Pension under the Employees' Pension Scheme, 1995.

### **Eligibility**

6.9 Members on attaining the age of 58 years and having rendered minimum ten years' contributory service (including the membership period and with ceased Family Pension Scheme, 1971) shall qualify for superannuation Pension. Those members who serve less than 10 years shall be eligible for scheme certificate or withdrawal benefit as the case may be.

### **Benefits under the Scheme**

6.10 Employees' Pension Scheme, 95 provides the following benefit package;

- Superannuation on attaining the age of 58 years.
- Retirement benefit
- Permanent total disablement
- Death during service
- Death after retirement / superannuation / permanent total disablement
- Children pension
- Orphan pension

6.11 The category-wise break up of pension claims (all benefits) settled by

EPFO during the year 2003-2004 is indicated in the following Table:

Category of Claims	Number of Claims Settled
Monthly Pension Benefits	322145
Life Assurance Benefit	1811872
Retirement-cum-withdrawal benefit	
Refunds	
<b>TOTAL</b>	<b>2134017</b>

### Contribution to Pension Fund

6.12 The Scheme is financed by transferring 8.33% of the Provident Fund contribution from employers' share and by contribution @ 1.16% of basic wages by the Central Government. All accumulations in the ceased Family Pension Fund constitute the corpus of the Pension Fund. During the year 2003-04, Rs.5942.55 crore were received as Pension Fund contributions, out of which, Rs.5492.55 crore were collected from Employers' share & Rs.450 crore were contributed by the Central Government.

### Pension beneficiaries

6.13 The beneficiaries of the ceased Family Pension Scheme continue to get benefits under the new Pension Scheme. As on 31.03.2004, there were 962999 members, 431642 spouses, 348450 children, 7262 orphans and 8488 nominees receiving pension under the Scheme. Total amount disbursed among the pensioners during the year was Rs.1496.88 crore through the nationalized banks and post offices.

### MODERNISATION PROGRAMME Re-inventing EPFO

6.14 EPFO has its operational presence in over 260 locations throughout the country employs over 20,000 personnel and has undertaken a comprehensive Information Technology reform agenda, aimed at creating a country-wide integrated information network.

6.15 The programme designated as "Reinventing - EPF India" seeks to achieve the following:

- A unique Social Security Identification Number to be allotted to each subscriber. A separate unique number will also be given to establishments as their Business number.
- Subscriber member can go to any of the field offices, access his account and get information, i.e. "Anytime - Anywhere" service is sought to be provided.
- The compliance function will be IT - enabled through a system of intelligence gathering and third party information collection.

### THE EMPLOYEES' STATE INSURANCE SCHEME

#### COVERAGE

6.16 The ESI Act provides for health care and cash benefit payments in the case of sickness, maternity and employment injury. The Act is applicable to non-seasonal factories using power and employing 10 or more employees and non-power using factories and certain other establishments employing 20 or more employees. The Act is being implemented areas-wise in a phased manner. The ESI Scheme is operated in 689 centres situated in 25 states/union territories. As on 31.3.2004, 79.12 lakh insured persons and about 307 lakh beneficiaries are covered under the Scheme. The number of factories and establishments covered by the end of the year had gone up to about 2,63,650.

## ADMINISTRATION

6.17 The ESI Scheme is administered by a statutory body called the Employees' State Insurance Corporation (ESIC) which has members representing Employers, Employees, Central and State Governments, Medical profession and the Parliament. The Union Minister for Labour and Employment is the Chairman. A Standing Committee constituted from among the members of the Corporation acts as the executive body for administration of the Scheme and is chaired by the Secretary to the Government of India, Ministry of Labour & Employment. There is also a Medical Benefit Council to advise the Corporation on matters connected with the provisions of Medical Benefit. Regional Boards and Local Committees have been set up at the grass root level. There are 24 Regional Boards and 349 Local Committees in existence. The General Purposes Sub-Committee of the Corporation visits various states and union territories from time to time with a view to assessing the quality of medical care being provided and making suggestions for further improvements in the service delivery system. The Director General (ESIC) is the Chief Executive Officer of the Corporation and is also an ex-officio member of the Corporation. The ESI Corporation, apart from the Headquarter Office located at Delhi, has a number of field offices throughout the country. The Corporation has 23 Regional Offices, 15 Sub-Regional and Divisional Office, 628 Branch Offices, 272 Inspection Offices, and 180 Pay Offices all over the country for administration of the Scheme.

## FUNDING AND OPERATION OF THE SCHEME

6.18 The ESI Scheme is mainly financed by contributions from the employers and employees. The rates of the employers' and the employees' contribution are 4.75% and 1.75%

respectively. The State Governments' share of the expenditure on the provision of medical care is to the extent of 12.5% (1/8<sup>th</sup> within the per capita ceiling). The Corporation has prescribed a ceiling on the shareable expenditure on medical care. From 1<sup>st</sup> April 2004, the ceiling on expenditure per insured person family unit has been increased to Rs.750/- per annum. Out of this, per capita ceiling an amount of Rs.170/- is earmarked for drugs and dressing, Rs.50/- for providing medical reimbursement/ advance expenditure on referral treatment, Rs.20/- for repair & maintenance and annul maintenance contract of equipments. Rs.150/- have been kept at the discretion of State Governments to be spent in any of the above four Sub-heads. However, certain specific items of expenditure are provided for outside the ceiling and shared in the same proportion. All capital expenditure on construction of ESI hospitals, and other buildings including their maintenance is borne by the ESI Corporation.

## INVESTMENT AND RATE OF INTEREST

6.19 All contributions received under the ESI Act and all other moneys belonging to the fund which are not immediately required for defraying day-to-day expenses are invested in the manner prescribed statutorily. As on 31.10.2004, the total investment of fund was Rs.9834.36 crore. Out of this, an amount of Rs.4835.71 crore was invested in the Special Deposit Account with Central Government and the balance amount of Rs.4998.65 crore was invested in fixed deposits with nationalized banks, financial institutions etc.

## ARREARS OF ESI DUES

6.20 A sum of Rs.918.47 crore was in arrears as on 31.03.2004 on account of default by the employers of covered factories / establishments. Out of this, an amount of Rs.334.49 crore was not

recoverable for the present due to various reasons such as enterprises having gone into liquidation or recovery having been disputed in Courts etc. The balance, amounting to Rs.583.98 crore represents recoverable. The Corporation has been taking necessary recovery action through Recovery Machinery, legal and penal actions accordingly under various provisions of the ESI Act and under the Indian Penal Code for recovery of ESI dues. During the year 2003-2004 the Corporation realised Rs.131.50 crore from the defaulters through its own recovery machinery. Further, an amount of Rs.100.23 crore was recovered from April, 2004 to November, 2004.

**HEALTH BENEFITS**

6.21 The Scheme provides full medical facilities, from primary health care to super specialty treatment in respect of the insured persons (IPs) and their family members. The medical care under the Scheme is administered by the State Governments who have the statutory responsibility in this regard except in the National Capital Region of Delhi and NOIDA area in Uttar Pradesh. The Corporation also administers directly the five Occupational Disease Centres cum General Hospitals one each at Delhi, Pune, Chennai, Kolkata and Nagda (Madhya Pradesh).

6.22 During the period under report, the Corporation commissioned one new ESI hospital at Rourkela (Orissa). The total number of ESI hospitals by the end of October, 2004 was 143.

<b>ESI MEDICAL INFRASTRUCTURE (Number as on 31.3.2004)</b>	
ESI Hospitals	143
ESI Annexes	42
Beds constructed in ESI Hospitals	23,063
Beds in ESI Annexes	849
Reserved in State Govt. Hospitals.	3187
Insurance Medical Practitioners (IMPs)	7171
ESI Dispensaries	1452
Panel Clinics	2511

**ACHIEVEMENTS OF THE ESI CORPORATION FOR THE YEAR 2002-2003**

- ESI Scheme today provides social protection to 310 lakh beneficiaries through a large network of 143 Hospitals, 42 Annexes, 1452 Dispensaries, 2511 Clinics and 808 Branch Offices etc.
- The ceiling on expenditure per insured person family unit has been enhanced to Rs.750/- per annum w.e.f. 01.04.2004.
- Corporation has established two new ESIC Divisional Offices one each at Ambala (Haryana) and Kollam (Kerala) in its continued effort to decentralise the administrative mechanism for easy accessibility of employees and employers.
- The Corporation has approved the enhancement of age limit for eligibility of Dependants Benefit from 18 years to 21 years in respect of children on the payrolls of dependants benefit.
- The wage ceiling for coverage of employees has been enhanced from Rs.6500/- to Rs.7500/- w.e.f. 01.04.2004.
- Four more slabs of Daily Standard Benefit rates have been added to the table enhanced S.B. rates from Rs.125/- to Rs.145/- w.e.f. 1.4.2004.
- Employees earning less than Rs.50/- a day are exempted from payment of ESI contribution. The employers' share of contribution is however payable.

**PAYMENT OF GRATUITY ACT, 1972**

6.23 The Payment of Gratuity Act, 1972 applies to factories and other establishments employing ten or more persons. On completion of five years service, the employees are entitled to payment of gratuity @15 days wages for every completed year of service or part

thereof in excess of six months subject to a maximum of Rs.3.50 lakh. The current maximum limit is applicable from 24.09.1997. The wage ceiling for coverage under the Act has since been removed w.e.f. 24.05.1994.

**WORKMEN'S COMPENSATION ACT, 1923**

6.24 The Act provides for payment of compensation to workmen and their dependants in case of injury and accident (including certain occupational disease) arising out of and in the course of employment and resulting in disablement or death. The Act applies to railway servants and persons employed in any such capacity as is specified in Schedule-II of the Act. Schedule-II includes persons employed in factories, mines, plantations, mechanically propelled vehicles, construction works and certain other hazardous occupations.

Minimum rates of compensation for permanent total disablement and death have been fixed at Rs.90,000 and Rs.80,000 respectively. Maximum amount for death and permanent total disablement can go up to Rs.4.56 lakh and Rs.5.48 lakh respectively depending on age and wages of workmen.

**MATERNITY BENEFIT ACT, 1961**

6.25 The Maternity Benefit Act, 1961 regulates employment of women in certain establishments for a certain period before and after childbirth and provides for maternity and other benefits. The Act is applicable to mines, factories, circus industry, plantations, shops and establishments employing ten or more persons, except employees covered under the Employees' State Insurance Act, 1948. It can be extended to other establishments by the State Governments. There is no wage limit for coverage under the Act.

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