General 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 NSSO survey of 2004-05 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, according to the survey conducted by the National Sample Survey Organization (NSSO) in 2004-05, the total number of workforce was 459 million of which About 433 million (about 94%) of the total workforce is engaged in unorganized

sector and 26 million on organized sector. The organized sector is already covered through social security legislations like the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 and the Employees State Insurance Act, 1948. The Government has also enacted Unorganised Workers' Social Security Act to create a framework for providing social security to unorganized workers. Thus, it can be concluded from these findings that there has been a negative growth in the organized sector in comparison the growth 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:

1. 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.
2. 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.
3. The Employees' 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.
4. 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.

5. 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.

New Initiatives –

The various Central Acts on Social Security have been examined in the light of the recommendations of the 2nd National Commission on Labour. Relevant amendments have been carried out in ESIC Act whereas comprehensive review of the EPF and MP Act is under way. 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 11.80 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. 5,36,993 crores as on 31-3-2014. 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.

Social security is essential for the well being of people and society. It is the basic human right and its fulfilment will contribute to achieving various developmental goals of nation. Social Security

measures have far reaching benefits in the form of improving and bringing sense of pride and self respect amongst the citizens. Such measures also help in providing the minimal level of providing protection against health and life hazards in work situations. It can progressively pay standard to social security welfare measures involving provisions of better Health Care, Maternity Care, and Old Age Pension etc.

Social Security of the formal sector workers is provided through the instrumentality of Employees' Provident Fund Organization and Employees' State Insurance Corporation.

Employees' Provident Fund Organization (EPFO)

The EPFO expends to the entire country, except in the State of Jammu and Kashmir covering over 7.98 lac establishments as on 31st March 2014. Further, over 11.80 crore EPF members and their families get benefits under Social Security Schemes administered by EPFO as on 31st March 2014. The total investment corpus as on 31st March, 2014 amounts to ₹ 7,30,393/- crores (₹ 5,36,993/- crore, Unexempted funds and ₹ 1,93,400/- crore – exempted funds). Over the years, the volume of service rendered to subscribers as well as investments made etc. by EPFO have grown many folds. EPFO has focused its effort on automation of the work processes to achieve better efficiency and improved service delivery to its members. The work done in this direction by EPFO is given below:-

- All 120 offices of EPFO have been computerized.
- With effect from the financial Year 2012-2013 a facility for electronic submission of statutory EPF return (ECR- Electronic Challan cum Return) has been introduced. This is a mandatory mode of filing of the return with the remittance and facilitated the employers to file a single return each month (instead of 4 every month and two annual returns) online from anywhere.
- Employers can also remit their EPF dues electronically if they have a corporate internet bank account with the State Bank of India.
- Employers not having a corporate internet bank account with SBI shall have to pay EPF dues through cheque/DD
- Once the above returns are received electronically and payment is confirmed member accounts are being updated on monthly basis. Thus the members do not have to wait to know their balances in the PF Account till the end of the financial year.
- Establishments can also view and print the annual PF account slips of its employees.
- Facility has been provided to the individual employees to register and view his/her EPF account details online as member passbook. The passbook has month wise details of credits and withdrawals as compared to erstwhile F-23 having one line annual summary.
- For facilitating the employers to comply with statutory provisions of EPF and file necessary returns, an E-Return Tool has been made available.
- The members can also get their PF balances on their mobile phones through a link "Know Your P F Balance" on www.epfindia.gov.in

- Members can also track their claims and payment status online through “Know Your Claim Status Link” as well as receive SMS for the same.
- EPF amounts are being remitted electronically through NEFT to beneficiaries bank accounts. This results in faster credit of the amount in their accounts after the claim is authorised.
- The facility to file Transfer Claims online has been provided through launch of Online Transfer Claim Portal ‘OTCP’. This has facilitated faster transfer of amounts of member across their employment under different establishment. This facility for the first time facilitated the filing of claim with digital signature of the employer.
- For the exempted establishments, the monthly return in Appendix A has been made online. Thus the employment, contribution and the investment details of the exempted establishments are available through the said return in digital format.
- For the EPF members, going to countries with which India has entered into Social Security Agreement, centralized software for generation of Certificate of Coverage benefiting such member to continue their PF remittances on India.
- The organization has also launched internal software for compliance and legal case tracking and all the legal cases across India can be monitored on-line through its dashboard.

A proposal for comprehensive amendment of EPF & MP ACT, 1952 is under examination in Ministry of Labour and Employment under consultation with EPFO for improving scale of benefits to the beneficiaries. During 2013-14, special emphasis was laid on issue of Annual Accounts Slip. 13.57 crore Annual Accounts were updated during the year against the corresponding figure of 12.91 crore during 2012-13. The Annual Accounts for and upto the year 2013-14 are likely to be liquidated by 30th September, 2014. During 2013-14, 123.34 lakhs claims were settled, this being 10.70 percent more than the corresponding figure last year. More than 43.63 lakhs pensioners are being paid monthly pensions by EPFO.

Synopsis of Social Security Laws [Material as related to SS-I Section]

The principal social security laws enacted in India (administered by the SS-I Section) include following: 1. 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. 2. The Employees' Compensation Act, 1923 (Erstwhile WC Act), which requires payment of compensation to the workman or his family in cases of employment related injuries resulting in death or disability. 3. The Maternity Benefit Act, 1961 (M.B. Act), which provides, inter-alia, for 26 weeks of maternity leave out of which eight weeks before the expected date of delivery for upto 2 surviving children. For two or more than two children and for adopting/commissioning mothers, 12 weeks of paid maternity leave. 4. 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.

Employees’ State Insurance Corporation (ESIC)

The Employees' State Insurance Scheme provides need based social security benefits to insured workers in the organized sector. The Employees State Insurance Act, 1948 applies to the factories and establishment viz. Road Motor Transport undertaking, Hotel, Restaurants, Cinemas, Newspaper establishment, Shop, Educational and Medical Institution wherein 10 or more persons are employed. As on 24.01.2023, employees drawing wages up to Rs. 21,000/-a month are covered under the Act, whereas for differently abled employees, wage ceiling is Rs. 25000/- per month. As on 24.01.2023, the scheme is covering about 3.10 crores Insured Persons (IPs) in 35 States/UTs. The total number of beneficiaries covered under the ESI Scheme is about 12.03 crores including family members of IPs.

The Employees' State Insurance Scheme provides comprehensive medical care in the form of medical attendance, treatment, drugs and injections, specialist consultation and hospitalization to Insured Persons, their family and also to their dependants. As on 24.01.2023, the ESI Scheme provides following major benefits to the Insured Persons: -

I. **Medical Benefit:** The Scheme provides for full and comprehensive medical treatment to the IPs and their families including hospitalization, referral treatment and supply of artificial limbs, dentures etc. This benefit is available to the IPs from the date they enters insurable employment and is continued thereafter subject to fulfillment of condition of contribution for 78 days in a contribution period of 6 months.

II. **Sickness Benefit:** Under the Scheme the IP is entitled to sickness Benefit for 91 days in a year to the extent of 70% of his wages. This is extended up to 2 years in the case of chronic illness and rate of payment of benefit is about 80% of his wages. For this benefit the IPs is required to have contributed to the Scheme at least for 78 days in a 6 monthly contribution period.

III. **Maternity Benefit:** The Scheme provides for payment of maternity benefit equal to full wages for 12 weeks plus additional one month in the case of illness arising out of pregnancy, delivery etc. The insured woman is required to have contributed for 70 days in proceeding two contribution periods for entitlement to maternity benefit.

IV. **Disablement Benefit:** In the case of disablement due to employment injury including occupational diseases the IP is entitled to payment of periodical benefit at about 90% of his wages during the period the IP abstains from work for treatment. There is no contributory condition for this benefit. After the treatment is over, if there is any residuary permanent disablement, a Medical Board decides the daily rate of compensation as a percentage of the full rate.

V. **Dependant Benefit:** In the case of death due to employment injury the family is entitled to payment of dependant benefit at the rate about 90% of his wages. There is no contributory condition for this benefit.

VI. **Funeral Expenses:** In the case of the death of the IP a sum of Rs. 10.000/- is paid for meeting the funeral expenses.

VII. **Rajiv Gandhi Shramik Kalyan Yojana (Unemployment Allowance Scheme):** It is paid at the rate of 50% of the average daily wages for the first 12 months and thereafter, 25% for last 12 months, for a maximum 24 months during life time. In case of involuntarily loss of employment due to closure of factory, retrenchment or permanent invalidity due to non-employment injury and the contribution in respect of him have been paid/payable for a minimum of two years prior to the loss of employment.

VIII. **Confinement Expenses:** An insured woman or an IP in respect of his wife is eligible for confinement expenses if confinement occurs at a place where necessary medical facilities under ESI Scheme are not available. It is paid at the rate of Rs. 7,500 per case for up to two confinements only. An Insured Person, his family and his dependants are entitled to medical benefits from the day of entry into insurable employment. The range of medical services provided covers promotive, preventive, curative and rehabilitative services which includes outpatient care/ inpatient care, specialized medical care and super specialty medical care as per requirement of the patient. Medical facilities under AYUSH i.e. Ayurveda, Yoga, Unani, Siddha and Homeopathy are also provided. Medical services are provided through a. large infrastructure comprising Hospitals, Dispensaries, Specialist centres, Model Dispensaries- cum- Diagnostic centres (MDDC), IMP clinics and arrangements with other health institutions. The out-patients service is provided through SI dispensaries, IMP Clinics and Employer Utilization Dispensaries (EUD) and DCBOs. In-patient services are provided through ESIC/SIS Hospitals and through tie up private hospitals. As on 24.01.2023, there are 1502 service dispensaries under ESI scheme all over the country and 1003 IMPs. In patient services are provided through a chain of 160 ESI hospitals spread across the country which includes 51 directly run ESIC hospitals & 109 State ESI hospitals with total bed strength of around 12705 excluding beds reserved in State Govts. hospitals. The provision for super specialty services is mainly through tie-up arrangements with private hospitals. Expenditure on medical care is shared between ESI Corporation and the State Government in the ratio of 7:1 within the prescribed ceiling which is revised from time to time. 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 from Rs. 2150 to Rs. 2600 per IP family unit per annum w.e.f. 01.04.2021. 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 up-gradation of laboratories etc. The SIC has also taken new initiatives to promote and popularize AYUSH systems of treatment in SIC Hospitals and Dispensaries in a phased manner. ESIC IT Project Panchdeep, one of the largest e-governance projects has been implemented in ESIC. All ESI Institutions have been networked under this project for enabling IPS and their family members to avail ESI benefits anywhere anytime. As on 24.01.2023, the present ESIC Contribution rates for Employees are 0.75% of wages and for Employers, it is 3.25% of wages.

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Medical services are provided through a large infrastructure comprising Hospitals, Dispensaries, annexes, Specialist centres, Model Dispensaries- cum- Diagnostic centres (MDDC), IMP clinics and arrangements with other health institutions. The out-patients service is provided through ESI dispensaries, IMP Clinics and Employer Utilization Dispensaries (EUD) In-patient services are provided through ESIC/ESIS Hospitals and through empanelment with tie up private hospitals. There are 1384 service dispensaries under ESI scheme all over the country and 1224 IMPs. In patient services are provided through a chain of 151 ESI hospitals spread across the country which includes 36 directly run ESIC hospitals & 115 State ESI hospitals with total bed strength of around 19000 excluding beds reserved in State Govts. Hospitals and Annexes. The provision for Super specialty services is mainly through tie-up arrangements with private hospitals numbering more than 1000 across India.

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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.

EPFO Programs At A Glance			
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

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

A few examples of other retirement programs giving social security			
Program name	**Program Type**	**Financing**	**Coverage**
Civil Service Pension Scheme Government Provident Fund	Mandatory Mandatory	State or Central Government Employee contributions	Civil servants at state and central government level 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