

## 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 Employees' Provident Fund and Miscellaneous Provisions Act, 1952 is administered by the Government of India through the Employees' Provident Fund Organisation (EPFO). Cash benefits under the Employees' State Insurance Act, 1948 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 Employees' State Insurance Act, 1948. The Payment of Gratuity Act, 1972 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, 1961 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, 1923 are being administered exclusively by the 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 EPFO:

- 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, 2005, there were 4,08,831 establishments and factories covered under the Act with a membership of 411.10 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 31.03.2005, were of the order of Rs.2144.82 crore. The EPF Organisation launches prosecution against the defaulting employers under Section 14 of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 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 2004-2005, arrears amounting to Rs.1901.03 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 2004-2005, a sum of Rs.191.62 crore comprising of employers' contribution was deposited. During 2004-05, there were 21463 claims settled and an amount of Rs.50.34 crore

was disbursed. At the end of 2004-2005, the EPFO had cumulative investments of Rs.4457.64 crore (at cost price after amortization) under this Scheme.

### **EMPLOYEES' PENSION SCHEME**

#### **Coverage**

6.8 The 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 The Employees' Pension Scheme, 1995 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 2004-2005 is indicated in the following Table:

Category of Claims	Number of Claims Settled
Monthly Pension Benefits	326607
Life Assurance Benefit	1819431
Retirement-cum-withdrawal benefit	
Refunds	
<b>TOTAL</b>	<b>2146038</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 2004-05, Rs.6511.85 crore were received as Pension Fund contributions, out of which, Rs.5911.85 crore were collected from Employers' share & Rs.600 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 31.03.2005 there were 1169270 members, 487201 spouses, 395481 children, 8522 orphans and 6019 nominees receiving pension under the Scheme. Total amount disbursed among the pensioners during the year was Rs.1717.93 crore through the nationalized banks and post offices.

### MODERNISATION PROGRAMME Re-inventing EPFO

6.14 EPFO having 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.

### THE EMPLOYEES' STATE INSURANCE SCHEME COVERAGE

6.15 The Employees' State Insurance Act, 1948 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 718 centres situated in 25 states/union territories. As on 31.3.2005, 84.98 lakh insured persons and about 329.73 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 2,80,871.

### ADMINISTRATION

6.16. 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 are 24 Regional Boards and 349 Local Committees in existence at present. The Director General, Employees State Insurance Corporation (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 large number of field offices throughout the country. The Corporation has 23 Regional Offices, 17 Sub-Regional and Divisional Office, 628 Branch Offices, 258 Inspection Offices, and 183 Pay Offices all over the country for administration of the Scheme.

#### **FUNDING AND OPERATION OF THE SCHEME**

6.17 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, 2005, the ceiling on expenditure per insured person family unit has been increased to Rs.900/- per annum. All capital expenditure on construction of ESI hospitals, and other buildings including their maintenance is borne by the Employees State Insurance Corporation .

#### **INVESTMENT**

6.18 All contributions received under the Employees' State Insurance Act, 1948 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 31.10.2005, the total investment of fund was Rs.11,302.67 crore. Out of this, an amount of Rs.5222.57 crore was invested in the Special Deposit Account with Central Government and the balance amount of Rs.6080.10 crore was invested in fixed deposits with nationalized banks, financial institutions etc.

#### **ARREARS OF ESI DUES**

6.19 A sum of Rs.1015.15 crore was in arrears, as on 31.03.2005, on account of default by the employers of covered factories / establishments. Out of this, an amount of Rs.464.68 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.550.47 crore, represents recoverable arrears. The Corporation has been taking necessary recovery action through Recovery Machinery, legal and penal actions, accordingly, under various provisions of the Employees' State Insurance Act, 1948 and under the Indian Penal Code for recovery of ESI dues. During the year 2004-2005, the Corporation realised Rs.176.10 crore from the defaulters through its own recovery machinery. Further, an amount of Rs.58.06 crore was recovered from April, 2005, to November, 2005.

#### **HEALTH BENEFITS**

6.20. 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 13 Model Hospitals at Sahibabad (U.P.), Chandigarh Administration Ludhiana(Punjab), Namkum(Jharkhand), Jaipur(Rajasthan), Phulwarisharif(Bihar), Asramam (Kerala),Nacharamb (A.P.), Beltola(Assam), Rajajinagar (Bengalore), Rourkela(Orissa), Bari Brahamana (J&K) and Nagda(M.P.). The total number of ESI hospitals by the end of March,2005 was 143.

<b>ESI MEDICAL INFRASTRUCTURE (AS ON 31.3.2005)</b>	
<b>ESI Hospitals (Nos.)</b>	<b>143</b>
<b>ESI Annexes (Nos.)</b>	<b>42</b>
<b>Beds constructed in ESI Hospitals (Nos.)</b>	<b>23063</b>
<b>Beds in ESI Annexes</b>	<b>849</b>
<b>Reserve Beds in State Govt. Hospitals</b>	<b>3187</b>
<b>Insurance Medical Officers</b>	<b>6960</b>
<b>ESI Dispensaries</b>	<b>1427</b>
<b>Panel Clinics</b>	<b>2135</b>

#### **ACHIEVEMENTS OF THE ESI CORPORATION FOR THE YEAR 2004-2005**

- ESI Scheme, provides social protection to 330 lakh beneficiaries through a large network of 40 regional / sub-regional and divisional offices , 143 Hospitals, 42 Annexes, 1427 Dispensaries, 2135 Clinics and 811 Branch Offices etc.
- The Corporation has been able to achieve the highest contribution income of about Rs.1689 crore in the financial year 2004-2005.

- The ESI Scheme was implemented in 91 new geographical areas. A total over 1.38 lakh additional employees were brought under the coverage. 17,221 new employers were also brought under the purview of the ESI Act.
- The ceiling on expenditure on medical care was enhanced from Rs.750/- per Insured Person per annum to Rs.900/- per IP per annum w.e.f. 1.4.2005.
- The Corporation has decided to open six new ESIC Sub-Regional/Divisional Offices at Gurgaon (Haryana),Triunelveli (T.N.),Aurangabad (Maharashtra), Noida & Varanasi (U.P.) and Selam (A.P.) in its continued effort to decentralize the administrative mechanism for easy accessibility of employees and employers.
- The Corporation has now introduced 'Rajiv Gandhi Shramik Kalyan Yojna' for insured persons who face involuntary unemployment w.e.f. 1<sup>st</sup> April, 2005.
- The Corporation has decided to issue Unique ID Cards to each IPs with an all India Unique number which will enable an IP to claim benefit under ESI Scheme any where in the country.
- The Corporation has decided to reduce in rate of interest payable for delayed payment of contribution. The Corporation has decided to extend medical care to dependant parents whose monthly income is less than Rs.1500/- and who normally reside with the IP.
- The Corporation has taken over the ESI Hospital, Bari Bramana(J&K) and Pondicherry as Model Hospitals.
- The Corporation has decided to implement the ESI Scheme in the Educational Institutions, Private Medical Institutions and Municipal Corporation/Municipalities etc.

- The Corporation has decided to set up four super-speciality hospitals in four zones.

### **THE PAYMENT OF GRATUITY ACT, 1972**

6.21 The Payment of Gratuity Act, 1972, applies to factories and other establishments employing 10 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 the maximum of Rs. 3.50 lakh. The current maximum limit is applicable from 24.9.1997. The wage ceiling for coverage under the Act has since been removed w.e.f. 24.05.1994.

### **WORKMEN'S COMPENSATION ACT, 1923**

6.22 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**

6.23 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.